

**KIPP COLUMBUS
FRANKLIN COUNTY
SINGLE AUDIT
JULY 1, 2013 – JUNE 30, 2014**





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of KIPP Columbus, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is stylized with a large, looping "D" and a long, sweeping "Y".

Dave Yost
Auditor of State

February 20, 2015

This page intentionally left blank.

**KIPP COLUMBUS
FRANKLIN COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE BASIC FINANCIAL STATEMENTS	11
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES	23
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES	24
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	25
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	27
SCHEDULE OF FINDINGS – <i>OMB CIRCULAR A-133§.505</i>	29

This page intentionally left blank.



KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

INDEPENDENT AUDITOR'S REPORT

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 fiscal year ended June 30, 2014, 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Columbus, Franklin County as of June 30, 2014, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

KIPP Columbus
Franklin County
Independent Auditor's Report

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* 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 Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of KIPP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP's internal control over financial reporting and compliance.

Wilson, Shuman & Son, Inc.

December 15, 2014
Newark, Ohio

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The management's discussion and analysis of KIPP Columbus's (KIPP) financial performance provides an overall review of KIPP's financial activities for the fiscal year ending June 30, 2014. 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 2014 are as follows:

- Net position at June 30, 2014 was \$919,330, including unrestricted net position of \$574,556. This represents an increase of \$400,541 compared to the prior year.
- KIPP had total revenues of \$4,629,109, including operating revenues of \$2,408,771 and non-operating revenues of \$2,220,338; these revenues supported operating expenses of 3,878,669 and non-operating expenses of \$7,960 during fiscal year 2014. KIPP also reported a special item loss of \$341,939 for an impairment of leasehold improvement assets, related to the early termination of a building lease in anticipation of moving into their new facility in August of 2014. See Note 18 to the basic financial statements.

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 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report KIPP's net position and changes in net position. This change in net position is important because it tells the reader that, for KIPP as a whole, the financial position of KIPP has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

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 11-22 of this report.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The table below provides a summary of KIPP's net position at June 30, 2014 and 2013.

	2014	2013
<u>Assets</u>		
Current assets	\$ 1,028,932	\$ 342,279
Capital assets, net	<u>50,645</u>	<u>469,131</u>
Total assets	<u>1,079,577</u>	<u>811,410</u>
<u>Liabilities</u>		
Current liabilities	160,247	284,510
Long-term liabilities	<u>-</u>	<u>8,111</u>
Total liabilities	<u>160,247</u>	<u>292,621</u>
<u>Net position</u>		
Net investment in capital assets	48,126	461,020
Restricted	296,648	-
Unrestricted	<u>574,556</u>	<u>57,769</u>
Total net position	<u>\$ 919,330</u>	<u>\$ 518,789</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, KIPP's assets exceeded liabilities by \$919,330. Of this total, \$296,648 is restricted in use and \$574,556 is unrestricted.

Assets

Current assets consist primarily of cash and cash equivalents and intergovernmental receivables. KIPP cancelled the lease for its school building in anticipation of moving into a new building in fiscal year 2015. As of June 30, 2014, the leasehold improvements acquired are impaired and have been written off in fiscal year 2014. KIPP's remaining capital assets at June 30, 2014 consist of furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending, therefore KIPP's net investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist of accounts and intergovernmental payables, accrued wages and benefits and its capital lease obligation.

The following table shows the changes in net position for fiscal years 2014 and 2013.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Change in Net Position

	2014	2013
<u>Operating revenues:</u>		
State Foundation	\$ 2,403,959	\$ 2,105,874
Charges for services and other	4,812	33,677
Total operating revenues	<u>2,408,771</u>	<u>2,139,551</u>
<u>Operating expenses:</u>		
Personal services	2,450,139	2,223,954
Purchased services	1,145,798	1,169,544
Materials and supplies	157,144	140,676
Depreciation	69,208	68,553
Other	56,380	-
Total operating expenses	<u>3,878,669</u>	<u>3,602,727</u>
<u>Non-operating revenues (expenses):</u>		
Federal and State grants	1,376,778	882,177
Donations and contributions	843,235	464,834
Interest revenue	325	-
Interest expense	(621)	(1,205)
Loss on disposal of capital assets	(7,339)	-
Total non-operating revenues (expenses)	<u>2,212,378</u>	<u>1,345,806</u>
Change in net position before special item	742,480	(117,370)
Special item - impairment of assets	(341,939)	-
Change in net position	<u>400,541</u>	<u>(117,370)</u>
Net position at the beginning of the year	<u>518,789</u>	<u>636,159</u>
Net position at the end of the year	<u><u>\$ 919,330</u></u>	<u><u>\$ 518,789</u></u>

As the preceding table illustrates, KIPP's primary source of 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 321 in fiscal year 2013 to 329 in fiscal year 2014. State Foundation revenue accounted for 99.8% of operating revenues and 51.9% of all revenues for fiscal year 2014. The only other significant revenue sources in 2014 were Federal and State grants and contributions and donations, which are reported as non-operating revenues. Most of the former consists of Federal grant revenue from various grant programs such as the National School Lunch Program, Title I and the 21st Century Grant Program. The increase in donations and contributions in 2014 is primarily related to donations from The Columbus Foundation.

The main component of expenses for KIPP is personal services, which accounted for 63.04% of all expenses in fiscal year 2014. These expenses consist primarily of employee wages, salaries and benefits. Purchased services expenses consist of various professional and technical services, including payments made under KIPP's services contract with the Educational Service Center of Central Ohio. Additional detail on the components of purchased services expenses can be found in Note 7 in the notes to the basic financial statements.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

As noted on page 4, the leasehold improvements acquired are impaired and have been written off for fiscal year 2014. This is reported as a special item.

Capital Assets

At June 30, 2014, KIPP's capital assets consist of furniture and equipment in the amount of \$50,645 (net of accumulated depreciation). There were no additions to capital assets in fiscal year 2014 and disposals, net of accumulated depreciation, were \$7,339. KIPP also recognized \$341,939 during the fiscal year for the impairment of capital assets. Depreciation expense in fiscal year 2014 was \$69,208. Refer to Note 6 in the notes to the basic financial statements for more detail on KIPP's capital assets.

Debt Administration

The only long-term debt outstanding for KIPP is a capital lease obligation for the acquisition of copier equipment. At June 30, 2014, the balance of the lease is \$2,519, all of which is due within one year and reported as a current liability. Principal and interest payments in fiscal year 2014 were \$5,592 and \$621, respectively. See Note 9 in the notes to the basic financial statements for detail on the lease.

Economic Factors

KIPP receives approximately 99.8% of its operating revenue from the Ohio Department of Education. Additionally, approximately 99.9% of all revenues are from the Ohio Department of Education or from grants and donations. As such KIPP is economically dependent on these two revenue sources.

Operations

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

In August of 2014 the KIPP Columbus Foundation, a separate legal 501 (C) (3) nonprofit corporation, leased land and buildings to KIPP for twenty five (25) year period commencing August 20, 2014 with automatic renewal terms of five years. Lease terms are such that KIPP will pay the Foundation one dollar (\$1) annually for the term of lease and be responsible for all operating and maintenance cost. The estimated value of such land and building is approximately \$31,000,000.

KIPP contracted with The Educational Service Center of Central Ohio (ESCCO) for management services including management of personnel and human resources, technology, data management, financial reporting, compliance issues, budgets, and contracts for the fiscal year July 1, 2013 through June 30, 2014.

Request for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the KIPP's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, contact Alan R. Hutchinson, Treasurer of the Educational Service Center of Central Ohio.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:

Current assets:

Cash and cash equivalents	\$ 828,089
Receivables:	
Intergovernmental.	199,547
Accounts	12
Prepayments	<u>1,284</u>

Total current assets	<u>1,028,932</u>
--------------------------------	------------------

Non-current assets:

Depreciable capital assets, net	<u>50,645</u>
---	---------------

Total assets	<u>1,079,577</u>
------------------------	------------------

Liabilities:

Current liabilities:

Accounts payable.	41,465
Accrued wages and benefits	79,361
Intergovernmental payable	36,902
Capital leases payable	<u>2,519</u>

Total liabilities	<u>160,247</u>
-----------------------------	----------------

Net position:

Net investment in capital assets	48,126
--	--------

Restricted for:

Federally funded programs	19,484
Other purposes	277,164

Unrestricted	<u>574,556</u>
------------------------	----------------

Total net position	<u>\$ 919,330</u>
------------------------------	-------------------

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, 2014

Operating revenues:	
State Foundation	\$ 2,403,959
Charges for services and other	4,812
Total operating revenues	<u>2,408,771</u>
Operating expenses:	
Personal services	2,450,139
Purchased services	1,145,798
Materials and supplies	157,144
Depreciation	69,208
Other	56,380
Total operating expenses	<u>3,878,669</u>
Operating loss	<u>(1,469,898)</u>
Non-operating revenues (expenses):	
Federal and State grants	1,376,778
Interest revenue	325
Donations and contributions.	843,235
Interest expense	(621)
Loss on disposal of capital assets	(7,339)
Total nonoperating revenues (expenses)	<u>2,212,378</u>
Change in net position before special item	742,480
Special item - impairment of assets.	<u>(341,939)</u>
Change in net position	400,541
Net position at beginning of year	<u>518,789</u>
Net position at end of year.	<u>\$ 919,330</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:	
Cash received from foundation payments	\$ 2,400,101
Cash received from charges for services and other	48,368
Cash payments for personal services.	(2,494,891)
Cash payments for purchased services.	(1,236,372)
Cash payments for materials and supplies	(152,169)
Cash payments for other expenses	(56,497)
	<hr/>
Net cash used in operating activities	(1,491,460)
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants.	1,301,119
Cash received from donations and contributions.	843,235
	<hr/>
Net cash provided by noncapital financing activities.	2,144,354
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(4,958)
Principal paid on capital lease	(5,592)
Interest paid on capital lease	(621)
	<hr/>
Net cash used in capital and related financing activities.	(11,171)
Cash flows from investing activities:	
Interest received	3
	<hr/>
Net cash provided by investing activities	3
	<hr/>
Net increase in cash and cash equivalents	641,726
Cash and cash equivalents at beginning of year	186,363
Cash and cash equivalents at end of year	\$ 828,089
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,469,898)
Adjustments:	
Depreciation	69,208
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	28,280
Decrease in accounts receivable	236
Decrease in prepayments	2,538
Decrease in accounts payable.	(78,636)
Decrease in accrued wages and benefits	(51,801)
Increase in intergovernmental payable	8,613
	<hr/>
Net cash used in operating activities.	\$ (1,491,460)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE
INTENTIONALLY LEFT BLANK**

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF KIPP AND REPORTING ENTITY

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

KIPP was approved for operation under a contract with Thomas B. Fordham Foundation (the “Sponsor”) for a period of five academic fiscal years commencing after July 1, 2008 and ending June 30, 2013. In May of 2013 this contract was renewed for a three year period ending June 30, 2016. The Sponsor is responsible for evaluating the performance of KIPP and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Educational Service Center of Central Ohio (“ESCCO”) serves as the fiscal agent for KIPP (see Note 11).

Reporting Entity:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

A. Basis of Presentation

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Budgetary Process

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

E. Cash and Cash Equivalents

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

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

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. KIPP had no investments during the fiscal year ended June 30, 2014.

F. Capital Assets

KIPP's capital assets during fiscal year 2014 consisted of building leasehold improvements and furniture and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. KIPP maintains a capitalization threshold of \$5,000. KIPP does not have any infrastructure. Building leasehold improvements are capitalized. 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 are depreciated. Depreciation is computed using the straight-line method. Furniture and fixtures are being depreciated over ten years. Leasehold improvements are being depreciated over the life of the remaining lease agreement.

G. Net Position

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

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

H. Intergovernmental Revenue

KIPP currently participates in the State Foundation Program, as well as the National School Lunch Program, Charter School Program, Title I, Improving Teacher Quality, Title VI-B, Investing in Innovation, and 21st Century 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 2014 was \$1,376,778, exclusive of the State Foundation Program.

I. Accrued Liabilities and Long-Term Obligations

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

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

J. 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.

K. 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.

L. 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.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. KIPP had no extraordinary items during fiscal year 2014. 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 moved into a new school building for fiscal year 2015 and elected to cancel the lease agreement with Columbus City School District for its old school building. The impairment of assets related to the building leasehold improvements is reported as a special item in the fiscal year 2014 financial statements.

N. Economic Dependency

KIPP receives approximately 99.8% 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.

O. Related Party Transactions

Three members of the KIPP Columbus Board are also members of the KIPP Columbus Foundation's Board. See Note 18.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, KIPP has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of KIPP.

NOTE 4 - DEPOSITS

At June 30, 2014, the carrying amount of all deposits was \$828,089. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$595,239 of KIPP's bank balance of \$845,239 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

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

NOTE 5 - RECEIVABLES

Receivables at June 30, 2014, 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 year. The intergovernmental receivable of \$199,547 is comprised as follows:

Intergovernmental receivables:	
Charter School Program Grant	\$ 75,929
21st Century Grant	3,889
Investing in Innovation Grant	70,747
Federal Lunch Program	33,384
State Foundation Program	3,858
Other State and Federal amounts	<u>11,740</u>
Total	<u>\$ 199,547</u>

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, being depreciated:				
Leasehold improvements	\$ 609,775	\$ -	\$ (609,775)	\$ -
Furniture and equipment	124,939	-	(10,097)	114,842
Total capital assets being depreciated	<u>734,714</u>	<u>-</u>	<u>(619,872)</u>	<u>114,842</u>
Less: accumulated depreciation				
Leasehold improvements	(217,237)	(50,599)	267,836	-
Furniture and equipment	(48,346)	(18,609)	2,758	(64,197)
Total accumulated depreciation	<u>(265,583)</u>	<u>(69,208)</u>	<u>270,594</u>	<u>(64,197)</u>
Capital assets, net	<u>\$ 469,131</u>	<u>\$ (69,208)</u>	<u>\$ (349,278)</u>	<u>\$ 50,645</u>

NOTE 7 - PURCHASED SERVICES

For fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 287,748
Property services	163,423
Travel mileage and meetings	15,766
Communications	29,272
Utilities	57,877
Contracted craft or trade	344,956
Tuition	24,015
Sponsorship fees	51,480
Pupil transportation services	170,541
Other	<u>720</u>
Total	<u>\$ 1,145,798</u>

NOTE 8 - BUILDING LEASE

KIPP entered into a lease for the period July 1, 2008 through June 30, 2018 with Columbus City School District. Under the lease agreement, KIPP is responsible for paying all utilities, maintenance, and repairs, and applicable property taxes. Rent charges and other occupancy costs for KIPP totaled \$163,423 for the fiscal year. Effective August 20, 2014, the lease was cancelled (see Note 18). Future minimum payments on the lease as of June 30, 2014 were \$4,896.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 9 - LONG-TERM OBLIGATIONS

Capital Lease

The following is a summary of KIPP's long-term obligations activity in fiscal year 2014:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Capital lease	\$ 8,111	\$ -	\$ (5,592)	\$ 2,519	\$ 2,519

In 2010 KIPP entered into a copier lease agreement which meets the criteria for reporting as a capital lease. Capital assets consisting of equipment have been capitalized in the amount of \$23,762, 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 2014 were \$5,592 and \$621, respectively. The equipment is fully depreciated at June 30, 2014.

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, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 2,588
Total minimum lease payments	2,588
Less: amount representing interest	(69)
Present value of minimum lease payments	<u>\$ 2,519</u>

NOTE 10 - SPONSOR

KIPP was approved for operation under a contract with the Thomas B. Fordham Foundation (the Sponsor) through June 30, 2013. In May of 2013 this contract was renewed for a three year period ending June 30, 2016. As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation. The Sponsor was paid \$51,480 in sponsorship fees for fiscal year 2014.

NOTE 11 - SERVICE AGREEMENT

KIPP entered into a service contract with the Educational Service Center of Central Ohio (ESCCO), for fiscal year 2014, to provide fiscal, student data, and Comprehensive Continuous Improvement Planning (CCIP) consulting services. KIPP paid ESCCO \$102,052 in service fees for fiscal year 2014.

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 2014, KIPP had general liability insurance through Ohio Casualty Insurance.

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

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - RISK MANAGEMENT - (Continued)

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - KIPP contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and KIPP is required to contribute at an actuarially determined rate. The current KIPP rate is 14 percent of annual covered payroll. A portion of KIPP's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. KIPP's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$77,641, \$60,196 and \$26,208, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - KIPP participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. KIPP was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

KIPP's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$179,668, \$184,337 and \$166,117, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

This space intentionally left blank.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - KIPP participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes 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.

KIPP's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,447, \$3,869 and \$1,030, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. KIPP's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$4,386, \$3,181 and \$847, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. KIPP's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$13,821, \$13,167 and \$11,866, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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 (medical and dental).

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, 2014.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by the school. These reviews are conducted to ensure schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, KIPP is owed \$3,858 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

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, 2014.

**KIPP COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 17 - TAX EXEMPT STATUS

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

NOTE 18 - SUBSEQUENT EVENT

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

In August of 2014 the Foundation leased land and buildings to KIPP for 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. Lease terms are such that KIPP will pay the Foundation one dollar annually for the term of lease and be responsible for all operating and maintenance costs.

The estimated value of such land and building is approximately \$31,000,000.

**KIPP COLUMBUS
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR\ <i>Pass Through Grantor\</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Breakfast Program	N/A	10.553	\$ 76,132	\$ 76,132
National School Lunch Program	N/A	10.555	162,652	162,652
Total U.S. Department of Agriculture			238,784	238,784
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	N/A	84.010	323,113	323,502
Special Education Grants to States	N/A	84.027	117,329	78,166
Charter Schools	N/A	84.282	3,938	58,060
Twenty-First Century Community Learning Centers	N/A	84.287	166,464	158,103
Improving Teacher Quality State Grants	N/A	84.367	7,595	3,609
<i>Total Passed Through Ohio Department of Education</i>			<i>618,439</i>	<i>621,440</i>
<i>Passed Through The KIPP Columbus Foundation:</i>				
Investing in Innovation	N/A	84.411	92,457	141,891
Total U.S. Department of Education			710,896	763,331
Total Federal Awards			\$ 949,680	\$ 1,002,115

The accompanying notes are an integral part of this schedule.

**KIPP COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of KIPP's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - 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 C – INVESTING IN INNOVATION

KIPP participated in the Investing in Innovation (i3) grant passed through from the KIPP Columbus Foundation which was utilized in accordance with the terms of the grant agreement.



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

KIPP Columbus
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of KIPP Columbus, Franklin County, (KIPP) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise KIPP's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shannon & Sons, Inc.

December 15, 2014
Newark, Ohio



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 the KIPP Columbus's (KIPP) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the KIPP Columbus's major federal program for the fiscal year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

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 fiscal year ended June 30, 2014.

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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

William Shuman & Son, Inc.

December 15, 2014
Newark, Ohio

**KIPP COLUMBUS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(I)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(I)(iv)</i>	Were there any material internal control weakness conditions reported for each major federal program?	No
<i>(d)(I)(iv)</i>	Were there any other significant deficiencies in its internal control for each major federal program?	No
<i>(d)(I)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(I)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(I)(vii)</i>	Major Programs (list):	Title I \CFDA #84.010
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	Yes

**KIPP COLUMBUS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
*OMB CIRCULAR A-133 §.505***

JUNE 30, 2014

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

KIPP COLUMBUS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2015**