KIPP NASHVILLE

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015

Operating Tennessee Public Charter Schools:
KIPP ACADEMY NASHVILLE
KIPP NASHVILLE COLLEGE PREP
KIPP NASHVILLE COLLEGIATE HIGH SCHOOL
KIPP KIRKPATRICK ELEMENTARY SCHOOL

KIPP NASHVILLE

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KIPP NASHVILLE
INTRODUCTORY SECTION

BOARD OF DIRECTORS

Jim Flautt	Board Chair
Daphne Butler	Advocacy Committee (Chair)
Elizabeth Dennis	Development Committee (Chair)
Chris Dowdy	Finance Committee
Rob Elliott	Finance Committee (Chair)
Camiqueka Fuller	Parent Representative, Development Committee
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Felice Rudolph	Strategy and Operations Committee (Chair)
Will Ed Settle	Governance Committee (Chair)
Brad Smith	Advocacy Committee
Rick Theobald	Finance Committee
Larry Trabue	Development Committee
Rob Wilson	Healthy Schools Committee

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Anika Baltimore	Director of Finance
Emily Blatter Boyer	Director of KIPP Through College
Thomas Branch	Director of Operations
Berry Brooks	Director of Development
Dan Gennaoui	Chief Operating Officer
Kristin Godt	Director of Talent Recruiting & Selection
Meghan Little	Chief Academic Officer
Sarah Malanchuk	Director of Student Support
Kerianne Ryan	Director of Curriculum & Assessment
Lindsay Wright	Director, Talent Management & Development
Amy Galloway	School Leader - KIPP Kirkpatrick Elementary
Laura Miguez Howarth	School Leader - KIPP Academy Nashville
Nikki Miller Olszewski	School Leader - KIPP Nashville College Prep
Jake Ramsey	School Leader - KIPP Nashville Collegiate High School

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board Directors
KIPP Nashville
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Nashville, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise KIPP Nashville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Nashville as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal year 2015, KIPP Nashville adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the schedule of the proportionate share of the net pension liability (asset) and schedule of employer contributions on pages 40 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KIPP Nashville's basic financial statements. The introductory section on page 1, the combining nonmajor fund financial statements on pages 44 through 45, and the schedule of assets, liabilities and fund balances by school and schedule of revenues, expenditures and changes in fund balance by school on pages 46 through 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Tennessee and are also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the schedule of assets, liabilities and fund balances by school, the schedule of revenues, expenditures and changes in fund balances by school, and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the schedule of assets, liabilities and fund balances by school, the schedule of revenues, expenditures and changes in fund balances by school, and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015, on our consideration of the KIPP Nashville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the KIPP Nashville's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
November 3, 2015

Our discussion and analysis of the annual financial performance of KIPP Nashville (the "Organization") provides an overview of the Organization's financial activities for the fiscal year ended June 30, 2015 as compared to 2014. This section should be read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Organization's governmental activities total assets increased by $1,345,001 in fiscal year 2015, or 17.6%, while total revenues increased by $977,326 or 12.4%. The Organization's governmental activities total program costs (student instruction and services) for 2015 increased $1,075,577 or 21.8% Overall, the 2015 change in net position, an increase of $942,173, was $1,128,769 less than the increase of $2,070,942 in the prior year.

For the General Purpose School Fund there was a net increase in fund balance of $879,435. The General Purpose School Fund's fund balance at fiscal year-end was $4,805,649.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of a series of financial statements, notes to those statements, required supplementary information, and supplementary information. The statements are organized so that the reader can understand the Organization as a whole and then proceed to a detailed look at specific financial activities of the Organization.

REPORTING THE ORGANIZATION AS A WHOLE

In general, users of these financial statements want to know if the Organization is in a better or worse financial position as a result of the year's activities. The Statement of Net Position and Statement of Activities report information about the Organization as a whole and about the Organization's activities in a manner that helps to answer that question. These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis, all of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 10.

The Statement of Net Position reports the Organization's net position (total assets plus deferred outflow of resources less total liabilities less deferred inflows of resources). The Organization's net position balance at year-end represents available resources for sustainability of current level of operations as well as for funding of future growth. The Statement of Activities reports the change in net position as a result of activity during the year. The Statement of Activities aids the user in determining the direction of the Organization's financial health during the year. Users will want to consider non-financial factors as well as the financial data in arriving at a conclusion regarding the overall health of the Organization.

The Organization's fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, begin on page 12. These statements provide detailed information about the Organization's most significant funds, not the Organization as a whole. Funds are established by the Organization as required to help manage money for particular purposes and for compliance with various donor and grant provisions.

The Organization's funds are categorized as "governmental funds." Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the government - wide financial statements to report on the Organization as a whole. The relationship between governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental funds, as reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances is reconciled in the basic financial statements on pages 13 and 15.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Organization's assets and deferred outflow of resources exceeded the Organization's liabilities and deferred inflows of resources at the close of the fiscal year, resulting in net position of $5,604,498. The Organization's net position includes $5,932,244 of cash and investments, $598,265 of which is subject to external restrictions that limit how the amounts may be used for the upcoming school year. An additional $160,805 is restricted to an endowment scholarship fund. The remainder of the cash is available to meet the Organization's ongoing operating activities and growth strategy.

As of June 30, 2015, the Organization had invested a total of $1,482,985 in capital assets. This investment includes instructional and support furniture, instructional computers for teachers, mobile student computer labs, and maintenance equipment. The Organization expects additional property and equipment investments in the 2015-2016 school year, as student enrollment increases. For the 2014-2015 school year, the Organization leased educational space (Ewing Park School, 3410 Knight Drive, Nashville, TN 37207) from Metropolitan Nashville Public Schools (MNPS) for KIPP Nashville College Prep. The lease term ended June 30, 2015, and was extended through fiscal year 2025. The Organization also leased educational space (Highland Heights, 123 Douglas Ave., Nashville, TN 37207) from Metropolitan Government Services for KIPP Academy Nashville and KIPP Nashville Collegiate High. The lease term ends June 30, 2024. Additional information on property and equipment is located in the notes to the financial statements. The Organization's fourth school, KIPP Kirkpatrick Elementary launched during the fall of 2015. The Organization will lease educational space for this school (Kirkpatrick Enhanced Option Elementary, 1000 Sevier St., Nashville, TN 27306) from MNPS through fiscal year 2025.

A schedule of the Organization's net position as of June 30, 2015 and 2014, is as follows:

	2015	2014 As Restated
Cash and cash equivalents	$5,771,439	$4,381,122
Investments	160,805	151,595
Receivables	1,423,775	1,810,763
Other assets	156,639	161,182
Capital assets	1,482,985	1,145,980
Total assets	8,995,643	7,650,642
Deferred outflow of resources	440,408	127,377
Accounts payable and accrued expenses	761,388	522,002
Other liabilities	1,980,725	2,024,882
Total liabilities	2,742,113	2,546,884
Deferred inflows of resources	1,089,440	568,810
Net position:		
Net investment in capital assets	1,386,379	1,145,980
Restricted	160,805	151,595
Unrestricted	4,057,314	3,364,750
Total net position	$5,604,498	$4,662,325

The 2014 column has been restated for the implementation of Governmental Accounting Standards Board Statement No. 68, as further described in Note A to the financial statements. Management believes that the addition of this liability does not reflect a change in the financial health of KIPP Nashville.

The Organization's total net position increased by $942,173 during the 2015 fiscal year. The increase in the Organization's net position indicates that the Organization had more incoming revenues than outgoing expenses during the year.

Total revenues for fiscal year 2015 increased to $8,840,914, an increase of 12.4% when compared to fiscal year 2014. Revenues generated from government grants, governmental funds, and KIPP foundation grants were $6,710,739 during the 2015 fiscal year, an increase of $1,365,187, or 25.5% when compared to 2014. Contributions from individuals and organizations of $2,057,226 were similar to 2014 due primarily to continued support from existing individual and corporate donors and the identification of new individual donors. In addition, MNPS district funding increased 44.0% when compared to 2014. The main driver of this increase was the increased enrollment at existing schools and the addition of the third school, KIPP Nashville Collegiate High. Finally, federal funding remained strong, but was down from 2014 due to the expiration of the Race to the Top grant.

Total expenses were $7,898,741 during the 2015 fiscal year, an increase of $2,425,955 when compared to 2014. The majority of this increase is directly related to the addition of the third school, KIPP Nashville Collegiate High.

The increase in net position of $924,173 in 2015 is $1,128,769 less than the increase in net position of $2,070,942 in 2014. While revenue from contributions and federal grants increased in 2015, increases in operating expenses related to the addition of KIPP Nashville Collegiate High exceeded revenue, as anticipated.

A schedule of the Organization's revenues and expenses for the years ended June 30, 2015 and 2014, is as follows. The schedule is for the Organization as a whole, not for the governmental funds.

	2015	2014
Revenues		
Contributions	$2,057,226	$2,131,663
District funding	5,630,905	3,911,088
Federal and state grants	1,079,834	1,434,464
Interest and investment income	27,678	32,239
Other	45,271	34,274
Total revenues	8,840,914	7,543,728
Expenses		
Instructional	611,912	397,158
Occupancy	760,154	517,704
Office	205,588	223,527
Organizational development	96,502	32,779
Service fees	295,896	305,712
Employee compensation	5,191,604	3,553,609
Staff development	305,969	163,085
Transportation	135,961	120,090
Depreciation	295,155	159,122
Total expenses	7,898,741	5,472,786
Change in net position	$ 942,173	$2,070,942

FINANCIAL ANALYSIS OF THE ORGANIZATION'S FUNDS

The Organization's funds, as presented on the Balance Sheet on page 12, report a combined fund balance of $4,966,454. The majority of the Organization's total funds are in the General Purpose School Fund, which is the chief operating fund of the Organization. The Organization has two other major funds, the Restricted Contribution Fund and Federal and State Grants Fund.

Due to the different basis of accounting, there is a difference between the amounts reported under the Organization's funds and the amounts reported as government-wide. For the year ended June 30, 2015, the differences consist of capital assets, pension amounts, and long-term debt, which are not reported in the Organization's governmental funds.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2016 enrollment is projected to be approximately 1,025 students for KIPP Nashville. During fiscal year 2015, KIPP Nashville also launched its first high school, KIPP Nashville Collegiate High, and enrollment was approximately 100 students. Starting with the 2015-2016 school year, KIPP Nashville opened KIPP Kirkpatrick Elementary. KIPP Kirkpatrick Elementary will serve students in grades K-1 in East Nashville during the 2015 - 2016 school year.

The Organization anticipates that total Basic Education Program (BEP) funding will increase because of increased enrollment. Additionally, the Organization expects per pupil BEP funding to be similar to the 2014-2015 school year based on state budget information. For fiscal year 2016, the organization expects to continue its strong fundraising efforts for non-governmental funds. KIPP believes a continued focus on the existing donor base, the annual community fundraising breakfast, the identification of new individual donors, and a Board of Directors commitment will help the Organization continue its strong fundraising efforts. These non-governmental resources are an important funding source to fill the current funding gap of KIPP Nashville and to fuel the strategic growth plans for KIPP Nashville.

For fiscal year 2016, in addition to serving KIPP's current student population of 1,025 students, KIPP plans to invest in the Organization's long-term growth plan for opening new KIPP schools in Nashville. These investments will include hiring additional staff, increasing professional development, and making general and administrative expenditures specific to the further development and execution of the KIPP Nashville strategic growth plan.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students' parents, Davidson County taxpayers, donors, creditors, grant funding authorities and agencies tasked with oversight of Metropolitan Nashville Public Schools with a general overview of the Organization's finances and to demonstrate the accountability for the money it receives. For questions about this report or additional financial information, contact the Organization's Director of Finance, Anika Baltimore, at 3410 Knight Drive, Nashville, TN 37207, by telephone at (615) 226-4484 or email abaltimore@KIPPNashville.org.

KIPP NASHVILLE
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 5,771,439
Investments	160,805
Receivables	1,423,775
Other current assets	156,639
Capital assets, net	1,482,985
Total assets	8,995,643
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	440,408
LIABILITIES	
Accounts payable	497,628
Accrued expenses	263,760
Advance contributions and grants	1,347,565
Long-term debt, due within one year	14,392
Long-term debt, due in more than one year	434,310
Net pension liability	184,458
Total liabilities	2,742,113
DEFERRED INFLOWS OF RESOURCES	
Contributions for future periods	437,251
Pensions	652,189
Total deferred inflows of resources	1,089,440
NET POSITION	
Net investment in capital assets	1,386,379
Restricted	160,805
Unrestricted	4,057,314
Total net position	$ 5,604,498

See accompanying notes to financial statements.

KIPP NASHVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

		Functions		
GOVERNMENTAL ACTIVITIES:	Total	Student Instruction and Services	Administration	Fundraising
EXPENSES				
Instructional	$ 611,912	$ 611,912	$ -	$ -
Occupancy	760,154	646,131	114,023	-
Office	205,588	195,309	10,279	-
Organizational development	96,502	-	-	96,502
Professional services and fees	295,896	59,179	236,717	-
Employee compensation	5,191,604	3,893,703	1,297,901	-
Staff development	305,969	290,671	15,298	-
Transportation	135,961	135,961	-	-
Depreciation	295,155	177,093	118,062	-
Total expenses	7,898,741	6,009,959	1,792,280	96,502
PROGRAM REVENUES				
Operating grants and contributions	959,834	959,834	-	-
Capital grants and contributions	120,000	120,000	-	-
Net program expenses	6,818,907	$ 4,930,125	$ 1,792,280	$ 96,502
GENERAL REVENUES				
Contributions	2,057,226			
District funding	5,630,905			
Other	45,271			
Interest and investment income	27,678			
Total general revenues	7,761,080			
CHANGE IN NET POSITION	942,173			
NET POSITION, as restated June 30, 2014	4,662,325			
NET POSITION, June 30, 2015	$ 5,604,498			

See accompanying notes to financial statements.

KIPP NASHVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 5,159,173	$ 598,267	$ 13,999	$ -	$ 5,771,439
Investments	-	-	-	160,805	160,805
Receivables	440,401	636,298	347,076	-	1,423,775
Due from other funds	248,075	-	-	-	248,075
Other current assets	156,639	-	-	-	156,639
Total assets	$ 6,004,288	$ 1,234,565	$ 361,075	$ 160,805	$ 7,760,733
LIABILITIES					
Accounts payable	$ 497,628	$ -	$ -	$ -	$ 497,628
Accrued expenditures	263,760	-	-	-	263,760
Due to other funds	-	-	248,075	-	248,075
Advance contributions and grants	-	1,234,565	113,000	-	1,347,565
Total liabilities	761,388	1,234,565	361,075	-	2,357,028
DEFERRED INFLOWS OF RESOURCES	437,251	-	-	-	437,251
FUND BALANCES					
Nonspendable	156,639	-	-	107,298	263,937
Restricted	-	-	-	53,507	53,507
Unassigned	4,649,010	-	-	-	4,649,010
Total fund balances	4,805,649	-	-	160,805	4,966,454
Total liabilities, deferred inflows of resources and fund balances	$ 6,004,288	$ 1,234,565	$ 361,075	$ 160,805	$ 7,760,733

See accompanying notes to financial statements.

KIPP NASHVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2015

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION:

Total governmental fund balances	$ 4,966,454
Capital assets not reported above	1,482,985
Pension amounts not reported above	
Net pension liability not reported above	(184,458)
Deferred inflows of resources for pensions	(652,189)
Deferred outflows of resources for pensions	440,408
Long-term debt not reported above	(448,702)
Net position of governmental activities in the statement of net position	$ 5,604,498

See accompanying notes to financial statements.

KIPP NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Contributions	$1,675,316	$ 452,533	$ -	$ 5,000	$2,132,849
District funding	5,630,905	-	-	-	5,630,905
Federal and state grants	-	-	1,090,695	-	1,090,695
Interest and investment income	21,468	-	-	6,210	27,678
Other income	45,271	-	-	-	45,271
Total revenues	7,372,960	452,533	1,090,695	11,210	8,927,398
EXPENDITURES					
Current:					
Instructional	510,709	9,188	92,015	-	611,912
Occupancy	760,154	-	-	-	760,154
Office	186,798	-	14,075	-	200,873
Organizational development	96,502	-	-	-	96,502
Other	-	-	-	2,000	2,000
Professional services and fees	293,896	-	-	-	293,896
Employee compensation	4,485,283	380,770	566,398	-	5,432,451
Staff development	293,038	-	12,931	-	305,969
Transportation	135,961	-	-	-	135,961
Debt Service					
Principal	2,194	-	-	-	2,194
Interest	4,715	-	-	-	4,715
Capital outlay	175,171	62,575	394,415	-	632,161
Total expenditures	6,944,421	452,533	1,079,834	2,000	8,478,788
OTHER FINANCING SOURCES:					
Issuance of debt	450,896	-	-	-	450,896
NET CHANGE IN FUND BALANCES	879,435	-	10,861	9,210	899,506
FUND BALANCES, June 30, 2014	3,926,214	-	(10,861)	151,595	4,066,948
FUND BALANCES, June 30, 2015	$4,805,649	$ -	$ -	$ 160,805	$4,966,454

See accompanying notes to financial statements.

KIPP NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CONTINUED
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES:

Net change in fund balances as reported in the governmental funds statements	$ 899,506
Amounts which are not available to pay for current period expenditures, and therefore, are unavailable revenues in the funds:	
Deferred inflows of resources for unavailable revenues	(86,484)
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Capital outlays	632,161
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(295,155)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuance of debt increases long-term obligations for governmental activities	(448,702)
Expenditures for pensions in the governmental funds consists of contributions made, whereas in the government-wide statement, pension expense is calculated in accordance with GASB Statement No. 68	240,847
Change in net position of governmental activities	$ 942,173

See accompanying notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

KIPP Nashville was incorporated October 22, 2003, as a Tennessee nonprofit corporation. Pursuant to Section 6(b)(1)(A) of the Tennessee Public Charter School Act of 2002 (the Act), KIPP Nashville has been approved to operate public charter schools. Under the Act, public charter schools are part of the state's public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education. As of June 30, 2015, KIPP Nashville has entered into Charter School Agreements with the Metropolitan Board of Public Education of Nashville and Davidson County to operate the following charter schools (collectively, the "Schools") in Nashville, Tennessee:

KIPP Academy Nashville (grades five through eight),
KIPP Nashville College Prep (grades five through eight)
KIPP Nashville Collegiate High School (grades nine through twelve)
KIPP Kirkpatrick Elementary School (grades kindergarten through four; Commencing in July 2015),

KIPP Nashville has a license agreement with KIPP Foundation, a California Public Charity, to assist the Schools in providing educationally underserved students with the knowledge, skills and character needed to succeed in top-quality high schools, colleges and the competitive world beyond. KIPP and the Knowledge Is Power Program are trademarks of the KIPP Foundation.

Basic Financial Statements

In accordance with State of Tennessee regulations, KIPP Nashville reports as a special-purpose governmental entity.

Government-wide financial statements

The government-wide financial statements focus on the sustainability of KIPP Nashville as an entity and the change in KIPP Nashville's net position resulting from the current year's activities. In the government-wide statement of net position, amounts are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as any long-term debt and obligations. The statement of net position presents the financial condition of the School at year-end.

KIPP Nashville's net position is reported in three categories - net investment in capital assets; restricted net position; and unrestricted net position. When both restricted and unrestricted resources are available for use, it is KIPP Nashville's policy to use restricted resources first, and then unrestricted resources as they are needed. KIPP Nashville does not allocate indirect costs between functions.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities reports both the gross and net cost of KIPP Nashville's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district BEP funding and donations to the General Purpose School Fund). The statement of activities reduces gross expenses by related function revenues, including operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue.

Fund financial statements

The financial transactions are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows or inflows of resources, fund balance, revenues and expenditures.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized in a single column. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria for the determination of major funds. The School reports the following major governmental funds:

The General Purpose School Fund is the primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Restricted Contribution Special Revenue Fund is used to account for the receipt and disbursement of private contributions restricted primarily for specific purposes.

The Federal and State Grants Special Revenue Fund is used to account for the receipt and disbursement of federal and state grants where unused balances, if any, are returned to the grantor at the close of specified project periods. This fund includes both federal and state activity where KIPP Nashville is considered to be a recipient of federal and state funding as well as activity for which KIPP Nashville is designated as a vendor of the KIPP Foundation.

The focus of the governmental funds is upon the determination of financial resources, their balance, sources and use, rather than upon net income. KIPP Nashville classifies governmental fund balances as nonspendable, restricted, committed, assigned and unassigned based on the level of constraints on the fund balances. When an expenditure is incurred in which both restricted and unrestricted funds are available for use, it is KIPP Nashville's policy to spend restricted funds first, then unrestricted funds. When an expenditure has been incurred for purposes in which multiple categories of unrestricted funds are available, it is KIPP Nashville's policy to spend funds in the following order: committed, then assigned, and lastly unassigned funds. The classifications of fund balances are defined as follows:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Nonspendable - This classification consists of fund balances that cannot be spent because they are either not in spendable form, for example, noncash amounts that are not expected to be converted to cash, or the funds are legally or contractually required to be maintained intact.

Restricted - This classification consists of fund balances with external constraints on use imposed by creditors (such as through debt covenants), contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Committed - This classification consists of fund balances that can only be used for specific purposes established by formal action of the Board of Directors, its highest level of decision making authority. Such commitments should include contractual obligations of fund assets. Fund balance commitments can only be removed by the same process of the same body employed to previously commit those amounts.

Assigned - This classification consists of all fund balances that are not in the General Purpose School Fund or classified as nonspendable, restricted or committed. In addition, General Purpose School Fund balances that are intended to use for specific purposes are also classified as assigned. KIPP Nashville gives the authority to assign amounts to specific purposes to the chief finance officer and personnel under the supervision of the chief finance officer tasked with financial recording responsibilities.

Unassigned - This classification consists of all fund balances in the General Purpose School Fund that are not reported as nonspendable, restricted, committed or assigned, a well as negative fund balances, if any, in the other funds.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

KIPP Nashville is considered a special purpose governmental entity engaged in governmental type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared in the same manner as general purpose governments.

The basic financial statements include both government-wide (reporting KIPP Nashville as a whole) and fund financial statements (reporting KIPP Nashville's major funds). KIPP Nashville's primary activities are all considered to be governmental activities and are classified as such in the government-wide and fund financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available and expenditures are recognized when the related liability is incurred. “Available” means collectible within the current period or within 60 days after the end of the year.

Since the governmental funds financial statements are presented on a different basis than the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the government-wide financial statements.

Fund Balances

The General Purpose School Fund includes fund balance amounts presented as nonspendable as they are not in spendable form. The nonspendable fund balance amount in the KIPP Alumni Scholarship Permanent Fund is contractually required to be maintained intact, whereas restricted fund balance in the fund is restricted by donors to be used for scholarships.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, are considered to be cash equivalents.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Receivables represent amounts due from contributors, grants or other funding which have been approved but not received. All receivables are reported at estimated collectible amounts. Receivables that will not be collected within the available period have been reported as unavailable revenues under deferred inflow of resources in the governmental fund financial statements.

Capital Assets

Property and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures, which materially extend the economic lives, change capacities or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, or over the term of the lease for leasehold improvements, if less. Generally, expenditures for property and equipment items over $1,000 are capitalized.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the respective governmental fund upon acquisition.

When applicable, work in progress represents long term assets not yet placed into service. When a project is completed and placed into service, the work in progress is removed and recorded as a depreciable asset.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. KIPP Nashville reports the following deferred outflow of resources relating to the pensions: Contributions made subsequent to the pension measurement date, difference between expected and actual experience, difference between projected and actual investment earnings, and changes in proportion of the net pension liability.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. KIPP Nashville has two types of items that qualify for reporting in this category. The first, which arises only under a modified accrual basis of accounting, is unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from amounts that are deferred and recognized as an inflow of resources in the period that the amounts become available. The second arises due to contributions and grants which have time requirements for future periods. Details of these deferred inflow of resources are presented in Note F. KIPP Nashville also reports the following deferred inflow of resources related to pensions: Differences between expected and actual experience and differences between projected and actual investment earnings.

Income Taxes

KIPP Nashville is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code, classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes. KIPP Nashville accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, management has determined that such tax positions do not result in an uncertainty requiring recognition.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Balances

Transactions which constitute reimbursement of expenditures initially made from a fund, which are properly applicable to another fund, are recorded as expenditures, as appropriate, in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Additionally, the Federal and State Grants Fund and Restricted Contribution Fund occasionally make disbursements in advance of receiving funds. Accordingly, interfund transfers are made from the General Purpose School Fund in the form of due to/from other funds. The amounts due the General Purpose School Fund are repaid upon receipt of the grants or contributions. At June 30, 2015, details of the interfund balances are as follows:

Federal and State Grants Fund due to General Purpose School Fund relating to operating grant expenditures in advance of receipt of grant funding	$248,075

Recent Accounting Pronouncements and Restatement of Net Position

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, *An Amendment of GASB Statement No. 27*, which is intended to improve the decision-usefulness of information and enhance the value for assessing accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The new standard also intends to improve the financial reporting by state and local governments for pensions and by improving the transparency about the pension plan through new note disclosures and supplementary information. The provisions of Statement No. 68 are effective in fiscal year 2015.

The statement resulted in KIPP Nashville recognizing the net pension liability on the statement of net position for its pension plan. The statement requires retroactive application through restatement of beginning net position. This adjustment resulted in a decrease in the unrestricted net position on the statement of net position. Additionally, the new standard computes the annual actuarially determined contribution in a new manner. Other measurement changes include recognizing annual pension expense in-lieu-of pension cost.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement No. 68.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The impact on the financial statements of the adoption of these accounting pronouncements is restatement of beginning net position, as follows:

	June 30, 2014
Unrestricted net position, beginning of year, as previously reported	$ 5,299,411
GASB 68 adjustment to record net pension liability and related deferred outflows of resources	(637,086)
Unrestricted net position, beginning of year, as restated	$ 4,662,325

B. DEPOSITS AND INVESTMENTS

KIPP Nashville does not have formal deposit policies that address its exposure to custodial credit risk. KIPP Nashville regularly maintains deposits with a financial institution in excess of FDIC coverage. KIPP Nashville's financial institution is a member of the Tennessee Bank Collateral Pool, which helps to mitigate custodial credit risk.

The bank and carrying balances of cash and cash equivalents were $5,814,188 and $5,771,439, respectively, with the difference due primarily to outstanding checks.

KIPP Nashville's investments consist of mutual funds recorded in its donor-restricted endowment fund. The endowment fund includes $53,507 of net appreciation, which is presented in restricted fund balance in the permanent fund and is available for authorization for expenditure by the Board at year-end.

C. CAPITAL ASSETS

Capital assets activity for governmental activities for the year was as follows:

	Balance July 1, 2014	Additions	(1) Transfers	Balance June 30, 2015
Classroom:				
Furniture	$ 170,788	$ 86,590	$ 99,755	$ 357,133
Instructional hardware and software	533,339	200,337	39,712	773,388
Library and textbooks	177,578	-	-	177,578
Equipment	127,766	17,906	140,579	286,251
Administrative:				
Furniture and equipment	143,199	116,885	108,702	368,786
Computer hardware and software	121,619	24,899	2,993	149,511
Maintenance	20,228	86,744	13,746	120,718
Work in progress	405,487	-	(405,487)	-
Transportation	326,740	98,800	-	425,540
	2,026,744	632,161		2,658,905
Accumulated depreciation	(880,765)	(295,155)	-	(1,175,920)
Capital assets, net	$ 1,145,979	$ 337,006	$ -	$ 1,482,985

(1) Transfers during fiscal year 2015 consisted of the completion of work in progress as well as certain transfers among the shared services division and the Schools.

Depreciation was charged to governmental activities as follows:

Student instruction and services	$177,093
Administration	118,062
Fundraising	-
	$295,155

D. LONG- TERM DEBT AND LINE-OF-CREDIT

The following is a summary of debt obligations outstanding as of June 30, 2015:

Note payable with the Charter School Growth Fund, Inc., bearing interest at 1.00% annually; interest only payments through maturity in November 2019, when all outstanding principal is due.	$ 352,096
Capital lease obligation for transportation equipment, due in monthly installments of $2,343, with nine installments made annually; balloon payment of outstanding principal amount of $49,450 due in May 2018.	96,606
	448,702
Amount due in one year	(14,392)
Long-term portion	$ 434,310

Long-term debt activity for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Borrowings	Repayments	Balance June 30, 2015
Note Payable	$ -	$352,096	$ -	$352,096
Capital Lease	-	98,800	2,194	96,606
Total	$ -	$450,896	$2,194	$448,702

Estimated future maturities of long-term debt are as follows:

Year Ending June 30,	
2016	$ 14,392
2017	16,742
2018	65,472
2019	-
2020	352,096
	$448,702

Under the note agreement with the Charter School Growth Fund, Inc., $150,000 of the outstanding principal balance may be forgiven if KIPP Nashville achieves certain milestones, including the opening of new schools. If all conditions are met, the forgiveness of debt would occur in November 2019.

D. LONG- TERM DEBT AND LINE-OF-CREDIT - Continued

KIPP Nashville has a $1,750,000 line-of-credit agreement with a financial institution. The line-of-credit bears interest at a variable rate of the financial institution's index rate and expires in expires in April 2016. As of June 30, 2015, no amounts were outstanding under the agreement.

E. LEASE ARRANGEMENTS

KIPP Nashville and the Schools operate from facilities, which are provided under lease arrangements with the Metropolitan Nashville Board of Public Education and Metropolitan Government of Nashville and Davidson County (collectively the "Metropolitan Government"). The leases include building operations and interior and exterior support services. The lease arrangements require monthly rental payments. KIPP Nashville's total rent expense for fiscal year 2015 was $574,771. The leases also require KIPP Nashville to pay for certain operating and janitorial services.

Future rental payments on the leases are due through fiscal year 2025, which are estimated as follows:

Year Ending June 30,	
2016	$ 733,148
2017	793,092
2018	813,897
2019	835,267
2020	857,216
2021 - 2025	4,010,608
	$8,043,228

F. RECEIVABLES AND RELATED DEFERRED INFLOWS OF RESOURCES

Receivables at June 30, 2015, consist of the following:

Contributions for future periods	$1,073,549
Grants	347,076
Other	3,150
	$1,423,775

F. RECEIVABLES AND RELATED DEFERRED INFLOWS OF RESOURCES - Continued

Amounts reflected in deferred inflows of resources, relating to receivables, include the following at June 30, 2015:

	Government-wide	Government Funds
Deferred inflows of resources		
Contributions designated to future periods	$437,251	$437,251
Unavailable revenues under modified accrual accounting	N/A	112,123
	$437,251	$549,374

G. RELATED PARTY TRANSACTIONS

KIPP Foundation has the authority to appoint a member to the Board of Directors. This member is empowered to veto the actions of the other members of the Board.

The School pays a licensing fee to KIPP Foundation equal to 1% of state and local per-pupil funding received not to exceed $30,000 per school. The agreement is for automatically renewable one-year terms. Total license fees incurred for the year ended June 30, 2015, were $45,716.

H. CONCENTRATION

KIPP Nashville received 54% of its funding for operations from MNPS based on the State of Tennessee's Basic Education Program (BEP). BEP funding is designated to schools based on student attendance. Gross BEP funding for the year ended June 30, 2015, was $5,630,905. Outside fundraising for capital and other needs is on-going since the charter school agreements with MNPS do not include allocations for capital expenditures.

I. PENSIONS

KIPP Nashville, similar to MNPS and all Tennessee Public Charter Schools in the MNPS System, participates in the following three defined benefit pension plans (collectively the "Pension Plans"):

Certificated Employees
Tennessee Consolidated Retirement System ("TCRS"):
Teachers Legacy Pension Plan
Teachers Retirement Plan (collectively the "TCRS Plans")

Non-Certificated Employees
Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government"):
Metro Pension Plan of the Metropolitan Employees Benefit Trust (the "MetroPlan")

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS and the Metropolitan Government. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Pension Plans. Investments are reported at fair value.

(I.) TCRS Plans

(A) General Information - TCRS Plans

Description of the TCRS Plans

Teachers with membership in the TCRS before July 1, 2014, of KIPP Nashville are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014.

The Teacher Retirement Plan is a separate cost- sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

I. PENSIONS - Continued

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly.

Teachers Legacy Pension Plan

Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Teachers Retirement Plan

Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits.

I. PENSIONS - Continued

A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted.

Teachers Legacy Pension Plan

Employer contributions by KIPP Nashville for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $154,348 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Teachers Retirement Plan

Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were $ 24,055 which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

I. PENSIONS - Continued

(B) Pension Liabilities (Assets) - TCRS Plans

Pension Liability (Asset)

Teachers Legacy Pension Plan

KIPP Nashville reported an asset of ($5,938) for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. KIPP Nashville's proportion of the net pension liability was based on KIPP Nashville's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, KIPP Nashville's proportion was 0.0365 percent.

Teachers Retirement Plan

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Actuarial Assumptions

Teachers Legacy Pension Plan

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012, actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

I. PENSIONS - Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

I. PENSIONS - Continued

Discount Rate

Teachers Legacy Pension Plan

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(II.) Metro Plan

(A) General Information - Metro Plan

Plan Description

The Metro Plan is established under the authority of the Metropolitan Charter, Article XIII. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also required that the pension plan be actuarially sound. Administrative costs of the plan are financed through plan assets. The plan is managed by the Metropolitan Employee Benefit Board, an independent board, created by the Metropolitan Charter. The Board is composed of ten members as follows: Finance Director, Human Resources Director, three members appointed by the Mayor, and five members selected by the employees and retirees of the Metropolitan Government. Additional information about the Metro Plan can be found in the publically available comprehensive annual financial report of the Metropolitan Government. That report may be obtained at www.nashville.gov.

Benefits Provided

As of July 1, 1995, Division B of the Metro Plan was established for all non-certificated employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metro Government employees. Employees with an effective hire date of July 1, 1995, or later are only eligible to participate in Division B of the Metro Plan.

I. PENSIONS - Continued

Normal retirement for KIPP Nashville employees participating in the Metro Plan occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited service equals 85, but not before age 60; or (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75 percent of average earnings based upon the previous 60 consecutive months of credit service which produce the highest earnings. Benefits fully vest on completing 5 years of service for employees employed on or between October 1, 2001, and December 31, 2012, who vest before leaving employment. Benefits fully vest on completing 10 years of service for employees and non-vested employees hired or rehired on or after January 1, 2013. An early retirement option, with reduced benefits, is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 and after the completion of 10 years of credited employee service.

All assets of the Metropolitan Employees' Benefit Trust Fund may legally be used to pay benefit to any plan members or beneficiaries.

Contributions

The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All funding is provided under an actuarially recommended employee contribution rate of 17.987 percent for the non-certificate employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government Employees.

(B) Pension Liabilities - Metro Plan

Pension Liability

KIPP Nashville reported a liability of $190,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculated the net pension liability was determined by an actuarial valuation as of July 1, 2014. KIPP Nashville's proportion of the net pension liability was based on KIPP Nashville's employee contributions to the pension plan during the year ended June 30, 2015, relative to all contributions for 2015. At the June 30, 2015, measurement date, KIPP Nashville's proportionate share was 0.2763 percent.

I. PENSIONS - Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014. Actuarial assumptions are summarized below:

Inflation	2.6 percent
Salary increases	4.0 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of living adjustment	1.5 percent

Mortality rates were based on the 110% RP-2000 Healthy Annuitant Mortality Table for Males and Females, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period 2007 to 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class from historical returns and consensus expectations of future returns. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Metro Plan's target asset allocation are summaries in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.60%	14.50%
International equity	10.10%	23.00%
Equity hedge	5.80%	10.00%
Fixed income	1.80%	15.00%
Fixed income alternatives	5.60%	15.00%
Real estate	6.10%	12.50%
Private equity	7.60%	10.00%

I. PENSIONS - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. Based on the Metro Plan assumptions and funding policy, the fiduciary net position for the plan was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

(III.) Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Pension Plans

Pension Liabilities (Assets)

KIPP Nashville reports the following net pension liability (asset) as of June 30, 2015:

TCRS Plans	$(5,938)
Metro Plan	190,396
Net pension liability	$ 184,458

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.

The following presents KIPP Nashville's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what KIPP Nashville's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5)%	Current Discount Rate (7.5)%	1% Increase (8.5)%
Proportionate share of the net pension liability (asset):			
TCRS Plans	$1,001,607	$(5,938)	$(840,077)
Metro Plans	1,056,215	190,396	(596,921)
Total	$2,057,822	$ 184,458	$(1,436,998)

I. PENSIONS - Continued

Pension Plan Fiduciary Net Position.

Detailed information about the Pension Plans' respective fiduciary net position is available in a separately issued TCRS and Metropolitan Government financial reports.

Pension Expense

For the year ended June 30, 2015, KIPP Nashville recognized pension expense as follows:

TCRS Plans	$ 11,260
Metro Plan	186,153
Pension expense	$197,413

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2015, KIPP Nashville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Differences between expected and actual experience		
TCRS Plans	$ 14,418	$ -
Metro Plans	-	162,889
Net difference between projected and actual earnings on pension plan investments		
TCRS Plans	-	489,300
Metro Plans	149,469	-
Changes in proportion of Net Pension Liability (Asset)	98,119	-
Contributions subsequent to the measurement date of June 30, 2014 for TCRS Plans	178,402	not applicable
Totals	$440,408	$652,189

I. PENSIONS - Continued

KIPP Nashville's employer contributions of $178,402 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	$	(89,472)
2017		(89,472)
2018		(89,472)
2019		(89,472)
2020		(4,514)
Thereafter		(27,784)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Payable to the Pension Plans

At June 30, 2015, there were no amounts outstanding for contributions to the Pension Plans.

J. COMMITMENTS CONTINGENCIES AND RISK MANAGEMENT

KIPP Nashville is exposed to various risk of loss relating to torts, theft of, damage to, and destruction of assets; errors or commissions; illness or injuries to employees; and natural disasters. KIPP Nashville carries insurance for certain risks of loss. Settled claims resulting from these risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

KIPP Nashville may become subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, in consultation with legal counsel, the ultimate resolution of such matters will not have a material adverse effect on KIPP Nashville's financial position or results of operations, as of the date of these financial statements.

J. COMMITMENTS CONTINGENCIES AND RISK MANAGEMENT - Continued

KIPP Nashville receives awards and financial assistance through federal, state, local and private agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Purpose School Fund or Federal and State Grants Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position, and accordingly, no provision has been made within the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KIPP NASHVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)

Plan	Teachers Legacy Plan of TCRS	Metro Plan
Measurement date	June 30, 2014	June 30, 2015
Proportion of the net pension liability (asset)	0.0365%	0.2763%
Proportionate share of the net pension liability (asset)	$(5,938)	$190,316
Covered-employee payroll	$1,444,609	$1,444,705
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.41%)	13.18%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	97.57%

The amounts presented in this schedule were determined as of the measurement date.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

Information is not applicable in this schedule for the Teachers Retirement Plan of TCRS as the measurement date was June 30, 2014, and the Teachers Retirement Plan did not commence until July 1, 2014.

KIPP NASHVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEAR ENDED JUNE 30,

Teachers Legacy Pension Plan of TCRS

	2015	2014
Actuarially determined contribution (ADC)	$154,438	$128,281
Contribution in relation to the actuarially determined contribution	154,348	128,281
Contribution excess (deficiency)	$ -	$ -
Covered employee payroll	$1,707,389	$1,444,609
Contributions as a percentage of covered-employee payroll	9.04%	8.88%

Teachers Retirement Plan of TCRS

	2015	2014
Actuarially determined contribution (ADC)	$ 24,055	Not applicable
Contribution in relation to the actuarially determined contribution	24,055	
Contribution excess (deficiency)	$ -	
Covered employee payroll	$601,375	
Contributions as a percentage of covered-employee payroll	4.00%	

Metro Plan

	2015	2014
Actuarially determined contribution (ADC)	$259,859	$144,260
Contribution in relation to the actuarially determined contribution	259,859	144,260
Contribution excess (deficiency)	$ -	$ -
Covered employee payroll	$1,444,705	$842,787
Contributions as a percentage of covered-employee payroll	17.987%	17.117%

This is a 10-year schedule. However, the information is this schedule is not required to be presented retroactively.

OTHER INFORMATION

KIPP NASHVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Program Name	CFDA Number	Balance July 1, 2014 (Receivable) Payable	Receipts	Expenditures	Balance June 30, 2015 (Receivable) Payable
U.S. DEPARTMENT OF EDUCATION:					
Passed through Tennessee Department of Education, Passed through MNPS					
Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010*	$(34,460)	$217,292	$220,533	$(37,701)
Special Education Cluster (IDEA) Special Education - Grants to States	84.027	(29,448)	155,311	144,037	(18,174)
Title II, Part A Improving Teacher Quality - Grants to States	84.367	-	9,304	9,304	-
Passed through KIPP Foundation					
ARRA - Investing in Innovation (i3) Fund	84.396A	(24,856)	146,308	139,916	(18,464)
		$(88,764)	$528,215	$513,790	$(74,339)

Note: The schedule of expenditures of federal awards includes the federal grant activity and is presented in accordance with the requirements of OMB Circular A-133 and the State of Tennessee. The information in this schedule is prepared using the accrual basis of accounting.

* Major Program in accordance with OMB Circular A-133

See independent auditor's report.

KIPP NASHVILLE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2015

Grantor	State Contract Number	Balance July 1, 2014 (Receivable) Payable	Receipts	Expenditures	Balance June 30, 2015 (Receivable) Payable
TENNESSEE DEPARTMENT OF EDUCATION:					
Basic Education Program	N/A	$ -	$ 120,000	$ 120,000	$ -
Passed through Metropolitan Nashville Public Schools					
Basic Education Program	N/A	-	5,630,905	5,630,905	-
		$ -	$5,750,905	$5,750,905	$ -

Note: The schedule of expenditures of state financial assistance includes the state grant activity and is presented in accordance with the requirements of the State of Tennessee. The schedule is prepared using the accrual basis of accounting.

See independent auditor's report.

KIPP NASHVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Permanent KIPP Alumni Scholarship Fund	Total Nonmajor Governmental Funds
ASSETS		
Investments	$ 160,805	$ 160,805
Receivables	-	-
Other current assets	-	-
Total assets	$ 160,805	$ 160,805
LIABILITIES		
Accounts payable and accrued expenditures	$ -	$ -
Total liabilities	-	-
FUND BALANCES		
Nonspendable	107,298	107,298
Restricted	53,507	53,507
Total fund balances	160,805	160,805
Total liabilities and fund balances	$ 160,805	$ 160,805

See independent auditor's report.

KIPP NASHVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Permanent	
	KIPP Alumni Scholarship Fund	Total Nonmajor Governmental Funds
REVENUES		
Contributions	$ 5,000	$ 5,000
Interest	11,044	11,044
Investment (loss)	(4,834)	(4,834)
Total revenues	11,210	11,210
EXPENDITURES	2,000	2,000
NET CHANGE IN FUND BALANCES	9,210	9,210
FUND BALANCES, June 30, 2014	151,595	151,595
FUND BALANCES, June 30, 2015	$ 160,805	$ 160,805

See independent auditor's report.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP ACADEMY NASHVILLE
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,006,383	$ -	$ -	$ -	$ 3,006,383
Investments	-	-	-	160,805	160,805
Receivables	246,382	-	38,465	-	284,847
Due from other funds	38,465	-	-	-	38,465
Other current assets	76,214	-	-	-	76,214
Total assets	$ 3,367,444	$ -	$ 38,465	$ 160,805	$ 3,566,714
LIABILITIES					
Accounts payable	$ 160,274	$ -	$ -	$ -	$ 160,274
Accrued expenditures	137,449	-	-	-	137,449
Due to other funds	-	-	38,465	-	38,465
Advance contributions and grants	-	-	-	-	-
Total liabilities	297,723	-	38,465	-	336,188
DEFFERED INFLOWS OF RESOURCES	244,811	-	-	-	244,811
FUND BALANCES					
Nonspendable	76,214	-	-	107,298	183,512
Restricted	-	-	-	53,507	53,507
Unassigned	2,748,696	-	-	-	2,748,696
Total fund balances	2,824,910	-	-	160,805	2,985,715
Total liabilities, deferred inflows of resources and fund balances	$ 3,367,444	$ -	$ 38,465	$ 160,805	$ 3,566,714

See independent auditor's report and notes to schedules.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP NASHVILLE COLLEGE PREP
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,492,893	$ -	$ 13,999	$ 1,506,892
Receivables	123,634	-	153,828	277,462
Due from other funds	153,828	-	-	153,828
Other current assets	26,992	-	-	26,992
Total assets	$ 1,797,347	$ -	$ 167,827	$ 1,965,174
LIABILITIES				
Accounts payable	$ 156,338	$ -	$ -	$ 156,338
Accrued expenditures	74,427	-	-	74,427
Due to other funds	-	-	153,828	153,828
Advance contributions and grants	-	-	13,999	13,999
Total liabilities	230,765	-	167,827	398,592
DEFFERED INFLOWS OF RESOURCES	122,706	-	-	122,706
FUND BALANCES				
Nonspendable	26,992	-	-	26,992
Unassigned	1,416,884	-	-	1,416,884
Total fund balances	1,443,876	-	-	1,443,876
Total liabilities, deferred inflows of resources and fund balances	$ 1,797,347	$ -	$ 167,827	$ 1,965,174

See independent auditor's report and notes to schedules.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP NASHVILLE COLLEGIATE HIGH SCHOOL
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 610,706	$ 245,635	$ -	$ 856,341
Receivables	70,385	636,298	55,782	762,465
Due from other funds	55,782	-	-	55,782
Other current assets	23,909	-	-	23,909
Total assets	$ 760,782	$ 881,933	$ 55,782	$ 1,698,497
LIABILITIES				
Accounts payable	$ 131,825	$ -	$ -	$ 131,825
Accrued expenditures	51,884	-	-	51,884
Due to other funds	-	-	55,782	55,782
Advance contributions and grants	-	881,933	-	881,933
Total liabilities	183,709	881,933	55,782	1,121,424
DEFFERED INFLOWS OF RESOURCES	69,734	-	-	69,734
FUND BALANCES				
Nonspendable	23,909	-		23,909
Unassigned	483,430	-	-	483,430
Total fund balances	507,339	-	-	507,339
Total liabilities, deferred inflows of resources and fund balances	$ 760,782	$ 881,933	$ 55,782	$ 1,698,497

See independent auditor's report and notes to schedules.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP KIRKPATRICK ELEMENTARY SCHOOL
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 49,191	$ 352,632	$ -	$ 401,823
Receivables	-	-	99,001	99,001
Other current assets	29,524	-	-	29,524
Total assets	$ 78,715	$ 352,632	$ 99,001	$ 530,348
LIABILITIES				
Accounts payable	$ 49,191	$ -	$ -	$ 49,191
Advance contributions and grants	-	352,632	99,001	451,633
Total liabilities	49,191	352,632	99,001	500,824
FUND BALANCES				
Nonspendable	29,524	-	-	29,524
Unassigned	-	-	-	-
Total fund balances	29,524	-	-	29,524
Total liabilities, deferred inflows of resources and fund balances	$ 78,715	$ 352,632	$ 99,001	$ 530,348

See independent auditor's report and notes to schedules.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY SCHOOL
KIPP ACADEMY NASHVILLE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Contributions	$ 924,941	$ 132,180	$ -	$ 5,000	$ 1,062,121
District funding	3,150,412	-	-	-	3,150,412
Federal and state grants	-	-	350,987	-	350,987
Interest and investment income	9,287	-	-	6,210	15,497
Other income	25,569	-	-	-	25,569
Total revenues	4,110,209	132,180	350,987	11,210	4,604,586
EXPENDITURES					
Current:					
Instructional	312,592	-	-	-	312,592
Occupancy	298,632	-	-	-	298,632
Office	92,387	-	-	-	92,387
Organizational development	49,814	-	-	-	49,814
Other	-	-	-	2,000	2,000
Professional services and fees	156,311	-	-	-	156,311
Employee compensation	2,372,063	132,180	275,563	-	2,779,806
Staff development	137,604	-	-	-	137,604
Transportation	73,733	-	-	-	73,733
Debt Service					
Interest	1,253	-	-	-	1,253
Capital outlay	9,989	-	65,000	-	74,989
Total expenditures	3,504,378	132,180	340,563	2,000	3,979,121
OTHER FINANCING SOURCES (USES):					
Transfers out	(1,500,613)	-	-	-	(1,500,613)
Issuance of debt	197,175	-	-	-	197,175
Total other financing sources (uses)	(1,303,438)	-	-	-	(1,303,438)
NET CHANGE IN FUND BALANCES	(697,607)	-	10,424	9,210	(677,973)
FUND BALANCES, June 30, 2014	3,522,517	-	(10,424)	151,595	3,663,688
FUND BALANCES, June 30, 2015	$ 2,824,910	$ -	$ -	$ 160,805	$ 2,985,715

See independent auditor's report and notes to schedules

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY SCHOOL
KIPP NASHVILLE COLLEGE PREP
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	$ 505,062	$ 102,873	$ -	$ 607,935
District funding	1,589,223	-	-	1,589,223
Federal and state grants	-	-	390,840	390,840
Interest and investment income	7,767	-	-	7,767
Other income	5,245	-	-	5,245
Total revenues	2,107,297	102,873	390,840	2,601,010
EXPENDITURES				
Current:				
Instructional	102,068	-	67,430	169,498
Occupancy	340,157	-	-	340,157
Office	56,151	-	5,151	61,302
Organizational development	27,506	-	-	27,506
Professional services and fees	78,844	-	-	78,844
Employee compensation	1,211,907	42,993	169,199	1,424,099
Staff development	101,309	-	-	101,309
Transportation	56,628	-	-	56,628
Debt Service				
Principal	2,194	-	-	2,194
Interest	3,106	-	-	3,106
Capital outlay	29,698	59,880	148,623	238,201
Total expenditures	2,009,568	102,873	390,403	2,502,844
OTHER FINANCING SOURCES:				
Transfers in	799,274	-	-	799,274
Issuance of debt	197,739	-	-	197,739
Total other financing sources	997,013	-	-	997,013
NET CHANGE IN FUND BALANCES	1,094,742	-	437	1,095,179
FUND BALANCES, June 30, 2014	349,134	-	(437)	348,697
FUND BALANCES, June 30, 2015	$ 1,443,876	$ -	$ -	$ 1,443,876

See independent auditor's report and notes to schedules.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY SCHOOL
KIPP NASHVILLE COLLEGIATE HIGH SCHOOL
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	$ 85,146	$ 217,480	$ -	$ 302,626
District funding	891,270	-	-	891,270
Federal and state grants	-	-	348,868	348,868
Interest and investment income	4,414	-	-	4,414
Other income	14,457	-	-	14,457
Total revenues	995,287	217,480	348,868	1,561,635
EXPENDITURES				
Current:				
Instructional	96,049	9,188	24,585	129,822
Occupancy	121,365	-	-	121,365
Office	38,260	-	8,924	47,184
Organizational development	19,182	-	-	19,182
Professional services and fees	58,741	-	-	58,741
Employee compensation	901,313	205,597	121,636	1,228,546
Staff development	54,125	-	12,931	67,056
Transportation	5,600	-	-	5,600
Debt Service				
Interest	356			356
Capital outlay	4,841	2,695	180,792	188,328
Total expenditures	1,299,832	217,480	348,868	1,866,180
OTHER FINANCING SOURCES:				
Transfers in	701,339	-	-	701,339
Issuance of debt	55,982	-	-	55,982
Total other financing sources	757,321	-	-	757,321
NET CHANGE IN FUND BALANCES	452,776	-	-	452,776
FUND BALANCES, June 30, 2014	54,563	-	-	54,563
FUND BALANCES, June 30, 2015	$ 507,339	$ -	$ -	$ 507,339

See independent auditor's report and notes to schedules.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY SCHOOL
KIPP KIRKPATRICK ELEMENTARY SCHOOL
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	$ 160,167	$ -	$ -	$ 160,167
Total revenues	160,167	-	-	160,167
EXPENDITURES				
Current	-	-	-	-
Capital outlay	130,643	-	-	$ 130,643
Total expenditures	130,643	-	-	130,643
NET CHANGE IN FUND BALANCES	29,524	-	-	29,524
FUND BALANCES, June 30, 2014	-	-	-	-
FUND BALANCES, June 30, 2015	$ 29,524	$ -	$ -	$ 29,524

See independent auditor's report and notes to schedules.

KIPP NASHVILLE
NOTES TO SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL AND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES BY SCHOOL
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

As of June 30, 2015, KIPP Nashville operates the following charter schools in Nashville, Tennessee (collectively, the “Schools”):

KIPP Academy Nashville (grades five through eight),
KIPP Nashville College Prep (grades five through eight)
KIPP Nashville Collegiate High School (grades nine through twelve)
KIPP Kirkpatrick Elementary School (grades kindergarten through four; Commencing in July 2015),

KIPP Nashville operates a regional office for the management and support of the Schools.

Allocations

Each School is a part of the KIPP Nashville network of schools. KIPP Nashville maintains a regional office for management and support of the schools. Certain activities, including fundraising and administration are conducted centrally by the regional office. Accordingly, all assets, liabilities, fund balance, revenues and expenses recorded on the regional office general ledger have been allocated to the various schools in operation and those in process of being opened in fiscal year 2016. All financial transactions and balances directly related to a school are recorded directly by that school. Financial transactions and balances of the regional office are allocated to the Schools using the following methodology:

- Cash transfers are made to fund any unrestricted operating deficits and growth needs
- Revenues from fundraising are allocated based primarily on enrollment
- Expenditures of shares services and administration are allocated based primarily on enrollment

Cash and Cash Equivalents

KIPP Nashville operates a pooled-cash management program for the benefit of the Schools. Cash balances reported within the schedule of assets, liabilities and fund balance by school represent each school’s portion of the pooled-cash program, resulting from its operation. Also included in KIPP Academy Nashville’s cash balances are accounts received from central fundraising activities, which have not been transferred or utilized by other schools. KIPP Academy Nashville, as the first school in KIPP Nashville’s network, holds these funds for operational needs and future development.

KIPP Nashville management, under the direction of the Board of Directors, and within limits of grant agreements or donor restrictions, may make transfers among the Schools as necessary to fund operations and growth. Accordingly, cash presented for each school may be transferred among the KIPP Nashville schools.

CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
KIPP Nashville
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Nashville as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the KIPP Nashville's basic financial statements, and have issued our report thereon dated November 3, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crosslin & Associates, P.C.

Nashville, Tennessee
November 3, 2015

Independent Auditor's Report on Compliance for the Major Program
and on Internal Control Over Compliance
Required by OMB Circular A-133

To the Board of Directors
KIPP Nashville
Nashville, Tennessee

Report on Compliance for the Major Federal Program

We have audited KIPP Nashville's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on KIPP Nashville's major federal program for the year ended June 30, 2015. KIPP Nashville's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for KIPP Nashville's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP Nashville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, KIPP Nashville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of KIPP Nashville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KIPP Nashville's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KIPP Nashville'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
November 3, 2015

KIPP NASHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? ___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses? ___yes _x_ none reported

Noncompliance material to financial statements noted? ___yes _x_ no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? ___yes _x_ no
Significant deficiency(ies) identified not considered to be material weaknesses? ___yes _x_ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program
84.010	Title I, Part A Cluster, Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? _x_yes ___ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

KIPP NASHVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

KIPP Nashville had no audit findings for the year ended June 30, 2014.