

KIPP NASHVILLE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2018

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 ANTIOCH COLLEGE PREP ELEMENTARY SCHOOL

KIPP NASHVILLE

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KIPP NASHVILLE
INTRODUCTORY SECTION

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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, 2018, 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, 2018, 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 40 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, schedule of revenues, expenditures and changes in fund balances by school on pages 47 through 59 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 procedures 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 17, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kipp Nashville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP Nashville's internal control over financial reporting and compliance.

Nashville, Tennessee
December 17, 2018

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, 2018 as compared to 2017. 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 \$7,226,646 in fiscal year 2018, or 68.5%, while total revenues increased by \$5,097,666 or 31.4%. The Organization's governmental activities total program costs (student instruction and services) for 2018 increased \$3,381,793 or 30.8%. Overall, the 2018 change in net position, an increase of \$2,298,741, was \$721,811 more than the increase of \$1,576,930 in the prior year.

For the General Purpose School Fund, there was a net decrease in fund balance of \$1,281,499. The General Purpose School Fund's fund balance at fiscal year-end was \$5,521,432.

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 \$10,619,592. The Organization's net position includes \$7,355,111 of cash and investments, \$510,000 of which is subject to external restrictions that limit how the amounts may be used for the upcoming school year. An additional \$216,085 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, 2018, the Organization had invested a total of \$9,733,073 in capital assets. This investment includes land, building and improvements, instructional and support furniture, instructional computers for teachers, mobile student computer labs, maintenance equipment and buses. During 2018, the Organization purchased the building located at 3410 Knight Drive. KIPP Academy Nashville, KIPP Nashville Collegiate High and Kipp Nashville College Prep Elementary are all housed at this location. The Organization expects additional property and equipment investments in the 2018-2019 school year, as student enrollment increases. For the 2017-2018 school year, the Organization 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 Metropolitan Nashville Public Schools through fiscal year 2025. The Organization's sixth school, KIPP Antioch College Prep Elementary will open for the 2018-2019 school year at 5221 Hickory Hollow Parkway; educational space leased from Intrepid College Prep for a one year lease through June 30, 2019. 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, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 7,139,026	\$ 6,907,704
Investments	216,085	193,387
Receivables	360,682	1,060,828
Other assets	322,746	146,245
Capital assets	<u>9,733,073</u>	<u>2,236,802</u>
Total assets	<u>17,771,612</u>	<u>10,544,966</u>
Deferred outflow of resources	<u>1,528,445</u>	<u>1,123,125</u>
Accounts payable and accrued expenses	1,581,778	681,030
Other liabilities	<u>5,614,657</u>	<u>1,565,456</u>
Total liabilities	<u>7,196,435</u>	<u>2,246,486</u>
Deferred inflows of resources	<u>1,484,030</u>	<u>1,100,754</u>
Net position:		
Net investment in capital assets	5,253,498	1,873,362
Restricted	216,085	193,387
Unrestricted	<u>5,150,009</u>	<u>6,254,102</u>
Total net position	<u>\$10,619,592</u>	<u>\$ 8,320,851</u>

The Organization's total net position increased by \$2,298,741 during the 2018 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 2018 increased to \$21,312,777, an increase of 31.4% when compared to fiscal year 2017. Revenues generated from government grants, governmental funds, and KIPP foundation grants were \$18,161,508 during the 2018 fiscal year, an increase of \$4,118,146, or 29.3% when compared to 2017. Contributions from individuals and organizations of \$2,974,990 an increase of 984,485 or 49.5% when compared to 2017 due primarily to continued support from existing individual and corporate donors and the identification of new donors. In addition, MNPS district funding increased 28.0% when compared to 2017. The main driver of this increase was the increased enrollment at existing and new schools. Finally, federal funding increased 45.6% when compared to 2017, primarily due to new grants and increased funding due to opening a new school.

Total expenses were \$19,014,036 during the 2018 fiscal year, an increase of \$4,375,855 when compared to 2017. 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 \$2,298,741 in 2018 is \$721,811 more than the increase in net position of \$1,576,930 in 2017.

A schedule of the Organization's revenues and expenses for the years ended June 30, 2018 and 2017, is as follows. The schedule is for the Organization as a whole, not for the governmental funds.

	<u>2018</u>	<u>2017</u>
Revenues		
Contributions	\$ 2,974,990	\$ 1,990,505
District funding	15,662,791	12,239,643
Federal and state grants	2,498,717	1,803,719
Interest and investment income	43,072	35,494
Other	<u>133,207</u>	<u>145,750</u>
Total revenues	<u>21,312,777</u>	<u>16,215,111</u>
Expenses		
Instructional	1,353,188	935,029
Occupancy	1,237,331	876,115
Office	560,755	396,358
Organizational development	228,099	231,932
Service fees	577,531	473,606
Employee compensation	13,885,288	10,733,424
Staff development	331,232	338,934
Transportation	172,576	146,674
Depreciation	<u>668,036</u>	<u>506,109</u>
Total expenses	<u>19,014,036</u>	<u>14,638,181</u>
Change in net position	<u>\$ 2,298,741</u>	<u>\$ 1,576,930</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 \$5,737,517. 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, 2018, 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 2018, the Organization invested \$8,164,306 in capital assets. Depreciation expense totaled \$668,036 in 2018. Further information regarding capital assets can be found in Note D to the financial statements.

During 2018, the Organization borrowed \$4,250,000 to purchase the Ewing Park School property and related construction. Payment on previously outstanding debt totaled \$133,865. 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 2019 enrollment is projected to be approximately 2,100 students for KIPP Nashville across six 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-4), KIPP Nashville College Prep Elementary (serving grades K-2), and in FY2019, KIPP will also launch KIPP Antioch College Prep Elementary School opening with Kindergarten. During fiscal year 2019, KIPP Nashville will also begin planning for the launch of our middle school, KIPP Antioch College Prep Middle, which will open its doors to fifth grade students.

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 increase from the 2017-18 school year based on state budget information. For fiscal year 2019, 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 2019, in addition to serving KIPP's current student population of 2,100 students, KIPP plans to invest in the Organization's long-term growth plan for opening new KIPP schools in Nashville. These investments will include hiring additional staff, increasing professional development, and making general and administrative expenditures specific to the further development and execution of the KIPP Nashville strategic growth plan.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

KIPP NASHVILLE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,139,026
Investments	216,085
Receivables	360,682
Other current assets	158,948
Net pension asset	163,798
Capital assets, net	9,733,073
Total assets	17,771,612
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	1,528,445
 LIABILITIES	
Accounts payable	1,354,132
Accrued expenses	227,646
Advance contributions and grants	510,000
Long-term debt, due within one year	74,135
Long-term debt, due in more than one year	4,768,254
Net pension liability	262,268
Total liabilities	7,196,435
 DEFERRED INFLOWS OF RESOURCES	
Contributions for future periods	45,446
Pensions	1,438,584
Total deferred inflows of resources	1,484,030
 NET POSITION	
Net investment in capital assets	5,253,498
Restricted	216,085
Unrestricted	5,150,009
Total net position	\$ 10,619,592

See accompanying notes to financial statements.

KIPP NASHVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Functions			
GOVERNMENTAL ACTIVITIES:	Total	Student Instruction and Services	Administration	Fundraising
EXPENSES				
Instructional	\$ 1,353,188	\$ 1,353,188	\$ -	\$ -
Occupancy	1,237,331	1,051,731	185,600	-
Office	560,755	532,717	28,038	-
Organizational development	228,099	-	-	228,099
Professional services and fees	577,531	115,506	462,025	-
Employee compensation	13,885,288	10,413,966	3,471,322	-
Staff development	331,232	314,670	16,562	-
Transportation	172,576	172,576	-	-
Depreciation	<u>668,036</u>	<u>400,822</u>	<u>267,214</u>	<u>-</u>
Total expenses	19,014,036	14,355,176	4,430,761	228,099
PROGRAM REVENUES				
Operating grants and contributions	2,191,717	2,191,717	-	-
Capital grants and contributions	<u>307,000</u>	<u>307,000</u>	<u>-</u>	<u>-</u>
Net program expenses	<u>16,515,319</u>	<u>\$ 11,856,459</u>	<u>\$ 4,430,761</u>	<u>\$ 228,099</u>
GENERAL REVENUES				
Contributions	2,974,990			
District funding	15,662,791			
Other	133,207			
Interest and investment income	<u>43,072</u>			
Total general revenues	<u>18,814,060</u>			
CHANGE IN NET POSITION	2,298,741			
NET POSITION, June 30, 2017	<u>8,320,851</u>			
NET POSITION, June 30, 2018	<u>\$ 10,619,592</u>			

See accompanying notes to financial statements.

KIPP NASHVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,629,026	\$ 510,000	\$ -	\$ -	\$ 7,139,026
Investments	-	-	-	216,085	216,085
Receivables	47,946	-	312,736	-	360,682
Due from other funds	312,736	-	-	-	312,736
Other current assets	158,948	-	-	-	158,948
Total assets	<u>\$ 7,148,656</u>	<u>\$ 510,000</u>	<u>\$ 312,736</u>	<u>\$ 216,085</u>	<u>\$ 8,187,477</u>
LIABILITIES					
Accounts payable	\$ 1,354,132	\$ -	\$ -	\$ -	\$ 1,354,132
Accrued expenditures	227,646	-	-	-	227,646
Due to other funds	-	-	312,736	-	312,736
Advance contributions and grants	-	510,000	-	-	510,000
Total liabilities	<u>1,581,778</u>	<u>510,000</u>	<u>312,736</u>	<u>-</u>	<u>2,404,514</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>45,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,446</u>
FUND BALANCES					
Nonspendable	158,948	-	-	128,300	287,248
Restricted	-	-	-	87,785	87,785
Unassigned	5,362,484	-	-	-	5,362,484
Total fund balances	<u>5,521,432</u>	<u>-</u>	<u>-</u>	<u>216,085</u>	<u>5,737,517</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,148,656</u>	<u>\$ 510,000</u>	<u>\$ 312,736</u>	<u>\$ 216,085</u>	<u>\$ 8,187,477</u>

See accompanying notes to financial statements.

KIPP NASHVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2018

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

Total governmental fund balances	\$ 5,737,517
Capital assets not reported in the balance sheet	9,733,073
Pension amounts not reported in the balance sheet	
Net pension liability not reported in the balance sheet	(262,268)
Net pension asset not reported in the balance sheet	163,798
Deferred inflows of resources for pensions	(1,438,584)
Deferred outflows of resources for pensions	1,528,445
Long-term debt not reported in the balance sheet	<u>(4,842,389)</u>
Net position of governmental activities in the statement of net position	<u>\$10,619,592</u>

See accompanying notes to financial statements.

KIPP NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Contributions	\$ 2,274,580	\$ 695,910	\$ -	\$ 4,500	\$ 2,974,990
District funding	15,662,791	-	-	-	15,662,791
Federal and state grants	-	-	2,498,717	-	2,498,717
Interest and investment income	24,874	-	-	18,198	43,072
Other income	133,207	-	-	-	133,207
Total revenues	<u>18,095,452</u>	<u>695,910</u>	<u>2,498,717</u>	<u>22,698</u>	<u>21,312,777</u>
EXPENDITURES					
Current:					
Instructional	1,234,002	24,574	94,612	-	1,353,188
Occupancy	1,237,331	-	-	-	1,237,331
Office	447,800	-	8,075	-	455,875
Organizational development	228,099	-	-	-	228,099
Professional services and fees	577,531	-	-	-	577,531
Employee compensation	11,596,869	668,686	1,800,749	-	14,066,304
Staff development	313,382	2,650	15,200	-	331,232
Transportation	172,576	-	-	-	172,576
Debt service					
Principal	133,865	-	-	-	133,865
Interest	104,880	-	-	-	104,880
Capital outlay	<u>7,584,225</u>	<u>-</u>	<u>580,081</u>	<u>-</u>	<u>8,164,306</u>
Total expenditures	<u>23,630,560</u>	<u>695,910</u>	<u>2,498,717</u>	<u>-</u>	<u>26,825,187</u>
OTHER FINANCING SOURCES:					
Issuance of debt	<u>4,253,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,253,609</u>
NET CHANGE IN FUND BALANCES	(1,281,499)	-	-	22,698	(1,258,801)
FUND BALANCES, June 30, 2017	<u>6,802,931</u>	<u>-</u>	<u>-</u>	<u>193,387</u>	<u>6,996,318</u>
FUND BALANCES, June 30, 2018	<u>\$ 5,521,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,085</u>	<u>\$ 5,737,517</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, 2018

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	\$(1,258,801)
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Capital outlay	8,164,306
Debt service principal	133,865
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(668,036)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuance of debt increases long-term obligations for governmental activities	(4,253,609)
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>181,016</u>
Change in net position of governmental activities	<u>\$ 2,298,741</u>

See accompanying notes to financial statements.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018, 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);
- KIPP Antioch College Prep Elementary School (grades kindergarten through four); opening in fiscal year 2019

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, 2018

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, 2018

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, 2018

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 regularly maintains deposits with a financial institution in excess of FDIC coverage.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, construction in progress represents long term assets not yet placed into service. When a project is completed and placed into service, the construction 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, 2018

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, 2018

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, 2018, 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	\$312,736
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B. DEPOSITS AND INVESTMENTS

KIPP Nashville does not have formal deposit policies that address its exposure to custodial credit risk, however does limit deposits to those instruments allowed by applicable state laws. As of June 30, 2018, all bank deposits were fully collateralized and insured by institutions insured by the FDIC or with banks who participate in the Tennessee Bank Collateral Pool.

The bank and carrying balances of cash and cash equivalents were \$7,306,465 and \$7,139,026, 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 \$87,785 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, 2018 include mutual funds valued at \$216,085 using quoted market prices (Level 1 inputs).

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 2,071,624	\$ -	\$ 2,071,624
Construction in progress	<u>295,234</u>	<u>1,518,235</u>	<u>-</u>	<u>1,813,469</u>
Total capital assets not being depreciated	<u>295,234</u>	<u>3,589,859</u>	<u>-</u>	<u>3,885,093</u>
Capital assets, being depreciated:				
Classroom:				
Furniture	482,878	202,421	-	685,299
Instructional hardware and software	1,042,072	301,479	-	1,343,551
Library and textbooks	177,578	-	-	177,578
Equipment	442,220	55,652	-	497,872
Administrative:				
Furniture and equipment	577,417	105,305	-	682,722
Computer hardware and software	220,481	16,201	-	236,682
Maintenance	188,927	-	-	188,927
Leasehold improvements	249,800	152,096	-	401,896
Buildings	-	3,505,000	-	3,505,000
Transportation	<u>638,837</u>	<u>236,294</u>	<u>-</u>	<u>875,131</u>
	4,020,210	4,574,448	-	8,594,658
Accumulated depreciation	<u>(2,078,642)</u>	<u>(668,036)</u>	<u>-</u>	<u>(2,746,678)</u>
Total capital assets being depreciated, net	<u>1,941,568</u>	<u>3,906,412</u>	<u>-</u>	<u>5,847,980</u>
Total capital assets, net	<u>\$ 2,236,802</u>	<u>\$ 7,496,270</u>	<u>\$ -</u>	<u>\$ 9,733,073</u>

Depreciation was charged to governmental activities as follows:

Student instruction and services	\$400,822
Administration	267,214
Fundraising	<u>-</u>
	<u>\$668,036</u>

Construction in progress at June 30, 2018 relates to capital improvement projects primarily at the Ewing Park facility.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

The following is a summary of debt obligations outstanding as of June 30, 2018:

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.	\$ 362,814
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.	177,232
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.	52,343
Bond payable for building purchase and construction, principal amount not to exceed \$6,500,000 bearing interest at a variable rate (3.71% at June 30, 2018); interest only payments through November 2019, interest and principal payments in equal monthly installments thereafter based on a 20-year mortgage amortization due in November 2039.	<u>4,250,000</u> 4,842,389
Amount due in one year	<u>(74,135)</u>
Long-term portion	<u>\$ 4,768,254</u>

Long-term debt activity for the year ended June 30, 2018 is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions/</u> <u>Borrowings</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2018</u>
Note Payable	\$359,205	\$ 3,609	\$ -	\$ 362,814
Note Payable	235,000	-	57,768	177,232
Note Payable	65,437	-	13,094	52,343
Capital Lease	63,003	-	63,003	-
Note Payable	<u>-</u>	<u>4,250,000</u>	<u>-</u>	<u>4,250,000</u>
Total	<u>\$722,645</u>	<u>\$4,253,609</u>	<u>\$133,865</u>	<u>\$4,842,389</u>

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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>	<u>Interest</u>	<u>Principal</u>
2019	\$ 180,280	\$ 74,627
2020	174,450	524,999
2021	158,047	222,945
2022	147,809	158,616
2023	140,535	160,777
2024 - 2028	606,954	899,608
2029 - 2033	423,906	1,082,656
2034 - 2038	203,612	1,302,950
2039 - 2040	<u>11,648</u>	<u>415,211</u>
	<u>\$2,047,241</u>	<u>\$4,842,389</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.

Under the bond payable, KIPP Nashville is required to maintain certain financial covenants. Management believes they are in compliance with all covenants at June 30, 2018.

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 remains in effect until terminated in writing. As of June 30, 2018, no amounts were outstanding under the agreement.

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”) and from a local charter school. 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 2018 was \$678,955. The leases also require KIPP Nashville to pay for certain operating and janitorial services.

KIPP NASHVILLE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

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>	
2019	\$ 714,026
2020	733,550
2021	753,623
2022	774,259
2023	795,474
2024 - 2025	<u>1,412,104</u>
	<u>\$5,183,036</u>

G. RECEIVABLES AND RELATED DEFERRED INFLOWS OF RESOURCES

Receivables at June 30, 2018, consist of the following:

Contributions for future periods and/or specific purposes	\$ 45,446
Grants	312,735
Other	<u>2,500</u>
	<u>\$360,682</u>

Amounts reflected in deferred inflows of resources, relating to contributions designated for future periods, totaled \$45,446 at June 30, 2018, 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, 2018, were \$120,000.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. CONCENTRATION

KIPP Nashville received 73% 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, 2018, was \$15,662,791. 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, 2018

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.state.tn.us/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 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. PENSIONS - Continued

Teachers Retirement Plan

Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit 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, 2018, to the Teacher Legacy Pension Plan were \$238,842 which is 9.08 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, 2018

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, 2018 to the Teacher Retirement Plan were \$194,250 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, 2018, KIPP Nashville reported an asset of \$(18,931) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. KIPP Nashville's proportion of the net pension asset was based on KIPP Nashville's contributions to the pension plan relative to the contributions of all participating LEA's. At the June 30, 2017 measurement date, KIPP Nashville's proportion was 0.057861 percent. The proportion measured as of June 30, 2016 was 0.054431 percent.

Teachers Retirement Plan

At June 30, 2018, KIPP Nashville reported an asset of (\$144,867) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, 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, 2017, KIPP Nashville's proportion was 0.549079 percent. The proportion measured as of June 30, 2016 was 0.492564 percent.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. PENSIONS - Continued

Actuarial Assumptions

Teachers Legacy Pension Plan and Teachers Retirement Plan

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of living adjustment	2.25 percent

Mortality rates are customized based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent, decreased the investment rate of return from 7.50 percent to 7.25 percent, decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modify morality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns were used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. PENSIONS - Continued

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.39%	10%
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 7.25 percent based on a blending of the factors described above.

Discount Rate

Teachers Legacy Pension Plan and Teachers Retirement Plan

The discount rate used to measure the total pension liability was 7.25 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 all the 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, 2018

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.

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, 2018

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, 2018 were \$338,848.

(B) Pension Liabilities - Metro Plan

Pension Liability

KIPP Nashville reported a liability of \$262,268 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018, relative to all contributions for 2018. At the June 30, 2018, measurement date, KIPP Nashville's proportionate share was 0.442711 percent. The proportionate share was 0.321493 percent as of June 30, 2017.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017. Actuarial assumptions are summarized below:

Inflation	2.5 percent
Salary increases	4.0 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of living adjustment	1.25 percent

Mortality rates were based on the 115% RP-2014 Blue Collar Table, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period 2012 to 2017.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. PENSIONS - Continued

Changes of Assumptions

In 2018, the following assumptions were changed: decreased inflation from 2.6 percent to 2.5 percent; decreased investment rate of return from 7.5 percent to 7.25 percent; decreased cost-of-living adjustment from 1.5 percent to 1.25 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established in conjunction with the most recent actuarial experience study completed February 20, 2018, by considering the following three techniques: (1) the 20-year historical return of the Metro Open Plan at June 30, 2017, (2) the historical market returns of asset classes from 1926 to 2017, 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
U.S. equity	5.1%	24.0%
International equity	5.3%	16.0%
Equity hedge	7.9%	10.0%
Core plus fixed income	2.3%	20.0%
Fixed income alternatives	2.7%	10.0%
Real estate	4.9%	10.0%
Private equity	7.9%	10.0%
		100.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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, 2018

J. PENSIONS - Continued

Pension Liabilities (Assets)

KIPP Nashville reports the following net pension liability (asset) as of June 30, 2018:

TCRS Legacy plan	\$(18,931)
TCRS Retirement Plan	<u>(144,867)</u>
Net pension asset	<u>\$(163,798)</u>
Metro plan	<u>\$ 262,268</u>
Net pension liability	<u>\$ 262,268</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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25)%</u>	<u>Current Discount Rate (7.25)%</u>	<u>1% Increase (8.25)%</u>
Proportionate share of the net pension liability (asset):			
TCRS Legacy Plan	\$1,698,676	\$(18,931)	\$(1,438,647)
TCRS Retirement Plan	28,903	(144,867)	(272,328)
Metro Plans	<u>1,992,413</u>	<u>262,268</u>	<u>(1,107,054)</u>
Total	<u>\$3,719,992</u>	<u>\$ 98,470</u>	<u>\$(2,818,029)</u>

Pension Plan Fiduciary Net Position

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

Pension Expense

For the year ended June 30, 2018, KIPP Nashville recognized pension expense (negative pension expense) as follows:

TCRS Legacy Plan	\$(168,743)
TCRS Retirement Plan	(129,594)
Metro Plan	<u>117,322</u>
Pension expense	<u>\$(181,015)</u>

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. PENSIONS - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2018, KIPP Nashville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
TCRS Legacy Plan	\$ 11,413	\$390,842
TCRS Retirement Plan	5,077	10,895
Metro Plan	-	320,896
Changes in assumptions		
TCRS Legacy Plan	160,337	-
TCRS Retirement Plan	12,727	-
Metro Plan	402,659	-
Net difference between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	2,874	-
TCRS Retirement Plan	-	7,794
Metro Plan	-	432,915
Changes in proportion of Net Pension Liability (Asset)		
TCRS Legacy Plan	418,712	260,530
TCRS Retirement Plan	-	11,784
Metro Plan	81,554	2,928
Contributions subsequent to the measurement date of June 30, 2017		
TCRS Legacy Plan	238,842	
TCRS Retirement Plan	<u>194,250</u>	<u>not applicable</u>
Totals	<u>\$1,528,445</u>	<u>\$1,438,584</u>

KIPP Nashville's employer contributions of \$433,092 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ended June 30, 2019. 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, 2018

J. PENSIONS - Continued

<u>Year Ended June 30,</u>	<u>TCRS Legacy Plan</u>	<u>TCRS Retirement Plan</u>	<u>Metro Plan</u>	<u>Total</u>
2019	\$(69,993)	\$(1,743)	\$(24,086)	\$(95,822)
2020	123,677	(1,742)	(83,959)	37,976
2021	16,681	(2,189)	(248,720)	(234,228)
2022	(128,400)	(4,192)	(61,359)	(193,951)
2023	-	(518)	40,983	40,465
Thereafter	-	(2,285)	104,615	102,329

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, 2018, KIPP Nashville reported a payable of \$137,266 for the outstanding amount of contributions to the pension plans required at year ended June 30, 2018.

Defined Contribution Plan

The TCRS Retirement Plan has a defined contribution component to the plan. Under the terms of the Plan for the defined contribution component, employees contribute 2% of their salaries to the plan, but are allowed an opt out feature. The School is required to contribute 5% of annual salaries, to an individual employee account. For the year ended June 30, 2018, the School recognized pension expense of \$238,372 related to the defined contribution component of the plan. Employees are immediately vested in the plan.

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, 2018

K. CONTINGENCIES AND RISK MANAGEMENT

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 2018 and continuing into fiscal year 2019, 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:

During fiscal year 2018, the Organization continued 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, 2018 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. The project was completed in August 2018. The Organization drew the remaining \$2,250,000 from their bond in fiscal year 2019 to finance the construction on the second phase.

To finance the construction of the KIPP Antioch facility, the Organization has entered into a financing commitment (the "Commitment"), in October 2018, 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 \$12,475,000, at a tax exempt interest rate, payable through 2045. The loan also contains certain prepayment penalties, financial and other covenants, and various other terms and conditions. In fiscal year 2019, the Organization also entered into a financing commitment for \$1,675,000 for the construction of KIPP Antioch.

REQUIRED SUPPLEMENTARY INFORMATION

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>	<u>2018</u>
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Proportion of the net pension liability (asset)	0.03650%	0.04561%	0.054431%	0.057861%
Proportionate share of the of the net pension liability (asset)	\$ (5,938)	\$ 18,684	\$ 340,162	\$ (18,931)
Covered payroll	\$ 1,444,609	\$ 1,707,398	\$ 1,964,845	\$ 2,045,371
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.41%	1.09%	17.31%	-0.93%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%
<u>Teachers Retirement Plan of TCRS</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Measurement date		June 30, 2015	June 30, 2016	June 30, 2017
Proportion of the net pension liability (asset)		0.28347%	0.49256%	0.54908%
Proportionate share of the of the net pension liability (asset)		\$ (11,404)	\$ (51,277)	\$ (144,867)
Covered payroll		\$ 588,983	\$ 2,167,299	\$ 3,603,816
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll		-1.94%	-2.37%	-4.02%
Plan fiduciary net position as a percentage of the total pension liability		127.46%	121.88%	126.81%

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 be 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.

See independent auditor's report.

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

<u>Metro Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Proportion of the net pension liability (asset)	0.27630%	0.32560%	0.32149%	0.44271%
Proportionate share of the of the net pension liability (asset)	\$ 190,396	\$ 720,604	\$ 131,313	\$ 262,268
Covered payroll	\$ 1,444,705	\$ 1,841,314	\$ 1,924,498	2,745,924
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.18%	39.14%	6.82%	9.55%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%	98.64%	97.45%

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 be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEAR ENDING JUNE 30,

<u>Teachers Legacy Pension Plan of TCRS</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarial Determined Contributions (ADC)	\$ 128,281	\$ 154,438	\$ 177,622	\$ 184,902	\$ 238,842
Contributions in relation to the actuarially determined contribution	<u>128,281</u>	<u>154,438</u>	<u>177,622</u>	<u>184,902</u>	<u>238,842</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,444,609	\$ 1,707,389	\$ 1,964,845	\$ 2,045,371	\$ 2,630,419
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%
<u>Teachers Retirement Plan of TCRS</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarial Determined Contributions (ADC)	Not applicable	\$ 14,725	\$ 54,252	\$ 144,152	\$ 194,250
Contributions in relation to the actuarially determined contribution		<u>23,559</u>	<u>86,692</u>	<u>144,152</u>	<u>194,250</u>
Contribution deficiency (excess)		<u>\$ (8,834)</u>	<u>\$ (32,440)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		\$ 588,983	\$ 2,167,299	\$ 3,603,816	\$ 4,856,250
Contributions as a percentage of covered payroll		4.00%	4.00%	4.00%	4.00%
<u>Metro Plan</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarial Determined Contributions (ADC)	\$ 144,260	\$ 259,859	\$ 285,587	\$ 237,483	\$ 338,847
Contributions in relation to the actuarially determined contribution	<u>144,260</u>	<u>259,859</u>	<u>285,587</u>	<u>237,483</u>	<u>338,847</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 842,788	\$ 1,444,705	\$ 1,841,309	\$ 1,924,498	\$ 2,745,924
Contributions as a percentage of covered payroll	17.117%	17.987%	15.510%	12.340%	12.340%

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

See independent auditor's report.

KIPP NASHVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - Continued

NOTES TO SCHEDULE

	TCRS Plans	Metro Plan
Valuation date	June 30, 2016	July 1, 2017
Actuarially determined contribution rates are calculated as of	June 30, 2016	July 1, 2017
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Amortization period	20 years	30 years
Asset valuation method	10 year smoothed within a 20% corridor to market value	5 year smoothed market
Mortality	Customized table based on actual experience	115% RP-2014 Blue Collar Table
Investment rate of return	7.50%	7.25%
Projected salary increases	4.25% **	4.00%
Inflation	3.00%	2.50%
Cost of living adjustments	2.50%	1.25%

** Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation. Amount reported above is the average projected increase

See independent auditor's report.

OTHER INFORMATION

KIPP NASHVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018

<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 KIPP Foundation			
Supporting Effective Educator Development Grant	84.423A	N/A	\$ 162,501
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	830,352
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	N/A	326,471
School Improvement Grant	84.377	N/A	<u>250,310</u>
Total U.S. Department of Education			<u>1,569,634</u>
Total Federal Awards			<u>1,569,634</u>
<u>State Financial Assistance</u>			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program	N/A	N/A	307,000
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	<u>15,662,791</u>
Total State Awards			<u>15,969,791</u>
Total Federal and State Awards			<u>\$ 17,539,425</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, 2018

	Permanent		Total
	KIPP Alumni Scholarship Fund		Nonmajor Governmental Funds
ASSETS			
Investments	\$ 216,085		\$ 216,085
Total assets	\$ 216,085		\$ 216,085
LIABILITIES			
Accounts payable and accrued expenditures	\$ -		\$ -
Total liabilities	-		-
FUND BALANCES			
Nonspendable	128,300		128,300
Restricted	87,785		87,785
Total fund balances	216,085		216,085
Total liabilities and fund balances	\$ 216,085		\$ 216,085

See independent auditor's report.

KIPP NASHVILLE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018

	Permanent		Total
	KIPP		Nonmajor
	Alumni		Governmental
	Scholarship		Funds
	Fund		Funds
REVENUES			
Contributions	\$ 4,500	\$	4,500
Interest	9,225		9,225
Investment appreciation	8,973		8,973
Total revenues	22,698		22,698
 EXPENDITURES	-		-
 NET CHANGE IN FUND BALANCES	22,698		22,698
 FUND BALANCES, June 30, 2017	193,387		193,387
 FUND BALANCES, June 30, 2018	\$ 216,085	\$	216,085

See independent auditor's report.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP ACADEMY NASHVILLE
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,152,286	\$ -	\$ -	\$ -	\$ 1,152,286
Investments	-	-	-	216,085	216,085
Receivables	11,098	-	24,104	-	35,202
Due from other funds	24,104	-	-	-	24,104
Other current assets	33,084	-	-	-	33,084
Total assets	<u>\$ 1,220,572</u>	<u>\$ -</u>	<u>\$ 24,104</u>	<u>\$ 216,085</u>	<u>\$ 1,460,761</u>
LIABILITIES					
Accounts payable	\$ 115,463	\$ -	\$ -	\$ -	\$ 115,463
Accrued expenditures	46,309	-	-	-	46,309
Due to other funds	-	-	24,104	-	24,104
Advance contributions and grants	-	-	-	-	-
Total liabilities	<u>161,772</u>	<u>-</u>	<u>24,104</u>	<u>-</u>	<u>185,876</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>10,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,518</u>
FUND BALANCES					
Nonspendable	33,084	-	-	128,300	161,384
Restricted	-	-	-	87,785	87,785
Unassigned	1,015,198	-	-	-	1,015,198
Total fund balances	<u>1,048,282</u>	<u>-</u>	<u>-</u>	<u>216,085</u>	<u>1,264,367</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,220,572</u>	<u>\$ -</u>	<u>\$ 24,104</u>	<u>\$ 216,085</u>	<u>\$ 1,460,761</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,563,477	\$ -	\$ -	\$ 1,563,477
Receivables	10,500	-	29,496	39,996
Due from other funds	29,496	-	-	29,496
Other current assets	45,134	-	-	45,134
Total assets	<u>\$ 1,648,607</u>	<u>\$ -</u>	<u>\$ 29,496</u>	<u>\$ 1,678,103</u>
LIABILITIES				
Accounts payable	\$ 452,820	\$ -	\$ -	\$ 452,820
Accrued expenditures	43,770	-	-	43,770
Due to other funds	-	-	29,496	29,496
Advance contributions and grants	-	-	-	-
Total liabilities	<u>496,590</u>	<u>-</u>	<u>29,496</u>	<u>526,086</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>9,953</u>	<u>-</u>	<u>-</u>	<u>9,953</u>
FUND BALANCES				
Nonspendable	45,134	-	-	45,134
Restricted	-	-	-	-
Unassigned	<u>1,096,930</u>	<u>-</u>	<u>-</u>	<u>1,096,930</u>
Total fund balances	<u>1,142,064</u>	<u>-</u>	<u>-</u>	<u>1,142,064</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,648,607</u>	<u>\$ -</u>	<u>\$ 29,496</u>	<u>\$ 1,678,103</u>

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

KIPP NASHVILLE COLLEGIATE HIGH SCHOOL
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,494,869	\$ -	\$ -	\$ 1,494,869
Receivables	10,039	-	32,986	43,025
Due from other funds	32,986	-	-	32,986
Other current assets	18,708	-	-	18,708
Total assets	<u>\$ 1,556,602</u>	<u>\$ -</u>	<u>\$ 32,986</u>	<u>\$ 1,589,588</u>
LIABILITIES				
Accounts payable	\$ 139,419	\$ -	\$ -	\$ 139,419
Accrued expenditures	56,794	-	-	56,794
Due to other funds	-	-	32,986	32,986
Advance contributions and grants	-	-	-	-
Total liabilities	<u>196,213</u>	<u>-</u>	<u>32,986</u>	<u>229,199</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>9,516</u>	<u>-</u>	<u>-</u>	<u>9,516</u>
FUND BALANCES				
Nonspendable	18,708	-	-	18,708
Restricted	-	-	-	-
Unassigned	<u>1,332,165</u>	<u>-</u>	<u>-</u>	<u>1,332,165</u>
Total fund balances	<u>1,350,873</u>	<u>-</u>	<u>-</u>	<u>1,350,873</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,556,602</u>	<u>\$ -</u>	<u>\$ 32,986</u>	<u>\$ 1,589,588</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,813,146	\$ 10,000	\$ -	\$ 1,823,146
Receivables	12,244	-	121,793	134,037
Due from other funds	121,793	-	-	121,793
Other current assets	25,091	-	-	25,091
Total assets	<u>\$ 1,972,274</u>	<u>\$ 10,000</u>	<u>\$ 121,793</u>	<u>\$ 2,104,067</u>
LIABILITIES				
Accounts payable	\$ 201,299	\$ -	\$ -	\$ 201,299
Accrued expenditures	53,171	-	-	53,171
Due to other funds	-	-	121,793	121,793
Advance contributions and grants	-	10,000	-	10,000
Total liabilities	<u>254,470</u>	<u>10,000</u>	<u>121,793</u>	<u>386,263</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>11,606</u>	<u>-</u>	<u>-</u>	<u>11,606</u>
FUND BALANCES				
Nonspendable	25,091	-	-	25,091
Restricted	-	-	-	-
Unassigned	<u>1,681,107</u>	<u>-</u>	<u>-</u>	<u>1,681,107</u>
Total fund balances	<u>1,706,198</u>	<u>-</u>	<u>-</u>	<u>1,706,198</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,972,274</u>	<u>\$ 10,000</u>	<u>\$ 121,793</u>	<u>\$ 2,104,067</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 605,248	\$ -	\$ -	\$ 605,248
Receivables	4,065	-	11,559	15,624
Due from other funds	11,559	-	-	11,559
Other current assets	35,671	-	-	35,671
Total assets	<u>\$ 656,543</u>	<u>\$ -</u>	<u>\$ 11,559</u>	<u>\$ 668,102</u>
LIABILITIES				
Accounts payable	\$ 399,752	\$ -	\$ -	\$ 399,752
Accrued expenditures	24,606	-	-	24,606
Due to other funds	-	-	11,559	11,559
Advance contributions and grants	-	-	-	-
Total liabilities	<u>424,358</u>	<u>-</u>	<u>11,559</u>	<u>435,917</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>3,853</u>	<u>-</u>	<u>-</u>	<u>3,853</u>
FUND BALANCES				
Nonspendable	35,671	-	-	35,671
Restricted	-	-	-	-
Unassigned	192,661	-	-	192,661
Total fund balances	<u>228,332</u>	<u>-</u>	<u>-</u>	<u>228,332</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 656,543</u>	<u>\$ -</u>	<u>\$ 11,559</u>	<u>\$ 668,102</u>

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

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP ANTIOCH COLLEGE PREP ELEMENTARY SCHOOL
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 500,000	\$ -	\$ 500,000
Receivables	-	-	92,798	92,798
Due from other funds	92,798	-	-	92,798
Other current assets	1,260	-	-	1,260
Total assets	<u>\$ 94,058</u>	<u>\$ 500,000</u>	<u>\$ 92,798</u>	<u>\$ 686,856</u>
LIABILITIES				
Accounts payable	\$ 45,379	\$ -	\$ -	\$ 45,379
Accrued expenditures	2,996	-	-	2,996
Due to other funds	-	-	92,798	92,798
Advance contributions and grants	-	500,000	-	500,000
Total liabilities	<u>48,375</u>	<u>500,000</u>	<u>92,798</u>	<u>641,173</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	1,260	-	-	1,260
Restricted	-	-	-	-
Unassigned	44,423	-	-	44,423
Total fund balances	<u>45,683</u>	<u>-</u>	<u>-</u>	<u>45,683</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 94,058</u>	<u>\$ 500,000</u>	<u>\$ 92,798</u>	<u>\$ 686,856</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Contributions	\$ 623,403	\$ 9,358	\$ -	\$ 4,500	\$ 637,261
District funding	3,625,062	-	-	-	3,625,062
Federal and state grants	-	-	356,581	-	356,581
Interest and investment income	5,759	-	-	18,198	23,957
Other income	13,627	-	-	-	13,627
Total revenues	<u>4,267,851</u>	<u>9,358</u>	<u>356,581</u>	<u>22,698</u>	<u>4,656,488</u>
EXPENDITURES					
Current:					
Instructional	211,273	4,378	-	-	215,651
Occupancy	298,726	-	-	-	298,726
Office	108,548	-	-	-	108,548
Organizational development	50,440	-	-	-	50,440
Professional services and fees	136,511	-	-	-	136,511
Employee compensation	2,575,772	4,371	286,581	-	2,866,724
Staff development	56,375	609	-	-	56,984
Transportation	55,491	-	-	-	55,491
Debt Service					
Principal	57,768	-	-	-	57,768
Interest	5,840	-	-	-	5,840
Capital outlay	224,989	-	70,000	-	294,989
Total expenditures	<u>3,781,733</u>	<u>9,358</u>	<u>356,581</u>	<u>-</u>	<u>4,147,672</u>
OTHER FINANCING SOURCES (USES):					
Additions to debt	3,609	-	-	-	3,609
Transfers out	(1,232,625)	-	-	-	(1,232,625)
Total other financing sources (uses)	<u>(1,229,016)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,229,016)</u>
NET CHANGE IN FUND BALANCES	(742,898)	-	-	22,698	(720,200)
FUND BALANCES, June 30, 2017	<u>1,791,180</u>	<u>-</u>	<u>-</u>	<u>193,387</u>	<u>1,984,567</u>
FUND BALANCES, June 30, 2018	<u>\$ 1,048,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,085</u>	<u>\$ 1,264,367</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 641,372	\$ 8,951	\$ -	\$ 650,323
District funding	3,430,218	-	-	3,430,218
Federal and state grants	-	-	363,720	363,720
Interest and investment income	5,447	-	-	5,447
Other income	22,529	-	-	22,529
Total revenues	<u>4,099,566</u>	<u>8,951</u>	<u>363,720</u>	<u>4,472,237</u>
EXPENDITURES				
Current:				
Instructional	184,838	4,188	-	189,026
Occupancy	236,088	-	-	236,088
Office	80,637	-	-	80,637
Organizational development	47,450	-	-	47,450
Professional services and fees	123,520	-	-	123,520
Employee compensation	2,486,834	4,180	287,520	2,778,534
Staff development	44,777	583	-	45,360
Transportation	55,106	-	-	55,106
Debt Service				
Principal	76,097	-	-	76,097
Interest	51,667	-	-	51,667
Capital outlay	<u>2,526,186</u>	<u>-</u>	<u>76,200</u>	<u>2,602,386</u>
Total expenditures	<u>5,913,200</u>	<u>8,951</u>	<u>363,720</u>	<u>6,285,871</u>
OTHER FINANCING SOURCES (USES):				
Additions to debt	2,125,000	-	-	2,125,000
Transfers out	<u>(1,014,761)</u>	<u>-</u>	<u>-</u>	<u>(1,014,761)</u>
Total other financing sources (uses)	<u>1,110,239</u>	<u>-</u>	<u>-</u>	<u>1,110,239</u>
NET CHANGE IN FUND BALANCES	(703,395)	-	-	(703,395)
FUND BALANCES, June 30, 2017	<u>1,845,459</u>	<u>-</u>	<u>-</u>	<u>1,845,459</u>
FUND BALANCES, June 30, 2018	<u>\$ 1,142,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,142,064</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 290,391	\$ 331,395	\$ -	\$ 621,786
District funding	3,279,695	-	-	3,279,695
Federal and state grants	-	-	308,980	308,980
Interest and investment income	5,208	-	-	5,208
Other income	73,125	-	-	73,125
Total revenues	<u>3,648,419</u>	<u>331,395</u>	<u>308,980</u>	<u>4,288,794</u>
EXPENDITURES				
Current:				
Instructional	244,247	3,998	-	248,245
Occupancy	311,335	-	-	311,335
Office	92,465	-	-	92,465
Organizational development	50,872	-	-	50,872
Professional services and fees	123,227	-	-	123,227
Employee compensation	2,710,028	326,840	250,180	3,287,048
Staff development	74,250	557	-	74,807
Transportation	524	-	-	524
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>50,911</u>	<u>-</u>	<u>58,800</u>	<u>109,711</u>
Total expenditures	<u>3,657,859</u>	<u>331,395</u>	<u>308,980</u>	<u>4,298,234</u>
OTHER FINANCING SOURCES:				
Additions to debt	-	-	-	-
Transfers in	<u>57,695</u>	<u>-</u>	<u>-</u>	<u>57,695</u>
Total other financing sources	<u>57,695</u>	<u>-</u>	<u>-</u>	<u>57,695</u>
NET CHANGE IN FUND BALANCES	48,255	-	-	48,255
FUND BALANCES, June 30, 2017	<u>1,302,618</u>	<u>-</u>	<u>-</u>	<u>1,302,618</u>
FUND BALANCES, June 30, 2018	<u>\$ 1,350,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350,873</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 719,414	\$ 42,951	\$ -	\$ 762,365
District funding	3,999,923	-	-	3,999,923
Federal and state grants	-	-	895,357	895,357
Interest and investment income	6,352	-	-	6,352
Other income	19,504	-	-	19,504
Total revenues	<u>4,745,193</u>	<u>42,951</u>	<u>895,357</u>	<u>5,683,501</u>
EXPENDITURES				
Current				
Instructional	456,932	10,487	-	467,419
Occupancy	168,724	-	-	168,724
Office	114,372	-	2,186	116,558
Organizational development	59,196	-	-	59,196
Professional services and fees	130,383	-	-	130,383
Employee compensation	2,515,745	31,775	736,090	3,283,610
Staff development	56,228	689	15,200	72,117
Transportation	4,970	-	-	4,970
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>104,643</u>	<u>-</u>	<u>141,881</u>	<u>246,524</u>
Total expenditures	<u>3,611,193</u>	<u>42,951</u>	<u>895,357</u>	<u>4,549,501</u>
OTHER FINANCING SOURCES (USES):				
Additions to debt	-	-	-	-
Transfers in	<u>(1,159,787)</u>	<u>-</u>	<u>-</u>	<u>(1,159,787)</u>
Total other financing sources (uses)	<u>(1,159,787)</u>	<u>-</u>	<u>-</u>	<u>(1,159,787)</u>
NET CHANGE IN FUND BALANCES	(25,787)	-	-	(25,787)
FUND BALANCES, June 30, 2017	<u>1,731,985</u>	<u>-</u>	<u>-</u>	<u>1,731,985</u>
FUND BALANCES, June 30, 2018	<u>\$ 1,706,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,706,198</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, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ -	\$ 253,255	\$ -	\$ 253,255
District funding	1,327,893	-	-	1,327,893
Federal and state grants	-	-	435,530	435,530
Interest and investment income	2,108	-	-	2,108
Other income	4,422	-	-	4,422
Total revenues	<u>1,334,423</u>	<u>253,255</u>	<u>435,530</u>	<u>2,023,208</u>
EXPENDITURES				
Current				
Instructional	134,144	1,523	94,363	230,030
Occupancy	222,458	-	-	222,458
Office	51,461	-	3,906	55,367
Organizational development	20,094	-	-	20,094
Professional services and fees	62,415	-	-	62,415
Employee compensation	1,238,396	251,520	180,705	1,670,621
Staff development	69,238	212	-	69,450
Transportation	56,485	-	-	56,485
Debt Service				
Principal	-	-	-	-
Interest	47,373	-	-	47,373
Capital outlay	<u>2,522,835</u>	<u>-</u>	<u>156,556</u>	<u>2,679,391</u>
Total expenditures	<u>4,424,899</u>	<u>253,255</u>	<u>435,530</u>	<u>5,113,684</u>
OTHER FINANCING SOURCES:				
Additions to debt	2,125,000	-	-	2,125,000
Transfers in	<u>1,062,119</u>	<u>-</u>	<u>-</u>	<u>1,062,119</u>
Total other financing sources	<u>3,187,119</u>	<u>-</u>	<u>-</u>	<u>3,187,119</u>
NET CHANGE IN FUND BALANCES	96,643	-	-	96,643
FUND BALANCES, June 30, 2017	<u>131,689</u>	<u>-</u>	<u>-</u>	<u>131,689</u>
FUND BALANCES, June 30, 2018	<u>\$ 228,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,332</u>

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

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY SCHOOL
KIPP ANTIOCH COLLEGE PREP ELEMENTARY SCHOOL
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ -	\$ 50,000	\$ -	\$ 50,000
District funding	-	-	-	-
Federal and state grants	-	-	138,549	138,549
Interest and investment income	-	-	-	-
Other income	-	-	-	-
Total revenues	<u>-</u>	<u>50,000</u>	<u>138,549</u>	<u>188,549</u>
EXPENDITURES				
Current				
Instructional	2,568	-	249	2,817
Occupancy	-	-	-	-
Office	317	-	1,983	2,300
Organizational development	47	-	-	47
Professional services and fees	1,475	-	-	1,475
Employee compensation	70,094	50,000	59,673	179,767
Staff development	12,514	-	-	12,514
Transportation	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>2,154,661</u>	<u>-</u>	<u>76,644</u>	<u>2,231,305</u>
Total expenditures	<u>2,241,676</u>	<u>50,000</u>	<u>138,549</u>	<u>2,430,225</u>
OTHER FINANCING SOURCES:				
Additions to debt	-	-	-	-
Transfers in	<u>2,287,359</u>	<u>-</u>	<u>-</u>	<u>2,287,359</u>
Total other financing sources	<u>2,287,359</u>	<u>-</u>	<u>-</u>	<u>2,287,359</u>
NET CHANGE IN FUND BALANCES	45,683	-	-	45,683
FUND BALANCES, June 30, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, June 30, 2018	<u><u>\$ 45,683</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 45,683</u></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, 2018

As of June 30, 2018, 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);
- KIPP Antioch College Prep Elementary School (Grades kindergarten through four); opening in fiscal year 2019

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 shared 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, 2018, 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 17, 2018.

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.

Nashville, Tennessee
December 17, 2018



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, 2018. 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, 2018.

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.

Nashville, Tennessee
December 17, 2018

KIPP NASHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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>
84.010	Title I Grants to Local Educational Agencies

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, 2018

KIPP Nashville had no audit findings for the year ended June 30, 2017.