

**KIPP NASHVILLE**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

KIPP NASHVILLE

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KIPP NASHVILLE  
INTRODUCTORY SECTION

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Director of Student Support  
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Development  
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Elementary  
School Leader - KIPP Nashville  
College Prep Elementary  
School Leader - KIPP Academy  
Nashville  
School Leader - KIPP Nashville  
College Prep  
School Leader - KIPP Nashville  
Collegiate High School



## Independent Auditor's Report

To the Board of 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, 2017, 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.

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, 2017, 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.

### *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 41 through 43 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 45 through 46, and the schedule of assets, liabilities and fund balances by school and schedule of revenues, expenditures and changes in fund balances by school on pages 47 through 56 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee, and is 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 the schedule 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 schedule 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 December 8, 2017, 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, PLLC*

Nashville, Tennessee  
December 8, 2017

KIPP NASHVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2017 as compared to 2016. 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 \$1,459,936 in fiscal year 2017, or 16.1%, while total revenues increased by \$2,837,859 or 21.2%. The Organization's governmental activities total program costs (student instruction and services) for 2017 increased \$1,647,937 or 17.7%. Overall, the 2017 change in net position, an increase of \$1,576,930, was \$437,507 more than the increase of \$1,139,423 in the prior year.

For the General Purpose School Fund, there was a net increase in fund balance of \$1,115,453. The General Purpose School Fund's fund balance at fiscal year-end was \$6,802,931.

#### 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

KIPP NASHVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 \$8,320,851. The Organization's net position includes \$6,907,704 of cash and investments, \$48,485 of which is subject to external restrictions that limit how the amounts may be used for the upcoming school year. An additional \$193,387 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, 2017, the Organization had invested a total of \$2,236,802 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 2017-2018 school year, as student enrollment increases. For the 2016-2017 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 ends June 30, 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. The Organization's fourth school, KIPP Kirkpatrick Elementary launched during the fall of 2015. The Organization leases educational space for this school (Kirkpatrick Enhanced Option Elementary, 1000 Sevier St., Nashville, TN 27306) from MNPS through fiscal year 2025. The Organization's fifth school, KIPP Nashville College Prep Elementary will open for the 2017-2018 school year at the 3410 Knight Drive location. Additional information on property and equipment is located in the notes to the financial statements.

KIPP NASHVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

A schedule of the Organization's net position as of June 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 6,907,704	\$5,804,943
Investments	193,387	171,924
Receivables	1,060,829	1,376,217
Other assets	146,245	65,451
Capital assets	<u>2,236,802</u>	<u>1,666,495</u>
Total assets	<u>10,544,966</u>	<u>9,085,030</u>
Deferred outflow of resources	<u>1,123,125</u>	<u>1,110,534</u>
Accounts payable and accrued expenses	681,030	501,671
Other liabilities	<u>1,565,456</u>	<u>1,953,616</u>
Total liabilities	<u>2,246,486</u>	<u>2,455,287</u>
Deferred inflows of resources	<u>1,100,754</u>	<u>996,356</u>
Net position:		
Net investment in capital assets	1,873,362	1,510,244
Restricted	193,387	171,924
Unrestricted	<u>6,254,102</u>	<u>5,061,753</u>
Total net position	<u>\$ 8,320,851</u>	<u>\$6,743,921</u>

The Organization's total net position increased by \$1,576,930 during the 2017 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 2017 increased to \$16,215,111, an increase of 21.2% when compared to fiscal year 2016. Revenues generated from government grants, governmental funds, and KIPP foundation grants were \$14,043,362 during the 2017 fiscal year, an increase of \$2,834,928, or 25.3% when compared to 2016. Contributions from individuals and organizations of \$1,990,505 were similar to 2016 due primarily to continued support from existing individual and corporate donors and the identification of new individual donors. In addition, MNPS district funding increased 28.8% when compared to 2016. The main driver of this increase was the increased enrollment at existing schools. Finally, federal funding remained consistent from 2016 to 2017.

Total expenses were \$14,638,181 during the 2017 fiscal year, an increase of \$2,400,352 when compared to 2016. The majority of this increase is directly related to increased enrollment at the schools.

KIPP NASHVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The increase in net position of \$1,576,930 in 2017 is \$437,507 more than the increase in net position of \$1,139,423 in 2016.

A schedule of the Organization's revenues and expenses for the years ended June 30, 2017 and 2016, is as follows. The schedule is for the Organization as a whole, not for the governmental funds.

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Contributions	\$ 1,990,505	\$ 2,095,994
District funding	12,239,643	9,502,158
Federal and state grants	1,803,719	1,706,276
Interest and investment income	35,494	24,599
Other	<u>145,750</u>	<u>48,225</u>
Total revenues	<u>16,215,111</u>	<u>13,377,252</u>
<b>Expenses</b>		
Instructional	935,029	1,111,787
Occupancy	876,115	960,740
Office	396,358	411,645
Organizational development	231,932	175,654
Service fees	473,606	377,801
Employee compensation	10,733,424	8,388,215
Staff development	338,934	280,924
Transportation	146,674	134,325
Depreciation	<u>506,109</u>	<u>396,738</u>
Total expenses	<u>14,638,181</u>	<u>12,237,829</u>
Change in net position	<u>\$ 1,576,930</u>	<u>\$ 1,139,423</u>

**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 \$6,996,318. 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, 2017, the differences consist of capital assets, pension amounts, and long-term debt, which are not reported in the Organization's governmental funds.

KIPP NASHVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CAPITAL ASSETS AND DEBT

During 2017, the Organization invested \$1,076,416 in capital assets. Depreciation expense totaled \$506,109 in 2017. Further information regarding capital assets can be found in Note D to the financial statements.

During 2017, the Organization borrowed \$235,000 for bus purchases. Payment on previously outstanding debt totaled \$27,811. Further information on debt obligations can be found in Note E.

The Organization has several construction and other commitments regarding its educational facilities. These items are described in Note L to the financial statements.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2018 enrollment is projected to be approximately 1,700 students for KIPP Nashville across five campuses: KIPP Academy Nashville (serving grades 5-8), KIPP Nashville College Prep (also serving grades 5-8), KIPP Nashville Collegiate High (serving grades 9-12), KIPP Kirkpatrick (serving grades K-3) and during fiscal year 2018, KIPP Nashville will also launch our second elementary school, KIPP Nashville College Prep Elementary, which will open its doors to K-1. During fiscal year 2018, KIPP Nashville will also begin planning for the launch of our third elementary school, KIPP Antioch Prep Elementary, which will open its doors to kindergarteners.

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 2016-2017 school year based on state budget information. For fiscal year 2018, 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 2018, in addition to serving KIPP's current student population of 1,700 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 123 Douglas Avenue, Nashville, TN 37207, by telephone at (615) 226-4484 or email [abaltimore@KIPPnashville.org](mailto:abaltimore@KIPPnashville.org).

KIPP NASHVILLE  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,907,704
Investments	193,387
Receivables	1,060,828
Other current assets	94,968
Net pension asset	51,277
Capital assets, net	2,236,802
Total assets	10,544,966
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	1,123,125
 <b>LIABILITIES</b>	
Accounts payable	385,245
Accrued expenses	295,785
Advance contributions and grants	371,336
Long-term debt, due within one year	133,865
Long-term debt, due in more than one year	588,780
Net pension liability	471,475
Total liabilities	2,246,486
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Contributions for future periods	208,203
Pensions	892,551
Total deferred inflows of resources	1,100,754
 <b>NET POSITION</b>	
Net investment in capital assets	1,873,362
Restricted	193,387
Unrestricted	6,254,102
Total net position	\$ 8,320,851

See accompanying notes to financial statements.

KIPP NASHVILLE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

<u>GOVERNMENTAL ACTIVITIES:</u>	Functions			
	Total	Student Instruction and Services	Administration	Fundraising
<b>EXPENSES</b>				
Instructional	\$ 935,029	\$ 935,029	\$ -	\$ -
Occupancy	876,115	744,698	131,417	-
Office	396,358	376,540	19,818	-
Organizational development	231,932	-	-	231,932
Professional services and fees	473,606	94,721	378,885	-
Employee compensation	10,733,424	8,050,068	2,683,356	-
Staff development	338,934	321,987	16,947	-
Transportation	146,674	146,674	-	-
Depreciation	<u>506,109</u>	<u>303,665</u>	<u>202,444</u>	<u>-</u>
Total expenses	14,638,181	10,973,383	3,432,866	231,932
<b>PROGRAM REVENUES</b>				
Operating grants and contributions	1,549,719	1,549,719	-	-
Capital grants and contributions	<u>254,000</u>	<u>254,000</u>	<u>-</u>	<u>-</u>
Net program expenses	<u>12,834,462</u>	<u>\$ 9,169,664</u>	<u>\$ 3,432,866</u>	<u>\$ 231,932</u>
<b>GENERAL REVENUES</b>				
Contributions	1,990,505			
District funding	12,239,643			
Other	145,750			
Interest and investment income	<u>35,494</u>			
Total general revenues	<u>14,411,392</u>			
CHANGE IN NET POSITION	1,576,930			
NET POSITION, June 30, 2016	<u>6,743,921</u>			
NET POSITION, June 30, 2017	<u>\$ 8,320,851</u>			

See accompanying notes to financial statements.

KIPP NASHVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,859,219	\$ 48,485	\$ -	\$ -	\$ 6,907,704
Investments	-	-	-	193,387	193,387
Receivables	208,203	322,851	529,774	-	1,060,828
Due from other funds	529,774	-	-	-	529,774
Other current assets	94,968	-	-	-	94,968
Total assets	<u>\$ 7,692,164</u>	<u>\$ 371,336</u>	<u>\$ 529,774</u>	<u>\$ 193,387</u>	<u>\$ 8,786,661</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 385,245	\$ -	\$ -	\$ -	\$ 385,245
Accrued expenditures	295,785	-	-	-	295,785
Due to other funds	-	-	529,774	-	529,774
Advance contributions and grants	-	371,336	-	-	371,336
Total liabilities	<u>681,030</u>	<u>371,336</u>	<u>529,774</u>	<u>-</u>	<u>1,582,140</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<u>208,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,203</u>
<b>FUND BALANCES</b>					
Nonspendable	94,968	-	-	123,800	218,768
Restricted	-	-	-	69,587	69,587
Unassigned	6,707,963	-	-	-	6,707,963
Total fund balances	<u>6,802,931</u>	<u>-</u>	<u>-</u>	<u>193,387</u>	<u>6,996,318</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,692,164</u>	<u>\$ 371,336</u>	<u>\$ 529,774</u>	<u>\$ 193,387</u>	<u>\$ 8,786,661</u>

See accompanying notes to financial statements.

KIPP NASHVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS - CONTINUED  
JUNE 30, 2017

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

Total governmental fund balances	\$ 6,996,318
Capital assets not reported above	2,236,802
Pension amounts not reported above	
Net pension liability not reported above	(471,475)
Net pension asset not reported above	51,277
Deferred inflows of resources for pensions	(892,551)
Deferred outflows of resources for pensions	1,123,125
Long-term debt not reported above	<u>(722,645)</u>
Net position of governmental activities in the statement of net position	<u>\$ 8,320,851</u>

See accompanying notes to financial statements.

KIPP NASHVILLE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Contributions	\$ 1,387,843	\$ 595,162	\$ -	\$ 7,500	\$ 1,990,505
District funding	12,239,643	-	-	-	12,239,643
Federal and state grants	-	-	1,803,719	-	1,803,719
Interest and investment income	17,031	-	-	18,463	35,494
Other income	145,750	-	-	-	145,750
Total revenues	<u>13,790,267</u>	<u>595,162</u>	<u>1,803,719</u>	<u>25,963</u>	<u>16,215,111</u>
<b>EXPENDITURES</b>					
Current:					
Instructional	841,133	-	93,896	-	935,029
Occupancy	876,115	-	-	-	876,115
Office	355,223	-	25,293	-	380,516
Organizational development	231,932	-	-	-	231,932
Other	-	-	-	4,500	4,500
Professional services and fees	469,106	-	-	-	469,106
Employee compensation	9,054,215	595,162	1,164,515	-	10,813,892
Staff development	303,843	-	35,091	-	338,934
Transportation	146,674	-	-	-	146,674
Debt service					
Principal	27,811	-	-	-	27,811
Interest	15,842	-	-	-	15,842
Capital outlay	591,492	-	484,924	-	1,076,416
Total expenditures	<u>12,913,386</u>	<u>595,162</u>	<u>1,803,719</u>	<u>4,500</u>	<u>15,316,767</u>
<b>OTHER FINANCING SOURCES:</b>					
Issuance of debt	<u>238,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,572</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,115,453	-	-	21,463	1,136,916
<b>FUND BALANCES, June 30, 2016</b>	<u>5,687,478</u>	<u>-</u>	<u>-</u>	<u>171,924</u>	<u>5,859,402</u>
<b>FUND BALANCES, June 30, 2017</b>	<u>\$ 6,802,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,387</u>	<u>\$ 6,996,318</u>

See accompanying notes to financial statements.

KIPP NASHVILLE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

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	\$ 1,136,916
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Capital outlay	1,076,416
Debt service principal	27,811
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(506,109)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuance of debt increases long-term obligations for governmental activities	(238,572)
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	<u>80,468</u>
Change in net position of governmental activities	<u>\$ 1,576,930</u>

See accompanying notes to financial statements.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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, 2017, KIPP Nashville has Charter School Agreements 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)
- KIPP Nashville College Prep Elementary School (grades kindergarten through four); opening in fiscal year 2018

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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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 revenues.

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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

*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, as 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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 or up to one year for grant revenues.

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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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 or intended for future periods 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, when applicable: 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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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 G. KIPP Nashville also reports the following deferred inflow of resources related to pensions, when applicable: 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. Fair value measurement for investments in the KIPP Alumni Scholarship Fund is described in Note C.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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 may 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, 2017, 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	\$529,774
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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 \$7,362,338 and \$6,907,704, 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 \$69,587 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. FAIR VALUE OF INVESTMENTS

KIPP Nashville categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

KIPP Nashville's recurring fair value measurements as of June 30, 2017 include mutual funds valued at \$193,387 using quoted market prices (Level 1 inputs).

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

D. CAPITAL ASSETS

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

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>June 30, 2017</u>
Classroom:				
Furniture	\$ 403,796	\$ 79,082	\$ -	\$ 482,878
Instructional hardware and software	864,346	177,726	-	1,042,072
Library and textbooks	177,578	-	-	177,578
Equipment	303,981	138,239	-	442,220
Administrative:				
Furniture and equipment	492,159	85,258	-	577,417
Computer hardware and software	178,048	42,433	-	220,481
Maintenance	188,927	-	-	188,927
Leasehold improvements	79,378	170,422	-	249,800
Transportation	550,940	88,022	-	638,962
Construction in progress	<u>-</u>	<u>295,234</u>	<u>-</u>	<u>295,234</u>
	3,239,153	1,076,416	-	4,315,569
Accumulated depreciation	<u>(1,572,658)</u>	<u>( 506,109)</u>	<u>-</u>	<u>(2,078,767)</u>
Capital assets, net	<u>\$ 1,666,495</u>	<u>\$ 570,307</u>	<u>\$ -</u>	<u>\$ 2,236,802</u>

Depreciation was charged to governmental activities as follows:

Student instruction and services	\$303,665
Administration	202,444
Fundraising	<u>-</u>
	<u>\$506,109</u>

Construction in progress at June 30, 2017 relates to capital improvement projects primarily at the Ewing Park facility. See Note L for additional information.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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

The following is a summary of debt obligations outstanding as of June 30, 2017:

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.	\$ 359,205
Note payable to a financial institution for transportation equipment, bearing interest at 4.30%; due in monthly installments of \$7,170, with nine installments made annually through June 2021.	235,000
Note payable for transportation equipment, bearing interest at 5.90%; due in monthly installments of \$2,124, with nine installments made annually; final payment of outstanding principal amount of \$15,980 due in November 2021.	65,437
Capital lease obligation for transportation equipment; due in monthly installments of \$2,343, with nine installments made annually; final payment of outstanding principal amount of \$49,450 due in May 2018.	<u>63,003</u>
	<u>722,645</u>
Amount due in one year	<u>(133,865)</u>
Long-term portion	<u>\$ 588,780</u>

Long-term debt activity for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions/</u> <u>Borrowings</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2017</u>
Note Payable	\$355,633	\$ 3,572	\$ -	\$359,205
Note Payable	-	235,000	-	235,000
Note Payable	76,789	-	11,352	65,437
Capital Lease	<u>79,462</u>	<u>-</u>	<u>16,459</u>	<u>63,003</u>
Total	<u>\$511,884</u>	<u>\$238,572</u>	<u>\$27,811</u>	<u>\$722,645</u>

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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

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

<u>Year Ending June 30,</u>	
2018	\$133,865
2019	74,627
2020	436,820
2021	73,648
2022	<u>3,685</u>
	<u>\$722,645</u>

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.

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 April 2018. As of June 30, 2017, no amounts were outstanding under the agreement.

During fiscal year 2017, the Organization entered into a financing commitment with a financial institution. The commitment is intended to finance certain capital additions and construction. See Note L for additional information.

F. 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 through June 2025. KIPP Nashville’s total rent expense for fiscal year 2017 was \$647,675. The leases also require KIPP Nashville to pay for certain operating and janitorial services.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

F. LEASE ARRANGEMENTS - Continued

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

<u>Year Ending June 30,</u>	
2018	\$ 813,897
2019	835,267
2020	857,216
2021	879,762
2022	902,924
2023 - 2025	<u>2,227,925</u>
	<u>\$6,516,991</u>

See Note L for information regarding agreements that will impact future lease commitments.

G. RECEIVABLES AND RELATED DEFERRED INFLOWS OF RESOURCES

Receivables at June 30, 2017, consist of the following:

Contributions for future periods and/or specific purposes	\$ 531,054
Grants	<u>529,774</u>
	<u>\$1,060,828</u>

Amounts reflected in deferred inflows of resources, relating to contributions designated for future periods, totaled \$208,203 at June 30, 2017, in the government-wide statements and the governmental funds.

H. 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, 2017, were \$113,141.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

I. CONCENTRATION

KIPP Nashville received 75% 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, 2017, was \$12,239,643. Outside fundraising for capital and other needs is on-going since the charter school agreements with MNPS do not include allocations for capital expenditures.

J. 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 "Metro Plan")

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

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

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](http://www.treasury.tn.gov/tcrs).

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 2<sup>nd</sup> 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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

*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. 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 60 and vested pursuant to the rule of 80. 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 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 Teachers Legacy Pension Plan and Teachers 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 (or by automatic cost controls set out in law for the Teachers Retirement Plan). 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, 2017, to the Teacher Legacy Pension Plan were \$189,311 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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

*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, 2017 to the Teacher Retirement Plan were \$144,152 which is 4.00 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.

(B) Pension Liabilities (Assets) - TCRS Plans

Pension Liability (Asset)

*Teachers Legacy Pension Plan*

At June 30, 2017, KIPP Nashville reported a liability of \$340,162 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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 contributions to the pension plan relative to the contributions of all participating LEA's. At the June 30, 2016 measurement date, KIPP Nashville's proportion was 0.054431 percent. The proportion measured as of June 30, 2015 was 0.045610 percent.

*Teachers Retirement Plan*

At June 30, 2017, KIPP Nashville reported an asset of (\$51,277) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. KIPP Nashville's proportion of the net pension asset was based on KIPP Nashville's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, KIPP Nashville's proportion was 0.492564 percent. The proportion measured as of June 30, 2015 was 0.283470 percent.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

Actuarial Assumptions

*Teachers Legacy Pension Plan and Teachers Retirement Plan*

The total pension liability in the June 30, 2016, 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, 2016, 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.

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:

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

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%
		100%

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.

Discount Rate

*Teachers Legacy Pension Plan and Teachers Retirement 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

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

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](http://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.

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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

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 12.340 percent for the non-certificate employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government Employees. Contributions to the plan for the year ended June 30, 2017 were \$237,483.

(B) Pension Liabilities - Metro Plan

Pension Liability

KIPP Nashville reported a liability of \$131,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017, relative to all contributions for 2017. At the June 30, 2017, measurement date, KIPP Nashville's proportionate share was 0.321493 percent. The proportionate share was 0.325596 percent as of June 30, 2016.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016, valuation were based on the results of an actuarial experience study for the period 2007 to 2012.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

The long-term expected rate of return on pension plan investments was established in conjunction with the most recent actuarial experience study completed January 15, 2013, by considering the following three techniques: (1) the 20-year historical return of the Metro Open Plan at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of 2.5 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
Domestic equity	6.60%	24.0%
International equity	10.10%	16.0%
Equity hedge	5.80%	10.0%
Fixed income	1.80%	20.0%
Fixed income alternatives	5.60%	10.0%
Real assets	6.10%	10.0%
Private equity	7.60%	10.0%
		100%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. 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

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

Pension Liabilities (Assets)

KIPP Nashville reports the following net pension liability (asset) as of June 30, 2017:

Legacy plan	\$ 340,162
Metro Plan	<u>131,313</u>
Net pension liability	<u>\$ 471,475</u>
TCRS Retirement plan	<u>\$( 51,277)</u>
Net pension asset	<u>\$( 51,277)</u>

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:

	<u>1% Decrease (6.5)%</u>	<u>Current Discount Rate (7.5)%</u>	<u>1% Increase (8.5)%</u>
Proportionate share of the net pension liability (asset):			
TCRS Legacy Plan	\$1,867,888	\$ 340,162	\$( 925,337)
TCRS Retirement Plan	24,214	( 51,277)	( 106,899)
Metro Plans	<u>1,314,671</u>	<u>131,313</u>	<u>( 933,757)</u>
Total	<u>\$3,206,773</u>	<u>\$ 420,198</u>	<u>\$(1,965,993)</u>

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, 2017, KIPP Nashville recognized pension expense as follows:

TCRS Legacy Plan	\$103,380
TCRS Retirement Plan	42,428
Metro Plan	<u>107,411</u>
Pension expense	<u>\$253,219</u>

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2017, KIPP Nashville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Inflows	Deferred Outflows	Deferred
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual experience		
TCRS Legacy Plan	\$ 14,315	\$411,823
TCRS Retirement Plan	4,969	5,912
Metro Plan	-	211,277
Net difference between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	379,795	-
TCRS Retirement Plan	8,396	-
Metro Plan	( 98,336)	-
Changes in proportion of Net Pension Liability (Asset)		
TCRS Legacy Plan	457,068	257,509
TCRS Retirement Plan	-	6,030
Metro Plan	23,455	-
Contributions subsequent to the measurement date of June 30, 2016 for TCRS Plans	<u>333,463</u>	<u>not applicable</u>
Totals	<u>\$ 1,123,125</u>	<u>\$892,551</u>

KIPP Nashville's employer contributions of \$333,463 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an decrease in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

KIPP NASHVILLE  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2017

J. PENSIONS - Continued

<u>Year Ended June 30,</u>	
2018	\$( 10,932)
2019	( 10,932)
2020	127,777
2021	( 92,925)
2022	(100,926)
Thereafter	( 14,951)

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, 2017, there were no amounts outstanding for contributions to the Pension Plans.

K. 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.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

K. 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.

L. COMMITMENTS AND SUBSEQUENT EVENTS

During fiscal year 2017, the Organization planned for and commenced several significant capital projects. These projects were in-process at year end or were contemplated prior to the issuance of the financial statements. Details of these projects are as follows:

The Organization has entered into a commitment to purchase the Ewing Park, 3410 Knight Drive facility from the Metropolitan Government. The purchase price totals \$3,420,000, and requires approval of the Metropolitan Council. The Metropolitan Council passed the bill approving the purchase upon third and final reading on October 17, 2017. The purchase is expected to close in fiscal year 2018. Upon finalization of the purchase, the Organization's Ewing Park lease agreement with the Metropolitan Government will terminate. Future lease payments, as described in Note F, will be reduced by approximately \$250,000 on an annual basis through fiscal year 2025.

During fiscal year 2017, the Organization started a capital improvement project at the Ewing Park facility. The project provides for significant renovation and expansion to enable full enrollment of two schools at the facility. The costs incurred through June 30, 2017 are included in construction progress, as described in Note D. The capital improvements are to be completed in two phases, with an expected total cost of approximately \$3,000,000.

To finance the purchase of the Ewing Park facility as well as Phases I and II of the construction, the Organization has entered into a financing commitment (the "Commitment") with a financial institution and the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. The Commitment calls for a loan of \$6,500,000, at a tax exempt interest rate, payable through 2039. The loan also contains certain prepayment penalties, financial and other covenants, and various other terms and conditions.

KIPP NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

L. COMMITMENTS AND SUBSEQUENT EVENTS - Continued

During April 2017, the Organization entered into a Letter of Intent to lease certain space from another charter school. The lease term is for a one-year period commencing in July 2018, with a total cost of approximately \$150,000. This space will be utilized for a planned sixth KIPP Nashville Charter School.

During August 2017, the Organization entered into a non-binding Letter of Intent to purchase real property on Murfreesboro Pike in Nashville. The purchase price is \$2,900,000, and the property would be used for future charter school facilities. Further financing would be necessary for the purchase.

**REQUIRED SUPPLEMENTARY INFORMATION**

KIPP NASHVILLE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE PROPORTIONATE SHARE OF  
 NET PENSION LIABILITY (ASSET)  
 FISCAL YEAR ENDED JUNE 30,

<u>Teachers Legacy Plan of TCRS</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Measurement date:	June 30, 2014	June 30, 2015	June 30, 2016
Proportion of the net pension liability (asset)	0.03650%	0.04561%	0.05443%
Proportionate share of the net pension liability (asset)	\$(5,938)	\$18,684	\$340,162
Covered payroll	\$1,444,609	\$1,707,398	\$1,964,845
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.41%)	1.09%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%
<u>Teachers Retirement Plan of TCRS</u>	<u>(1)</u>	<u>2016</u>	<u>2017</u>
Measurement date:		June 30, 2015	June 30, 2016
Proportion of the net pension liability (asset)		0.28347%	0.49256%
Proportionate share of the net pension liability (asset)		\$(11,404)	\$(51,277)
Covered payroll		\$588,983	\$2,167,299
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll		(1.94)%	(2.37%)
Plan fiduciary net position as a percentage of the total pension liability		127.46%	121.88%

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.

(1) Information is not applicable for 2015 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 THE PROPORTIONATE SHARE OF  
 NET PENSION LIABILITY (ASSET) – Continued  
 FISCAL YEAR ENDED JUNE 30,

<u>Metro Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Measurement date:	June 30, 2015	June 30, 2016	June 30, 2017
Proportion of the net pension liability (asset)	0.27630%	0.32560%	0.32149%
Proportionate share of the net pension liability (asset)	190,396	\$720,604	\$131,313
Covered payroll	\$1,444,705	\$1,841,314	\$1,924,498
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.18%	39.14%	6.82%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%	98.64%

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.

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

Teachers Legacy Pension Plan of TCRS:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution (ADC)	\$ 128,281	\$ 154,438	\$ 177,622	\$ 189,311
Contribution in relation to the actuarially determined contribution	<u>128,281</u>	<u>154,348</u>	<u>177,622</u>	<u>189,311</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$1,444,609	\$1,707,389	\$1,964,845	\$2,094,148
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%

Teachers Retirement Plan of TCRS:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution (ADC)	Not applicable	\$ 14,725	\$ 86,692	\$ 144,152
Contribution in relation to the actuarially determined contribution		<u>23,559</u>	<u>86,692</u>	<u>144,152</u>
Contribution excess (deficiency)		<u>\$ 8,834</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		\$ 588,983	\$2,167,299	\$3,603,800
Contributions as a percentage of covered payroll		4.00%	4.00%	4.00%

Metro Plan:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution (ADC)	\$144,260	\$ 259,859	\$ 285,587	\$ 237,483
Contribution in relation to the actuarially determined contribution	<u>144,260</u>	<u>259,859</u>	<u>285,587</u>	<u>237,483</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$842,787	\$1,444,705	\$1,841,314	\$1,924,498
Contributions as a percentage of covered payroll	17.117%	17.987%	15.510%	12.340%

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

## **OTHER INFORMATION**

KIPP NASHVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2017

<u>Program Name/Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Expenditures</u>
<u>Federal Awards</u>			
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education and Metropolitan Nashville Public Schools			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 586,392
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027 *	N/A	274,022
School Improvement Grant	84.377	N/A	<u>227,149</u>
Total U.S. Department of Education			<u>1,087,563</u>
Total Federal Awards			<u>1,087,563</u>
<u>State Financial Assistance</u>			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program	N/A	N/A	254,000
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	<u>12,239,643</u>
Total State Awards			<u>12,493,643</u>
Total Federal and State Awards			<u>\$ 13,581,206</u>

Note 1: The schedule of expenditures of federal awards and state financial assistance includes the federal grant activity presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the state grant activity presented in accordance with the requirements of the State of Tennessee. Because the schedule presents only a selected portion of the operations of KIPP Nashville, it is not intended to and does not present the financial position or changes in financial position of KIPP Nashville. The schedule is prepared using the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2: KIPP Nashville had no amounts which it passed-through to subrecipients.

Note 3: KIPP Nashville has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

\* Major Program in accordance with the Uniform Guidance.

See independent auditor's report.

KIPP NASHVILLE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Permanent	
	KIPP Alumni Scholarship Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Investments	\$ 193,387	\$ 193,387
Total assets	\$ 193,387	\$ 193,387
<b>LIABILITIES</b>		
Accounts payable and accrued expenditures	\$ -	\$ -
Total liabilities	-	-
<b>FUND BALANCES</b>		
Nonspendable	123,800	123,800
Restricted	69,587	69,587
Total fund balances	193,387	193,387
Total liabilities and fund balances	\$ 193,387	\$ 193,387

See independent auditor's report.

KIPP NASHVILLE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2017

	Permanent	
	KIPP Alumni Scholarship Fund	Total Nonmajor Governmental Funds
REVENUES		
Contributions	\$ 7,500	\$ 7,500
Interest	4,757	4,757
Investment appreciation	13,706	13,706
Total revenues	25,963	25,963
EXPENDITURES	4,500	4,500
NET CHANGE IN FUND BALANCES	21,463	21,463
FUND BALANCES, June 30, 2016	171,924	171,924
FUND BALANCES, June 30, 2017	\$ 193,387	\$ 193,387

See independent auditor's report.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL  
KIPP ACADEMY NASHVILLE  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,958,745	\$ 6,201	\$ -	\$ -	\$ 1,964,946
Investments	-	-	-	193,387	193,387
Receivables	41,799	-	14,032	-	55,831
Due from other funds	14,032	-	-	-	14,032
Other current assets	4,361	-	-	-	4,361
Total assets	<u>\$ 2,018,937</u>	<u>\$ 6,201</u>	<u>\$ 14,032</u>	<u>\$ 193,387</u>	<u>\$ 2,232,557</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 107,947	\$ -	\$ -	\$ -	\$ 107,947
Accrued expenditures	78,011	-	-	-	78,011
Due to other funds	-	-	14,032	-	14,032
Advance contributions and grants	-	6,201	-	-	6,201
Total liabilities	<u>185,958</u>	<u>6,201</u>	<u>14,032</u>	<u>-</u>	<u>206,191</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<u>41,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,799</u>
<b>FUND BALANCES</b>					
Nonspendable	4,361	-	-	123,800	128,161
Restricted	-	-	-	69,587	69,587
Unassigned	1,786,819	-	-	-	1,786,819
Total fund balances	<u>1,791,180</u>	<u>-</u>	<u>-</u>	<u>193,387</u>	<u>1,984,567</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,018,937</u>	<u>\$ 6,201</u>	<u>\$ 14,032</u>	<u>\$ 193,387</u>	<u>\$ 2,232,557</u>

See accompanying 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, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,905,554	\$ 6,033	\$ -	\$ 1,911,587
Receivables	64,985	-	68,476	133,461
Due from other funds	68,476	-	-	68,476
Other current assets	<u>11,103</u>	<u>-</u>	<u>-</u>	<u>11,103</u>
Total assets	<u>\$ 2,050,118</u>	<u>\$ 6,033</u>	<u>\$ 68,476</u>	<u>\$ 2,124,627</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 64,390	\$ -	\$ -	\$ 64,390
Accrued expenditures	75,284	-	-	75,284
Due to other funds	-	-	68,476	68,476
Advance contributions and grants	<u>-</u>	<u>6,033</u>	<u>-</u>	<u>6,033</u>
Total liabilities	<u>139,674</u>	<u>6,033</u>	<u>68,476</u>	<u>214,183</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>64,985</u>	<u>-</u>	<u>-</u>	<u>64,985</u>
<b>FUND BALANCES</b>				
Nonspendable	11,103	-	-	11,103
Restricted	-	-	-	-
Unassigned	<u>1,834,356</u>	<u>-</u>	<u>-</u>	<u>1,834,356</u>
Total fund balances	<u>1,845,459</u>	<u>-</u>	<u>-</u>	<u>1,845,459</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,050,118</u>	<u>\$ 6,033</u>	<u>\$ 68,476</u>	<u>\$ 2,124,627</u>

See accompanying 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, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,389,796	\$ 4,401	\$ -	\$ 1,394,197
Receivables	47,396	322,851	40,539	410,786
Due from other funds	40,539	-	-	40,539
Other current assets	6,144	-	-	6,144
Total assets	<u>\$ 1,483,875</u>	<u>\$ 327,252</u>	<u>\$ 40,539</u>	<u>\$ 1,851,666</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 68,245	\$ -	\$ -	\$ 68,245
Accrued expenditures	65,616	-	-	65,616
Due to other funds	-	-	40,539	40,539
Advance contributions and grants	-	327,252	-	327,252
Total liabilities	<u>133,861</u>	<u>327,252</u>	<u>40,539</u>	<u>501,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>47,396</u>	<u>-</u>	<u>-</u>	<u>47,396</u>
<b>FUND BALANCES</b>				
Nonspendable	6,144	-	-	6,144
Restricted	-	-	-	-
Unassigned	1,296,474	-	-	1,296,474
Total fund balances	<u>1,302,618</u>	<u>-</u>	<u>-</u>	<u>1,302,618</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,483,875</u>	<u>\$ 327,252</u>	<u>\$ 40,539</u>	<u>\$ 1,851,666</u>

See accompanying 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, 2016

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,557,313	\$ 31,850	\$ -	\$ 1,589,163
Receivables	54,023	-	305,992	360,015
Due from other funds	305,992	-	-	305,992
Other current assets	10,299	-	-	10,299
Total assets	<u>\$ 1,927,627</u>	<u>\$ 31,850</u>	<u>\$ 305,992</u>	<u>\$ 2,265,469</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 67,196	\$ -	\$ -	\$ 67,196
Accrued expenditures	74,423	-	-	74,423
Due to other funds	-	-	305,992	305,992
Advance contributions and grants	-	31,850	-	31,850
Total liabilities	<u>141,619</u>	<u>31,850</u>	<u>305,992</u>	<u>479,461</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>54,023</u>	<u>-</u>	<u>-</u>	<u>54,023</u>
<b>FUND BALANCES</b>				
Nonspendable	10,299	-	-	10,299
Restricted	-	-	-	-
Unassigned	1,721,686	-	-	1,721,686
Total fund balances	<u>1,731,985</u>	<u>-</u>	<u>-</u>	<u>1,731,985</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,927,627</u>	<u>\$ 31,850</u>	<u>\$ 305,992</u>	<u>\$ 2,265,469</u>

See accompanying independent auditor's report and notes to schedules.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL  
KIPP NASHVILLE COLLEGE PREP ELEMENTARY SCHOOL  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 47,811	\$ -	\$ -	\$ 47,811
Receivables	-	-	100,735	100,735
Due from other funds	100,735	-	-	100,735
Other current assets	<u>63,061</u>	<u>-</u>	<u>-</u>	<u>63,061</u>
Total assets	<u>\$ 211,607</u>	<u>\$ -</u>	<u>\$ 100,735</u>	<u>\$ 312,342</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 77,467	\$ -	\$ -	\$ 77,467
Accrued expenditures	2,451	-	-	2,451
Due to other funds	-	-	100,735	100,735
Advance contributions and grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>79,918</u>	<u>-</u>	<u>100,735</u>	<u>180,653</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	63,061	-	-	63,061
Restricted	-	-	-	-
Unassigned	<u>68,628</u>	<u>-</u>	<u>-</u>	<u>68,628</u>
Total fund balances	<u>131,689</u>	<u>-</u>	<u>-</u>	<u>131,689</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 211,607</u>	<u>\$ -</u>	<u>\$ 100,735</u>	<u>\$ 312,342</u>

See accompanying 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, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Contributions	\$ 546,420	\$ 16,240	\$ -	\$ 7,500	\$ 570,160
District funding	3,478,680	-	-	-	3,478,680
Federal and state grants	-	-	290,407	-	290,407
Interest and investment income	259	-	-	18,463	18,722
Other income	37,266	-	-	-	37,266
Total revenues	<u>4,062,625</u>	<u>16,240</u>	<u>290,407</u>	<u>25,963</u>	<u>4,395,235</u>
<b>EXPENDITURES</b>					
Current:					
Instructional	214,606	-	-	-	214,606
Occupancy	274,312	-	-	-	274,312
Office	106,115	-	-	-	106,115
Organizational development	56,991	-	-	-	56,991
Other	-	-	-	4,500	4,500
Professional services and fees	135,624	-	-	-	135,624
Employee compensation	2,571,510	16,240	219,407	-	2,807,157
Staff development	80,308	-	-	-	80,308
Transportation	63,732	-	-	-	63,732
Debt Service					
Principal	-	-	-	-	-
Interest	1,023	-	-	-	1,023
Capital outlay	34,062	-	71,000	-	105,062
Total expenditures	<u>3,538,283</u>	<u>16,240</u>	<u>290,407</u>	<u>4,500</u>	<u>3,849,430</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Additions to debt	84,600	-	-	-	84,600
Transfers out	(792,531)	-	-	-	(792,531)
Total other financing sources (uses)	<u>(707,931)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(707,931)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(183,589)	-	-	21,463	(162,126)
<b>FUND BALANCES, June 30, 2016</b>	<u>1,974,769</u>	<u>-</u>	<u>-</u>	<u>171,924</u>	<u>2,146,693</u>
<b>FUND BALANCES, June 30, 2017</b>	<u>\$ 1,791,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,387</u>	<u>\$ 1,984,567</u>

See accompanying 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, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
<b>REVENUES</b>				
Contributions	\$ 538,997	\$ 15,680	\$ -	\$ 554,677
District funding	3,423,561	-	-	3,423,561
Federal and state grants	-	-	332,111	332,111
Interest and investment income	6,550	-	-	6,550
Other income	42,168	-	-	42,168
Total revenues	<u>4,011,276</u>	<u>15,680</u>	<u>332,111</u>	<u>4,359,067</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional	256,943	-	-	256,943
Occupancy	324,065	-	-	324,065
Office	110,400	-	-	110,400
Organizational development	72,785	-	-	72,785
Other	-	-	-	-
Professional services and fees	121,015	-	-	121,015
Employee compensation	2,443,602	15,680	270,711	2,729,993
Staff development	94,893	-	-	94,893
Transportation	65,966	-	-	65,966
<b>Debt Service</b>				
Principal	27,811	-	-	27,811
Interest	13,265	-	-	13,265
Capital outlay	381,026	-	61,400	442,426
Total expenditures	<u>3,911,771</u>	<u>15,680</u>	<u>332,111</u>	<u>4,259,562</u>
<b>OTHER FINANCING SOURCES:</b>				
Additions to debt	18,800	-	-	18,800
Transfers in	249,513	-	-	249,513
Total other financing sources	<u>268,313</u>	<u>-</u>	<u>-</u>	<u>268,313</u>
<b>NET CHANGE IN FUND BALANCES</b>	367,818	-	-	367,818
<b>FUND BALANCES, June 30, 2016</b>	<u>1,477,641</u>	<u>-</u>	<u>-</u>	<u>1,477,641</u>
<b>FUND BALANCES, June 30, 2017</b>	<u>\$ 1,845,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,845,459</u>

See accompanying 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, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
<b>REVENUES</b>				
Contributions	\$ 79,901	\$ 324,647	\$ -	\$ 404,548
District funding	2,494,773	-	-	2,494,773
Federal and state grants	-	-	327,673	327,673
Interest and investment income	4,777	-	-	4,777
Other income	37,441	-	-	37,441
Total revenues	<u>2,616,892</u>	<u>324,647</u>	<u>327,673</u>	<u>3,269,212</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional	158,846	-	3,720	162,566
Occupancy	154,377	-	-	154,377
Office	69,217	-	-	69,217
Organizational development	44,305	-	-	44,305
Other	-	-	-	-
Professional services and fees	106,888	-	-	106,888
Employee compensation	2,052,731	324,647	191,996	2,569,374
Staff development	67,153	-	-	67,153
Transportation	3,284	-	-	3,284
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	726	-	-	726
Capital outlay	(16,602)	-	131,957	115,355
Total expenditures	<u>2,640,925</u>	<u>324,647</u>	<u>327,673</u>	<u>3,293,245</u>
<b>OTHER FINANCING SOURCES:</b>				
Additions to debt	-	-	-	-
Transfers in	228,258	-	-	228,258
Total other financing sources	<u>228,258</u>	<u>-</u>	<u>-</u>	<u>228,258</u>
<b>NET CHANGE IN FUND BALANCES</b>	204,225	-	-	204,225
<b>FUND BALANCES, June 30, 2016</b>	<u>1,098,393</u>	<u>-</u>	<u>-</u>	<u>1,098,393</u>
<b>FUND BALANCES, June 30, 2017</b>	<u>\$ 1,302,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302,618</u>

See accompanying 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, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
<b>REVENUES</b>				
Contributions	\$ 222,525	\$ 238,595	\$ -	\$ 461,120
District funding	2,842,629	-	-	2,842,629
Federal and state grants	-	-	752,793	752,793
Interest and investment income	5,445	-	-	5,445
Other income	28,875	-	-	28,875
Total revenues	<u>3,099,474</u>	<u>238,595</u>	<u>752,793</u>	<u>4,090,862</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instructional	228,955	-	61,670	290,625
Occupancy	122,694	-	-	122,694
Office	68,176	-	25,293	93,469
Organizational development	54,977	-	-	54,977
Other	-	-	-	-
Professional services and fees	105,339	-	-	105,339
Employee compensation	1,948,425	238,595	481,198	2,668,218
Staff development	54,473	-	34,488	88,961
Transportation	3,734	-	-	3,734
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	828	-	-	828
Capital outlay	31,294	-	150,144	181,438
Total expenditures	<u>2,618,895</u>	<u>238,595</u>	<u>752,793</u>	<u>3,610,283</u>
<b>OTHER FINANCING SOURCES:</b>				
Additions to debt	-	-	-	-
Transfers in	114,731	-	-	114,731
Total other financing sources	<u>114,731</u>	<u>-</u>	<u>-</u>	<u>114,731</u>
<b>NET CHANGE IN FUND BALANCES</b>	595,310	-	-	595,310
<b>FUND BALANCES, June 30, 2016</b>	<u>1,136,675</u>	<u>-</u>	<u>-</u>	<u>1,136,675</u>
<b>FUND BALANCES, June 30, 2017</b>	<u>\$ 1,731,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,731,985</u>

See accompanying independent auditor's report and notes to schedules.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY SCHOOL  
KIPP NASHVILLE COLLEGE PREP ELEMENTARY SCHOOL  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
<b>REVENUES</b>				
Contributions	\$ -	\$ -	\$ -	\$ -
District funding	-	-	-	-
Federal and state grants	-	-	100,735	100,735
Interest and investment income	-	-	-	-
Other income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>100,735</u>	<u>100,735</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instructional	(18,217)	-	28,506	10,289
Occupancy	667	-	-	667
Office	1,315	-	-	1,315
Organizational development	2,874	-	-	2,874
Other				
Professional services and fees	240	-	-	240
Employee compensation	37,947	-	1,203	39,150
Staff development	7,016	-	603	7,619
Transportation	9,958	-	-	9,958
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>161,712</u>	<u>-</u>	<u>70,423</u>	<u>232,135</u>
Total expenditures	<u>203,512</u>	<u>-</u>	<u>100,735</u>	<u>304,247</u>
<b>OTHER FINANCING SOURCES:</b>				
Additions to debt	135,172	-	-	135,172
Transfers in	<u>200,029</u>	<u>-</u>	<u>-</u>	<u>200,029</u>
Total other financing sources	<u>335,201</u>	<u>-</u>	<u>-</u>	<u>335,201</u>
<b>NET CHANGE IN FUND BALANCES</b>	131,689	-	-	131,689
<b>FUND BALANCES, June 30, 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, June 30, 2017</b>	<u>\$ 131,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,689</u>

See accompanying 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 CHANGES IN  
FUND BALANCES BY SCHOOL  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

As of June 30, 2017, 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)
- KIPP Nashville College Prep Elementary School (Grades kindergarten through four); opening in fiscal year 2018

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, when applicable, those schools in process of being opened. 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, which are based primarily on enrollment
- 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 may be 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 certain 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.



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, 2017, 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 December 8, 2017.

### **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.



To the Board of Directors  
KIPP Nashville

## **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, PLLC*

Nashville, Tennessee  
December 8, 2017



Independent Auditor's Report on Compliance for the Major Program  
and on Internal Control Over Compliance  
Required by the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on KIPP Nashville's major federal program for the year ended June 30, 2017. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crosslin, PLLC*

Nashville, Tennessee  
December 8, 2017

KIPP NASHVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

**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?    yes   x  none reported

Noncompliance material to financial statements noted?    yes   x  no

Federal Awards

Internal control over major program:  
Material weakness(es) identified?    yes   x  no  
Significant deficiency(ies) identified?    yes   x  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?    yes   x  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.027	Special Education (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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, 2017

KIPP Nashville had no audit findings for the year ended June 30, 2016.