

KIPP NASHVILLE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

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 ANTIOCH COLLEGE PREP MIDDLE SCHOOL

KIPP NASHVILLE

Table of Contents

INTRODUCTORY SECTION.....	1	
INDEPENDENT AUDITOR’S REPORT.....	2 - 4	
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED).....	5 - 9	
BASIC FINANCIAL STATEMENTS		
Government-wide financial statements		
Statement of net position	10	
Statement of activities.....	11	
Fund financial statements		
Balance sheet - governmental funds	12 - 13	
Statement of revenues, expenditures, and changes in fund balances - governmental funds	14 - 15	
Notes to financial statements	16 - 44	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of the proportionate share of the net pension liability (asset)	45 - 46	
Schedule of employer contributions	47	
OTHER INFORMATION		
Schedule of expenditures of federal awards and state financial assistance	48	
Schedule of changes in long-term debt by individual issue	49	
Combining balance sheet - nonmajor governmental funds	50	
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds.....	51	
Schedule of assets, liabilities and fund balances by school.....	52 - 58	
Schedule of revenues, expenditures, and changes in fund balances by school.....	59 - 65	
Notes to schedules by school.....	66	
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 <i>GOVERNMENT AUDITING STANDARDS</i>		67 - 68
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE		69 - 70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71	
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	72	

KIPP NASHVILLE
INTRODUCTORY SECTION

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Director of STEM
Director of KIPP Through College
Chief Talent Officer
School Leader - KIPP Kirkpatrick
Elementary
School Leader - KIPP Nashville
College Prep Elementary
School Leader - KIPP Academy
Nashville
School Leader - KIPP Nashville
College Prep
School Leader - KIPP Nashville
Collegiate High School
School Leader – KIPP Antioch
College Prep Elementary
School Leader - KIPP Antioch
College Prep Middle



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, 2020, 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, 2020, 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 45 through 47 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 schedule of changes in long-term debt by individual issue on page 49, the combining nonmajor fund financial statements on pages 50 through 51, and the schedule of assets, liabilities and fund balances by school and schedule of revenues, expenditures, and changes in fund balances by school on pages 52 through 65 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 changes in long-term debt by individual issue, 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 changes in long-term debt by individual issue, 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 any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of 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 7, 2020

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, 2020 as compared to 2019. 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 \$25,832,248 in fiscal year 2020, or 62.3%, while total revenues increased by \$3,289,820 or 11.6%. The Organization's governmental activities total program costs (student instruction and services) for 2020 increased \$4,749,525 or 27.0%. Overall, the 2020 change in net position, an increase of \$1,983,776, was \$3,155,790 less than the increase of \$5,139,566 in the prior year.

For the General Purpose School Fund, there was a net increase in fund balance of \$19,486,315. The General Purpose School Fund's fund balance at fiscal year-end was \$31,987,647.

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 \$17,742,934. The Organization's net position includes \$33,258,062 of cash and investments, \$836,961 of which is subject to external restrictions that limit how the amounts may be used for the upcoming school year. An additional \$243,120 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, 2020, the Organization had invested a total of \$30,947,870 in capital assets. This investment includes land, building and improvements, instructional and support furniture, instructional computers for teachers, mobile student computer labs, maintenance equipment, buses, and construction in progress on building construction for KIPP Antioch College Prep Elementary and Middle Schools and KIPP Nashville College Prep Elementary and Middle Schools. Construction is expected to be completed during fiscal year 2021. The Organization expects additional property and equipment investments in the 2020-2021 school year, as student enrollment increases and construction is completed. 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 also purchased the building located at 3655 Murfreesboro Pike, which houses KIPP Antioch College Prep Elementary and Middle Schools. 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. 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, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$33,014,942	\$14,014,857
Investments	243,120	230,190
Receivables	1,629,230	2,010,055
Other assets	1,462,379	882,919
Capital assets	<u>30,947,870</u>	<u>24,327,272</u>
Total assets	<u>67,297,541</u>	<u>41,465,293</u>
Deferred outflows of resources	<u>1,949,628</u>	<u>1,763,912</u>
Accounts payable and accrued expenses	1,443,808	2,419,242
Other liabilities	<u>47,779,948</u>	<u>21,915,014</u>
Total liabilities	<u>49,223,756</u>	<u>24,334,256</u>
Deferred inflows of resources	<u>2,280,479</u>	<u>3,135,791</u>
Net position:		
Net investment in capital assets	7,493,352	2,921,372
Restricted	468,557	341,934
Unrestricted	<u>9,781,025</u>	<u>12,495,852</u>
Total net position	<u>\$17,742,934</u>	<u>\$15,759,158</u>

The Organization's total net position increased by \$1,983,776 during the 2020 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 2020 increased to \$31,606,599, an increase of 11.6% when compared to fiscal year 2019. Revenues generated from government grants, governmental funds, and KIPP foundation grants were \$27,866,302 during the 2020 fiscal year, an increase of \$4,219,021, or 17.8% when compared to 2019. Contributions from individuals and organizations of \$3,240,193 decreased \$1,027,560 or 24.1% when compared to 2019 due primarily to a large one-time contribution in fiscal year 2019. In addition, MNPS and State of Tennessee district funding increased 16.1% when compared to 2019. The main driver of this increase was the increased enrollment at existing and new schools. Finally, federal funding increased 32.1% when compared to 2019, primarily due to new grants and increased funding due to opening a new school.

Total expenses were \$29,622,823 during the 2020 fiscal year, an increase of \$6,445,610 when compared to 2019. The majority of this increase is directly related to increased enrollment at the schools.

KIPP NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The increase in net position of \$1,983,776 in 2020 is \$3,155,790 less than the increase in net position of \$5,139,566 in 2019.

A schedule of the Organization's revenues and expenses for the years ended June 30, 2020 and 2019, is as follows. The schedule is for the Organization as a whole, not for the governmental funds.

	<u>2020</u>	<u>2019</u>
Revenues		
Contributions	\$ 3,240,193	\$ 4,267,753
District funding	24,146,183	20,806,659
Federal and state grants	3,720,119	2,840,622
Interest and investment income	116,861	100,657
Other	<u>383,243</u>	<u>301,088</u>
Total revenues	<u>31,606,599</u>	<u>28,316,779</u>
Expenses		
Instructional	2,448,331	1,802,867
Occupancy	2,019,707	1,788,551
Office	1,489,191	751,867
Organizational development	285,026	201,323
Service fees	1,327,373	869,322
Employee compensation	20,105,935	16,304,167
Staff development	364,013	408,858
Transportation	270,017	302,534
Depreciation	<u>1,313,230</u>	<u>747,724</u>
Total expenses	<u>29,622,823</u>	<u>23,177,213</u>
Change in net position	<u>\$ 1,983,776</u>	<u>\$ 5,139,566</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 \$32,230,767. 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, 2020, 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 2020, the Organization invested \$30,947,870 in capital assets. Depreciation expense totaled \$1,313,230 in 2020. Further information regarding capital assets can be found in Note D to the financial statements.

During 2020, the Organization borrowed \$20,644,345 to fund construction on KIPP Antioch College Prep Elementary and Middle Schools. The Organization also received a PPP loan through the Small Business Association in the amount of \$3,539,400. Payments on previously outstanding debt totaled \$2,059,739. 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 M to the financial statements.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2021 enrollment is projected to be approximately 2,769 students for KIPP Nashville across seven 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-4), KIPP Antioch College Prep Elementary School (serving grades K-2), and KIPP Antioch College Prep Middle School (serving grades 5-6).

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 decrease from the 2019-20 school year based on state budget information. For fiscal year 2021, 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 2021, in addition to serving KIPP's current student population of 2,304 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 Financial Controller, Katie Foley, at 3410 Knight Drive, Nashville, TN 37207, by telephone at (615) 226-4484 or email kfoley@KIPPnashville.org.

KIPP NASHVILLE
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 33,014,942
Investments	243,120
Receivables	1,629,230
Other current assets	249,334
Net pension asset	987,608
Capital assets, net	30,947,870
Restricted assets:	
TCRS Stabilization Reserve Trust	225,437
Total assets	67,297,541
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	1,949,628
 LIABILITIES	
Accounts payable	755,517
Accrued expenses	688,291
Advance contributions and grants	836,961
Long-term debt, due within one year	2,092,647
Long-term debt, due in more than one year	43,620,376
Net pension liability	1,229,964
Total liabilities	49,223,756
 DEFERRED INFLOWS OF RESOURCES	
Contributions for future periods	850,527
Pensions	1,429,952
Total deferred inflows of resources	2,280,479
 NET POSITION	
Net investment in capital assets	7,493,352
Restricted	468,557
Unrestricted	9,781,025
Total net position	\$ 17,742,934

See accompanying notes to financial statements.

KIPP NASHVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

<u>GOVERNMENTAL ACTIVITIES:</u>	Functions			
	Total	Student Instruction and Services	Administration	Fundraising
EXPENSES				
Instructional	\$ 2,448,331	\$ 2,448,331	\$ -	\$ -
Occupancy	2,019,707	1,716,751	302,956	-
Office	1,489,191	1,414,731	74,460	-
Organizational development	285,026	-	-	285,026
Professional services and fees	1,327,373	265,475	1,061,898	-
Employee compensation	20,105,935	15,079,451	5,026,484	-
Staff development	364,013	345,812	18,201	-
Transportation	270,017	270,017	-	-
Depreciation	<u>1,313,230</u>	<u>787,938</u>	<u>525,292</u>	<u>-</u>
Total expenses	29,622,823	22,328,506	7,009,291	285,026
PROGRAM REVENUES				
Operating grants and contributions	3,259,799	3,259,799	-	-
Capital grants and contributions	<u>460,320</u>	<u>460,320</u>	<u>-</u>	<u>-</u>
Net program expenses	<u>25,902,704</u>	<u>\$ 18,608,387</u>	<u>\$ 7,009,291</u>	<u>\$ 285,026</u>
GENERAL REVENUES				
Contributions	3,240,193			
District funding	24,146,183			
Other	383,243			
Interest and investment income	<u>116,861</u>			
Total general revenues	<u>27,886,480</u>			
CHANGE IN NET POSITION	1,983,776			
NET POSITION, June 30, 2019	<u>15,759,158</u>			
NET POSITION, June 30, 2020	<u>\$ 17,742,934</u>			

See accompanying notes to financial statements.

KIPP NASHVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 32,177,981	\$ 836,961	\$ -	\$ -	\$ 33,014,942
Investments	-	-	-	243,120	243,120
Receivables	1,369,473	-	259,757	-	1,629,230
Due from other funds	259,757	-	-	-	259,757
Other current assets	249,334	-	-	-	249,334
Restricted assets:					
TCRS Stabilization Reserve Trust	<u>225,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,437</u>
Total assets	<u>\$ 34,281,982</u>	<u>\$ 836,961</u>	<u>\$ 259,757</u>	<u>\$ 243,120</u>	<u>\$ 35,621,820</u>
LIABILITIES					
Accounts payable	\$ 755,517	\$ -	\$ -	\$ -	\$ 755,517
Accrued expenditures	688,291	-	-	-	688,291
Due to other funds	-	-	259,757	-	259,757
Advance contributions and grants	<u>-</u>	<u>836,961</u>	<u>-</u>	<u>-</u>	<u>836,961</u>
Total liabilities	<u>1,443,808</u>	<u>836,961</u>	<u>259,757</u>	<u>-</u>	<u>2,540,526</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>850,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,527</u>
FUND BALANCES					
Nonspendable	249,334	-	-	130,300	379,634
Restricted	19,400,437	-	-	112,820	19,513,257
Unassigned	<u>12,337,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,337,876</u>
Total fund balances	<u>31,987,647</u>	<u>-</u>	<u>-</u>	<u>243,120</u>	<u>32,230,767</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,281,982</u>	<u>\$ 836,961</u>	<u>\$ 259,757</u>	<u>\$ 243,120</u>	<u>\$ 35,621,820</u>

See accompanying notes to financial statements.

KIPP NASHVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2020

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

Total governmental fund balances	\$32,230,767
Capital assets not reported in the balance sheet	30,947,870
Pension amounts not reported in the balance sheet	
Net pension liability	(1,229,964)
Net pension asset	987,608
Deferred inflows of resources for pensions	(1,429,952)
Deferred outflows of resources for pensions	1,949,628
Long-term debt not reported in the balance sheet	<u>(45,713,023)</u>
Net position of governmental activities in the statement of net position	<u>\$17,742,934</u>

See accompanying notes to financial statements.

KIPP NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Contributions	\$ 2,869,790	\$ 370,403	\$ -	\$ -	\$ 3,240,193
District funding	24,146,183	-	-	-	24,146,183
Federal and state grants	-	-	3,720,119	-	3,720,119
Interest and investment income	101,931	-	-	14,930	116,861
Other income	383,243	-	-	-	383,243
Total revenues	<u>27,501,147</u>	<u>370,403</u>	<u>3,720,119</u>	<u>14,930</u>	<u>31,606,599</u>
EXPENDITURES					
Current:					
Instructional	1,763,155	-	683,176	2,000	2,448,331
Occupancy	1,703,643	-	316,064	-	2,019,707
Office	472,631	-	-	-	472,631
Organizational development	85,026	200,000	-	-	285,026
Professional services and fees	1,327,373	-	-	-	1,327,373
Employee compensation	18,003,681	170,403	2,102,907	-	20,276,991
Staff development	354,448	-	9,565	-	364,013
Transportation	270,017	-	-	-	270,017
Debt service:					
Principal	2,059,739	-	-	-	2,059,739
Interest	1,016,560	-	-	-	1,016,560
Capital outlay	7,325,421	-	608,407	-	7,933,828
Total expenditures	<u>34,381,694</u>	<u>370,403</u>	<u>3,720,119</u>	<u>2,000</u>	<u>38,474,216</u>
OTHER FINANCING SOURCES:					
Issuance of debt	24,183,745	-	-	-	24,183,745
Debt issue premium	2,183,117	-	-	-	2,183,117
Total other financing sources	<u>26,366,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,366,862</u>
NET CHANGE IN FUND BALANCES	19,486,315	-	-	12,930	19,499,245
FUND BALANCES, June 30, 2019	<u>12,501,332</u>	<u>-</u>	<u>-</u>	<u>230,190</u>	<u>12,731,522</u>
FUND BALANCES, June 30, 2020	<u>\$ 31,987,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,120</u>	<u>\$ 32,230,767</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, 2020

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	\$ 19,499,245
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Capital outlay	7,933,828
Debt service principal	2,059,739
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(1,313,230)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuance of debt increases long-term obligations for governmental activities	(24,183,745)
Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized for governmental activities	(2,183,117)
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>171,056</u>
Change in net position of governmental activities	<u><u>\$ 1,983,776</u></u>

See accompanying notes to financial statements.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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, 2020, 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 one in fiscal year 2020, an additional grade will be added each year through fiscal year 2023)
- KIPP Antioch College Prep Middle School (grade five in fiscal year 2020, an additional grade will be added each year through fiscal year 2023)

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, 2020

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, 2020

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, 2020

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. Restricted fund balance in the General Purpose School Fund also includes unspent bond proceeds restricted by the bond agreement.

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, 2020

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 inflows 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 net 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, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to liabilities, the statement of net 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 inflows 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, 2020

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, 2020, 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	\$259,757
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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, 2020, 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 \$33,202,610 and \$33,014,942, 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 \$112,820 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, 2020 include mutual funds valued at \$243,120 using quoted market prices (Level 1 inputs).

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

D. CAPITAL ASSETS

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

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2020</u>
Capital assets, not being depreciated:				
Land	\$ 2,071,624	\$ -	\$ -	\$ 2,071,624
Construction in progress	<u>15,947,956</u>	<u>3,748,382</u>	<u>(10,596,086)</u>	<u>9,100,252</u>
Total capital assets not being depreciated	<u>18,019,580</u>	<u>3,748,382</u>	<u>(10,596,086)</u>	<u>11,171,876</u>
Capital assets, being depreciated:				
Classroom:				
Furniture	902,877	85,028	-	987,905
Instructional hardware and software	1,601,438	217,756	-	1,819,194
Equipment	567,827	47,529	-	615,356
Administrative:				
Furniture and equipment	791,688	60,024	-	851,712
Computer hardware and software	204,636	53,719	-	258,355
Maintenance	188,927	5,096	-	194,023
Leasehold improvements	487,624	71,006	-	558,630
Buildings and improvements	3,505,000	3,449,999	10,596,086	17,551,085
Transportation	<u>1,283,101</u>	<u>195,289</u>	<u>(112,120)</u>	<u>1,366,270</u>
	9,533,118	4,185,446	10,483,966	24,202,530
Accumulated depreciation	<u>(3,225,426)</u>	<u>(1,313,230)</u>	<u>112,120</u>	<u>(4,426,536)</u>
Total capital assets being depreciated, net	<u>6,307,692</u>	<u>2,872,216</u>	<u>10,596,086</u>	<u>19,775,994</u>
Total capital assets, net	<u>\$ 24,327,272</u>	<u>\$ 6,620,598</u>	<u>\$ -</u>	<u>\$ 30,947,870</u>

Depreciation was charged to governmental activities as follows:

Student instruction and services	\$787,938
Administration	525,292
Fundraising	<u>-</u>
	<u>\$1,313,230</u>

Construction in progress at June 30, 2020 relates to capital improvement projects at the Ewing Park campus and KIPP Antioch College Prep Elementary and Middle Schools.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

The following is a summary of debt obligations, excluding unamortized premiums, outstanding as of June 30, 2020:

Note payable to a financial institution for transportation equipment, bearing interest at 4.25%; due in monthly installments of \$7,170, with nine installments made annually through June 2021. Collateralized by transportation equipment.	\$ 62,150
Note payable for transportation equipment, bearing interest at 4.9%; due in monthly installments of \$5,460, final payment of outstanding principal amount due in August 2021. Collateralized by transportation equipment.	74,439
Note payable for transportation equipment, bearing interest at 5.25% due in monthly installments of \$3,710, final payment of outstanding principal amount due in March 2022. Collateralized by transportation equipment.	74,222
Bond payable for building purchase and construction, principal amount not to exceed \$10,500,000, bearing interest at 4.1%; interest and principal payments in equal monthly installments based on a 30-year mortgage amortization due in June 2049. Collateralized by real estate.	10,312,812
Bond payable for building purchase and construction, principal amount not to exceed \$12,475,000, bearing interest at 4.15%; interest only payments through November 2020, interest and principal payments in equal monthly installments thereafter based on a 25-year mortgage amortization due in October 2045. Collateralized by real estate.	12,475,000
Note payable under the Paycheck Protection Program (see Note L), bearing interest at 1.0%; due in monthly principal and interest payments of \$197,617 beginning in November 2020 and continuing through April 2020.	3,539,400
Bond payable for building construction, principal amount of \$16,991,883, bearing interest at 5.00%; interest only payments through August 1, 2021, interest and principal payments in equal monthly installments of \$92,582 thereafter through July 2050. Collateralized by real estate.	<u>16,991,883</u> 43,529,906
Amount due in one year	<u>(2,092,647)</u>
Long-term portion	<u>\$ 41,437,259</u>

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

Long-term debt activity for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions/</u> <u>Borrowings</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2020</u>
Bond Payable	\$ 8,822,538	\$ 3,652,462	\$ -	\$ 12,475,000
Bond Payable	10,500,000	-	187,188	10,312,812
Bond Payable	-	16,991,883	-	16,991,883
Bond premium	-	2,183,117	-	2,183,117
Note Payable	-	3,539,400	-	3,539,400
Note Payable	1,675,000	-	1,675,000	-
Note Payable	37,869	-	37,869	-
Note Payable	113,633	-	39,411	74,222
Note Payable	134,617	-	60,178	74,439
Note Payable	<u>122,243</u>	<u>-</u>	<u>60,093</u>	<u>62,150</u>
Total	<u>\$21,405,900</u>	<u>\$26,366,862</u>	<u>\$2,059,739</u>	<u>\$45,713,023</u>

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

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2021	\$1,786,178	\$ 2,092,647
2022	1,771,044	2,779,704
2023	1,726,497	796,447
2024	1,691,731	831,213
2025	1,652,730	870,213
2026 - 2030	7,635,633	4,979,085
2031 - 2035	6,396,723	6,217,994
2036 - 2040	4,846,617	7,768,100
2041 - 2045	2,904,318	9,710,399
2046 - 2050	864,249	7,391,905
2051	<u>384</u>	<u>92,199</u>
Total	<u>\$31,276,104</u>	<u>\$43,529,906</u>

The notes payable contain clauses whereas in the event of default, the principal and outstanding accrued interest of all outstanding obligations may be declared, and shall become, immediately due and payable as provided in the agreements. Proceeds from the sale of collateral shall be used toward expenses incurred by the lender first, followed by outstanding interest and principal.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

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, 2020.

KIPP Nashville has a \$2,450,000 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, 2020, no amounts were outstanding under the agreement and there was no activity on the line-of-credit during the year ended June 30, 2020.

F. LEASE ARRANGEMENTS

KIPP Nashville and the Schools operate from facilities, which are provided under lease arrangements with the Metropolitan Nashville Board of Public Education and Metropolitan Government of Nashville and Davidson County (collectively the “Metropolitan Government”). The leases include building operations and interior and exterior support services. The lease arrangements require monthly rental payments through June 2025. KIPP Nashville’s total rent expense for fiscal year 2020 was \$615,471. The leases also require KIPP Nashville to pay for certain operating and janitorial services.

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

<u>Year Ending June 30,</u>	
2021	\$ 631,158
2022	649,345
2023	668,062
2024	687,326
2025	<u>80,973</u>
	<u>\$2,716,865</u>

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

G. RECEIVABLES AND RELATED DEFERRED INFLOWS OF RESOURCES

Receivables at June 30, 2020, consist of the following:

Contributions for future periods and/or specific purposes	\$ 850,527
District funding	518,946
Grants	239,105
Food service	<u>20,652</u>
	<u>\$1,629,230</u>

Amounts reflected in deferred inflows of resources, relating to contributions designated for future periods, totaled \$850,527 at June 30, 2020, 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, 2020, were \$180,000.

I. CONCENTRATION

KIPP Nashville received 76% of its funding for operations 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, 2020, was \$24,146,183. Outside fundraising for capital and other needs is on-going since the charter school agreements with MNPS do not include allocations for capital expenditures.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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”):

Teacher Legacy Pension Plan

Teacher 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

Description of the TCRS Plans

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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by KIPP Nashville with memberships in TCRS before July 1, 2014 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.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

J. PENSIONS - Continued

Benefits Provided

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

Teacher 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 years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if 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.

Teacher 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 years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or 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 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, 2020

K. PENSIONS - Continued

Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, 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 Teacher 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 for the TCRS Plans 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.

Teacher Legacy Pension Plan

Employer contributions by KIPP Nashville for the year ended June 30, 2020, to the Teacher Legacy Pension Plan were \$301,678 which is 10.63 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.

Teacher 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 by KIPP Nashville for the year ended June 30, 2020 to the Teacher Retirement Plan were \$171,492 which is 2.03 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, 2020

J. PENSIONS - Continued

(A) Pension Liabilities (Assets) - TCRS Plans

Pension Liability (Asset)

Teacher Legacy Pension Plan

At June 30, 2020, KIPP Nashville reported an asset of \$(695,286) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, 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 share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, KIPP Nashville's proportion was 0.067623 percent. The proportion measured as of June 30, 2018 was 0.075119 percent.

Teacher Retirement Plan

At June 30, 2020, KIPP Nashville reported an asset of (\$292,322) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (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, 2019, KIPP Nashville's proportion was 0.517855 percent. The proportion measured as of June 30, 2018 was 0.555711 percent.

Actuarial Assumptions

Teacher Legacy Pension Plan and Teacher Retirement Plan

The total pension liability in the June 30, 2019 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 8.72 to 3.44 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.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

J. PENSIONS - Continued

The actuarial assumptions used in the June 30, 2019 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.

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 was 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:

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

Teacher Legacy Pension Plan and Teacher 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.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

J. PENSIONS - Continued

(II.) Metro Plan

(A) General Information - Metro Plan

Plan Description

The Metro Plan is established under the authority of the Metropolitan Charter, Article XIII. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also required that the pension plan be actuarially sound. Administrative costs of the plan are financed through plan assets. The plan is managed by the Metropolitan Employee Benefit Board, an independent board, created by the Metropolitan Charter. The Board is composed of ten members as follows: Finance Director, Human Resources Director, three members appointed by the Mayor, and five members selected by the employees and retirees of the Metropolitan Government. Additional information about the Metro Plan can be found in the publicly 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, 2020

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-certificated 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, 2020 were \$446,104.

(B) Pension Liabilities - Metro Plan

Pension Liability

KIPP Nashville reported a liability of \$1,229,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. KIPP Nashville's proportion of the net pension liability was based on KIPP Nashville's share of contributions to the pension plan during the year ended June 30, 2020, relative to all contributions for 2020. At the June 30, 2020 measurement date, KIPP Nashville's proportionate share was 0.567325 percent. The proportionate share was 0.545010 percent as of June 30, 2019.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2019. 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 (projected to 2023 using Scale MP-17), as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2019 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, 2020

J. PENSIONS - Continued

The long-term expected rate of return on pension plan investments was established in conjunction with the most recent actuarial experience study completed 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.1%	24%
International equity	5.3%	16%
Equity hedge	7.9%	10%
Core plus fixed income	2.3%	20%
Fixed income alternatives	2.7%	10%
Real estate	4.9%	10%
Private equity	7.9%	10%
		<u>100%</u>

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

Pension Liabilities (Assets)

KIPP Nashville reports the following net pension liability (asset) as of June 30, 2020:

TCRS Legacy Plan	\$ (695,286)
TCRS Retirement Plan	<u>(292,322)</u>
Net pension asset	<u>\$ (987,608)</u>
Metro Plan	<u>\$1,229,964</u>
Net pension liability	<u>\$1,229,964</u>

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

J. PENSIONS - Continued

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	\$1,421,659	\$(695,286)	\$(2,379,258)
TCRS Retirement Plan	92,619	(292,322)	(576,865)
Metro Plan	<u>3,428,382</u>	<u>1,229,964</u>	<u>(755,523)</u>
Total	<u>\$4,942,660</u>	<u>\$ 242,356</u>	<u>\$(3,711,646)</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, 2020, KIPP Nashville recognized pension expense (negative pension expense) as follows:

TCRS Legacy Plan	\$(107,487)
TCRS Retirement Plan	(65,111)
Metro Plan	<u>1,542</u>
Pension expense	<u>\$(171,056)</u>

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

J. PENSIONS - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2020, 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	\$ 33,852	\$424,695
TCRS Retirement Plan	12,120	51,031
Metro Plan	282,090	287,661
Changes in assumptions		
TCRS Legacy Plan	93,694	-
TCRS Retirement Plan	10,157	-
Metro Plan	368,571	-
Net difference between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	-	198,657
TCRS Retirement Plan	-	12,358
Metro Plan	-	310,291
Changes in proportion of net pension liability (asset)		
TCRS Legacy Plan	200,659	130,262
TCRS Retirement Plan	15,967	11,287
Metro Plan	459,348	3,710
Contributions subsequent to the measurement date of June 30, 2019		
TCRS Legacy Plan	301,678	
TCRS Retirement Plan	<u>171,492</u>	<u>not applicable</u>
Totals	<u>\$1,949,628</u>	<u>\$1,429,952</u>

KIPP Nashville's employer contributions of \$473,170 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) to the net pension liability (asset) in the year ended June 30, 2021. 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, 2020

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>
2020	\$(66,279)	\$(5,999)	\$(220,579)	\$(292,857)
2021	(219,383)	(7,889)	19,522	(207,750)
2022	(74,989)	(4,424)	150,672	71,259
2023	(64,758)	(2,654)	245,430	178,018
2024	-	(2,152)	164,475	162,323
Thereafter	-	(13,314)	148,827	135,513

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, 2020, KIPP Nashville reported a payable of \$44,924 for the outstanding amount of contributions required to the Metro pension plan at year ended June 30, 2020.

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. KIPP Nashville is required to contribute 5% of annual salaries, to an individual employee account. For the year ended June 30, 2020, KIPP Nashville recognized pension expense of \$371,624 related to the defined contribution component of the plan. Employees are immediately vested in the plan.

K. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST

Legal Provisions

KIPP Nashville is a member of the Tennessee Consolidated Retirement System (“TCRS”) Stabilization Reserve Trust. KIPP Nashville has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (“TCA”), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member’s funds are restricted for the payment of retirement benefits of that member’s employees. Trust funds are not subject to the claims of general creditors of KIPP Nashville.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

K. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

The trust is authorized to make investments as directed by the TCRS Board of Trustees. KIPP Nashville may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (“TRGT”). The TRGT is not registered with the Securities and Exchange Commission (“SEC”) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool’s underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2020, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the Net Asset Value (“NAV”) per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

K. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table on the next page.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes, and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

K. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

At June 30, 2020, KIPP Nashville's assets balance was \$225,437 and had the following investments held by the trust on its behalf:

<u>Investment</u>	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 69,886
Developed Market International Equity	N/A	N/A	31,561
Emerging Market International Equity	N/A	N/A	9,017
U.S. Fixed Income	N/A	N/A	45,088
Real Estate	N/A	N/A	22,544
Short-term Securities	N/A	N/A	2,254
NAV-Private Equity and Strategic Lending	N/A	N/A	<u>45,087</u>
 Total			 <u><u>\$ 225,437</u></u>

<u>Investment by Fair Value Level</u>	<u>Fair Value 6-30-20</u>	<u>Fair Value Measurements Using</u>			<u>NAV</u>
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
U.S. Equity	\$ 69,886	\$ 69,886	\$ -	\$ -	\$ -
Developed Market International Equity	31,561	31,561	-	-	-
Emerging Market International Equity	9,017	9,017	-	-	-
U.S. Fixed Income	45,088	-	45,088	-	-
Real Estate	22,544	-	-	22,544	-
Short-term Securities	2,254	-	2,254	-	-
Private Equity and Strategic Lending	<u>45,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,087</u>
 Total	 <u><u>\$225,437</u></u>	 <u><u>\$ 110,464</u></u>	 <u><u>\$ 47,342</u></u>	 <u><u>\$ 22,544</u></u>	 <u><u>\$ 45,087</u></u>

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

K. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

Risks and Uncertainties

The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds, and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. KIPP Nashville does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. KIPP Nashville does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. KIPP Nashville places no limit on the amount the county may invest in one issuer.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of KIPP Nashville to pay retirement benefits of KIPP Nashville's employees.

For further information concerning the school department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at

<https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

L. 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 omissions; illness or injuries to employees; and natural disasters. KIPP Nashville carries insurance for certain risks of loss. Settled claims resulting from these risks 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 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.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the pandemic continues to evolve as of the date of this report and has affected KIPP Nashville's operational and financial performance due to the impact on its students, contributors, and employees and vendors, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives.

In addition, this pandemic has adversely affected global economic activity and contributed to deterioration and instability in financial markets. The pandemic may have a continued material adverse impact on economic and market conditions, triggering a period of economic slowdown. As such, this may hinder KIPP Nashville's ability to advance their mission. To mitigate the negative impact on its operational and financial performance, KIPP Nashville received financing from the Small Business Administration (the "SBA") totaling \$3,539,400 through the Paycheck Protection Program (the "Program"). Under the Program, the loan is subject to forgiveness if it is utilized for expenditures such as certain payroll, rent, and utility costs. It was management's intent to utilize the loan proceeds for purposes that qualify the loan for forgiveness under the Program, and management expects the loan to ultimately be forgiven in fiscal year 2021. The final guidelines have not been issued; therefore, the amount of the forgiveness cannot be estimated at this time. See Note E for details regarding this loan.

KIPP NASHVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

L. CONTINGENCIES AND RISK MANAGEMENT - Continued

While expected to be temporary, KIPP Nashville cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on KIPP Nashville's results of future operations, financial position, and liquidity in fiscal year 2021.

M. COMMITMENTS AND SUBSEQUENT EVENTS

During fiscal year 2020 and continuing into fiscal year 2021, KIPP Nashville 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 2020, KIPP Nashville continued capital improvement projects at the Ewing Park campus and KIPP Antioch facility. The building improvements at Ewing Park were completed in July 2020 for minimal additional costs. The KIPP Antioch project provides for the purchase of land and the building of KIPP Antioch College Prep Elementary School and the building of KIPP Antioch College Prep Middle School. The costs incurred through June 30, 2020 are included in construction in progress, as described in Note D. The capital improvements are to be completed in fiscal year 2021 with an expected cost to completion of \$15 million. KIPP Nashville issued a bond in June 2020 (see Note E) to finance the construction.

Management has evaluated subsequent events through December 7, 2020, the date at which the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure, except as discussed above.

REQUIRED SUPPLEMENTARY INFORMATION

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

<u>Teacher Legacy Plan of TCRS</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Proportion of the net pension liability (asset)	0.03650%	0.04561%	0.054431%	0.057861%	0.751190%	0.067623%
Proportionate share of the of the net pension liability (asset)	\$ (5,938)	\$ 18,684	\$ 340,162	\$ (18,931)	\$ (264,336)	\$ (695,286)
Covered payroll	\$ 1,444,609	\$ 1,707,398	\$ 1,964,845	\$ 2,045,371	\$ 2,630,414	\$ 2,267,500
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.41%	1.09%	17.31%	-0.93%	-10.05%	-30.66%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%
<u>Teacher Retirement Plan of TCRS</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Measurement date		June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Proportion of the net pension liability (asset)		0.28347%	0.49256%	0.54908%	0.555711%	0.517855%
Proportionate share of the of the net pension liability (asset)		\$ (11,404)	\$ (51,277)	\$ (144,867)	\$ (252,032)	\$ (292,322)
Covered payroll		\$ 588,983	\$ 2,167,299	\$ 3,603,816	\$ 4,856,244	\$ 5,479,995
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll		-1.94%	-2.37%	-4.02%	-5.19%	-5.33%
Plan fiduciary net position as a percentage of the total pension liability		127.46%	121.88%	126.81%	126.97%	123.07%

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 Teacher Retirement Plan of TCRS as the measurement date was June 30, 2014, and the Teacher Retirement Plan did not commence until July 1, 2014.

See independent auditor's report.

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

<u>Metro Plan</u>	2015	2016	2017	2018	2019	2020
Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Proportion of the net pension liability (asset)	0.27630%	0.32560%	0.32149%	0.44271%	0.54510%	0.56733%
Proportionate share of the of the net pension liability (asset)	\$ 190,396	\$ 720,604	\$ 131,313	\$ 262,268	\$ 401,750	\$ 1,229,964
Covered payroll	\$ 1,444,705	\$ 1,841,314	\$ 1,924,498	\$ 2,745,924	\$ 3,412,034	\$ 3,615,105
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.18%	39.14%	6.82%	9.55%	11.77%	34.02%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%	98.64%	97.45%	96.37%	93.79%

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.

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

<u>Teacher Legacy Pension Plan of TCRS</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarial Determined Contributions (ADC)	\$ 128,281	\$ 154,438	\$ 177,622	\$ 184,902	\$ 238,842	\$ 237,180	\$ 301,678
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>	<u>237,180</u>	<u>301,678</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<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	\$ 2,267,495	\$ 2,837,987
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%
<u>Teacher Retirement Plan of TCRS</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 *</u>	<u>2020 *</u>
Actuarial Determined Contributions (ADC)	Not applicable	\$ 14,725	\$ 54,252	\$ 144,152	\$ 79,193	\$ 106,311	\$ 171,492
Contributions in relation to the actuarially determined contribution		<u>23,559</u>	<u>86,692</u>	<u>144,152</u>	<u>194,250</u>	<u>106,311</u>	<u>171,492</u>
Contribution deficiency (excess)		<u>\$ (8,834)</u>	<u>\$ (32,440)</u>	<u>\$ -</u>	<u>\$ (115,057)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		\$ 588,983	\$ 2,167,299	\$ 3,603,816	\$ 4,856,244	\$ 5,479,948	\$ 8,447,882
Contributions as a percentage of covered payroll		4.00%	4.00%	4.00%	4.00%	1.94%	2.03%
<u>Metro Plan</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarial Determined Contributions (ADC)	\$ 144,260	\$ 259,859	\$ 285,587	\$ 237,483	\$ 338,847	\$ 421,045	\$ 446,104
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>	<u>421,045</u>	<u>446,104</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<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	\$ 3,412,034	\$ 3,615,105
Contributions as a percentage of covered payroll	17.117%	17.987%	15.510%	12.340%	12.340%	12.340%	12.340%

* In fiscal year 2019 and 2020, the Organization placed the actuarially determined contribution rate (1.94 percent and 2.03 percent, respectively) of covered payroll into the Teacher Retirement Plan of TCRS and placed 2.06 percent and 1.97 percent, respectively, of covered payroll into the TCRS Stabilization Reserve Trust.

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.

Changes of Assumptions for TCRS Plans. In 2017, the following assumptions were changed for the TCRS plans: 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 modified mortality assumptions.

See independent auditor's report.

OTHER INFORMATION

KIPP NASHVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2020

<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 AGRICULTURE:			
Passed through Tennessee Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 138,867
School Lunch Program	10.555	N/A	258,889
Summer Food Service Program for Children	10.559	N/A	84,774
Total Child Nutrition Cluster			<u>482,530</u>
Total U.S. Department of Agriculture			<u>482,530</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education and Metropolitan Nashville Public Schools			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010 *	N/A	1,425,665
Title II, Part A			
Title II Supporting Effective Instruction Grant	84.367	N/A	55,733
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	N/A	469,394
Total U.S. Department of Education			<u>1,950,792</u>
Total Federal Awards			<u>2,433,322</u>
<u>State Financial Assistance</u>			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program - Capital Outlay	N/A	N/A	460,320
Safe Schools	N/A	N/A	2,836
High-Quality Charter School Facilities Program Grant	N/A	N/A	316,064
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	24,146,183
Total State Awards			<u>24,925,403</u>
Total Federal and State Awards			<u>\$ 27,358,725</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
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Forgiven During Period	Outstanding 6/30/2020
Governmental Activities:									
<u>BONDS PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
Series 2018 Education Revenue Bond	\$ 12,475,000	4.15%	10/03/2018	10/01/2045	\$ 8,822,538	\$ 3,652,462	\$ -	\$ -	\$ 12,475,000
Bond through Charter Impact Fund, Inc.	10,500,000	4.10%	06/05/2019	06/01/2049	10,500,000	-	187,188	-	10,312,812
Bond through the Equitable Facilities Fund	16,991,883	5.00%	06/22/2020	07/01/2050	-	16,991,883	-	-	16,991,883
Total Bonds Payable					<u>\$ 19,322,538</u>	<u>\$ 20,644,345</u>	<u>\$ 187,188</u>	<u>\$ -</u>	<u>\$ 39,779,695</u>
<u>NOTES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
Line-of-credit	\$ 2,450,000	variable	03/13/2014	04/17/2021	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Loan through Low Income Investment Fund	1,675,000	5.75%	10/03/2018	11/01/2025	1,675,000	-	1,675,000	-	-
Note Payable through TCF Equipment Finance	80,650	5.90%	05/10/2016	11/01/2021	37,869	-	37,869	-	-
Note Payable through Pinnacle Bank	235,000	4.25%	06/22/2017	06/22/2021	122,243	-	60,093	-	62,150
Note Payable through Pinnacle Bank	123,160	5.25%	03/26/2019	03/26/2022	113,633	-	39,411	-	74,222
Note Payable through Pinnacle Bank	182,250	4.90%	08/03/2018	08/03/2021	134,617	-	60,178	-	74,439
Note Payable through Pinnacle Bank	3,539,400	1.00%	04/09/2020	04/09/2022	-	3,539,400	-	-	3,539,400
Total Notes Payable					<u>\$ 2,083,362</u>	<u>\$ 3,539,400</u>	<u>\$ 1,872,551</u>	<u>\$ -</u>	<u>\$ 3,750,211</u>

See independent auditor's report.

KIPP NASHVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

	Permanent	
	KIPP Alumni Scholarship Fund	Total Nonmajor Governmental Funds
ASSETS		
Investments	\$ 243,120	\$ 243,120
Total assets	\$ 243,120	\$ 243,120
LIABILITIES		
Accounts payable and accrued expenditures	\$ -	\$ -
Total liabilities	-	-
FUND BALANCES		
Nonspendable	130,300	130,300
Restricted	112,820	112,820
Total fund balances	243,120	243,120
Total liabilities and fund balances	\$ 243,120	\$ 243,120

See independent auditor's report.

KIPP NASHVILLE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2020

	Permanent	
	KIPP Alumni Scholarship Fund	Total Nonmajor Governmental Funds
REVENUES		
Contributions	\$ -	\$ -
Interest	9,737	9,737
Investment appreciation	5,193	5,193
Total revenues	14,930	14,930
 EXPENDITURES	 2,000	 2,000
 NET CHANGE IN FUND BALANCES	 12,930	 12,930
 FUND BALANCES, June 30, 2019	 230,190	 230,190
 FUND BALANCES, June 30, 2020	 \$ 243,120	 \$ 243,120

See independent auditor's report.

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP ACADEMY NASHVILLE
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,581,483	\$ 130,636	\$ -	\$ -	\$ 2,712,119
Investments	-	-	-	243,120	243,120
Receivables	282,871	-	3,372	-	286,243
Due from other funds	3,372	-	-	-	3,372
Other current assets	22,989	-	-	-	22,989
Restricted assets:					
TCRS Stabilization Reserve Trust	36,813	-	-	-	36,813
Total assets	<u>\$ 2,927,528</u>	<u>\$ 130,636</u>	<u>\$ 3,372</u>	<u>\$ 243,120</u>	<u>\$ 3,304,656</u>
LIABILITIES					
Accounts payable	\$ 37,905	\$ -	\$ -	\$ -	\$ 37,905
Accrued expenditures	117,397	-	-	-	117,397
Due to other funds	-	-	3,372	-	3,372
Advance contributions and grants	-	130,636	-	-	130,636
Total liabilities	<u>155,302</u>	<u>130,636</u>	<u>3,372</u>	<u>-</u>	<u>289,310</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>138,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,887</u>
FUND BALANCES					
Nonspendable	22,989	-	-	130,300	153,289
Restricted	36,813	-	-	112,820	149,633
Unassigned	<u>2,573,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,573,537</u>
Total fund balances	<u>2,633,339</u>	<u>-</u>	<u>-</u>	<u>243,120</u>	<u>2,876,459</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,927,528</u>	<u>\$ 130,636</u>	<u>\$ 3,372</u>	<u>\$ 243,120</u>	<u>\$ 3,304,656</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,430,862	\$ 123,014	\$ -	\$ 2,553,876
Investments	-	-	-	-
Receivables	208,339	-	17,273	225,612
Due from other funds	17,273	-	-	17,273
Other current assets	38,548	-	-	38,548
Restricted assets:				
TCRS Stabilization Reserve Trust	<u>34,665</u>	<u>-</u>	<u>-</u>	<u>34,665</u>
Total assets	<u>\$ 2,729,687</u>	<u>\$ 123,014</u>	<u>\$ 17,273</u>	<u>\$ 2,869,974</u>
LIABILITIES				
Accounts payable	\$ 272,072	\$ -	\$ -	\$ 272,072
Accrued expenditures	92,406	-	-	92,406
Due to other funds	-	-	17,273	17,273
Advance contributions and grants	<u>-</u>	<u>123,014</u>	<u>-</u>	<u>123,014</u>
Total liabilities	<u>364,478</u>	<u>123,014</u>	<u>17,273</u>	<u>504,765</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>130,784</u>	<u>-</u>	<u>-</u>	<u>130,784</u>
FUND BALANCES				
Nonspendable	38,548	-	-	38,548
Restricted	34,665	-	-	34,665
Unassigned	<u>2,161,212</u>	<u>-</u>	<u>-</u>	<u>2,161,212</u>
Total fund balances	<u>2,234,425</u>	<u>-</u>	<u>-</u>	<u>2,234,425</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,729,687</u>	<u>\$ 123,014</u>	<u>\$ 17,273</u>	<u>\$ 2,869,974</u>

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

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP NASHVILLE COLLEGIATE HIGH SCHOOL
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,912,231	\$ 147,374	\$ -	\$ 3,059,605
Investments	-	-	-	-
Receivables	213,678	-	110,485	324,163
Due from other funds	110,485	-	-	110,485
Other current assets	25,785	-	-	25,785
Restricted assets:				
TCRS Stabilization Reserve Trust	41,528	-	-	41,528
Total assets	<u>\$ 3,303,707</u>	<u>\$ 147,374</u>	<u>\$ 110,485</u>	<u>\$ 3,561,566</u>
LIABILITIES				
Accounts payable	\$ 26,923	\$ -	\$ -	\$ 26,923
Accrued expenditures	129,536	-	-	129,536
Due to other funds	-	-	110,485	110,485
Advance contributions and grants	-	147,374	-	147,374
Total liabilities	<u>156,459</u>	<u>147,374</u>	<u>110,485</u>	<u>414,318</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>156,682</u>	<u>-</u>	<u>-</u>	<u>156,682</u>
FUND BALANCES				
Nonspendable	25,785	-	-	25,785
Restricted	41,528	-	-	41,528
Unassigned	<u>2,923,253</u>	<u>-</u>	<u>-</u>	<u>2,923,253</u>
Total fund balances	<u>2,990,566</u>	<u>-</u>	<u>-</u>	<u>2,990,566</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,303,707</u>	<u>\$ 147,374</u>	<u>\$ 110,485</u>	<u>\$ 3,561,566</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,766,413	\$ 139,995	\$ -	\$ 2,906,408
Investments	-	-	-	-
Receivables	148,837	-	49,417	198,254
Due from other funds	49,417	-	-	49,417
Other current assets	24,493	-	-	24,493
Restricted assets:				
TCRS Stabilization Reserve Trust	39,450	-	-	39,450
Total assets	<u>\$ 3,028,610</u>	<u>\$ 139,995</u>	<u>\$ 49,417</u>	<u>\$ 3,218,022</u>
LIABILITIES				
Accounts payable	\$ 56,890	\$ -	\$ -	\$ 56,890
Accrued expenditures	128,545	-	-	128,545
Due to other funds	-	-	49,417	49,417
Advance contributions and grants	-	139,995	-	139,995
Total liabilities	<u>185,435</u>	<u>139,995</u>	<u>49,417</u>	<u>374,847</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>148,837</u>	<u>-</u>	<u>-</u>	<u>148,837</u>
FUND BALANCES				
Nonspendable	24,493	-	-	24,493
Restricted	39,450	-	-	39,450
Unassigned	<u>2,630,395</u>	<u>-</u>	<u>-</u>	<u>2,630,395</u>
Total fund balances	<u>2,694,338</u>	<u>-</u>	<u>-</u>	<u>2,694,338</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,028,610</u>	<u>\$ 139,995</u>	<u>\$ 49,417</u>	<u>\$ 3,218,022</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,256,224	\$ 114,177	\$ -	\$ 2,370,401
Investments	-	-	-	-
Receivables	228,964	-	2,948	231,912
Due from other funds	2,948	-	-	2,948
Other current assets	37,270	-	-	37,270
Restricted assets:				
TCRS Stabilization Reserve Trust	<u>32,175</u>	<u>-</u>	<u>-</u>	<u>32,175</u>
Total assets	<u>\$ 2,557,581</u>	<u>\$ 114,177</u>	<u>\$ 2,948</u>	<u>\$ 2,674,706</u>
LIABILITIES				
Accounts payable	\$ 290,414	\$ -	\$ -	\$ 290,414
Accrued expenditures	88,099	-	-	88,099
Due to other funds	-	-	2,948	2,948
Advance contributions and grants	<u>-</u>	<u>114,177</u>	<u>-</u>	<u>114,177</u>
Total liabilities	<u>378,513</u>	<u>114,177</u>	<u>2,948</u>	<u>495,638</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>121,388</u>	<u>-</u>	<u>-</u>	<u>121,388</u>
FUND BALANCES				
Nonspendable	37,270	-	-	37,270
Restricted	32,175	-	-	32,175
Unassigned	<u>1,988,235</u>	<u>-</u>	<u>-</u>	<u>1,988,235</u>
Total fund balances	<u>2,057,680</u>	<u>-</u>	<u>-</u>	<u>2,057,680</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,557,581</u>	<u>\$ 114,177</u>	<u>\$ 2,948</u>	<u>\$ 2,674,706</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,156,156	\$ 137,664	\$ -	\$ 10,293,820
Investments	-	-	-	-
Receivables	170,390	-	53,652	224,042
Due from other funds	53,652	-	-	53,652
Other current assets	55,059	-	-	55,059
Restricted assets:				
TCRS Stabilization Reserve Trust	28,378	-	-	28,378
Total assets	<u>\$ 10,463,635</u>	<u>\$ 137,664</u>	<u>\$ 53,652</u>	<u>\$ 10,654,951</u>
LIABILITIES				
Accounts payable	\$ 45,721	\$ -	\$ -	\$ 45,721
Accrued expenditures	96,720	-	-	96,720
Due to other funds	-	-	53,652	53,652
Advance contributions and grants	-	137,664	-	137,664
Total liabilities	<u>142,441</u>	<u>137,664</u>	<u>53,652</u>	<u>333,757</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>107,063</u>	<u>-</u>	<u>-</u>	<u>107,063</u>
FUND BALANCES				
Nonspendable	55,059	-	-	55,059
Restricted	1,028,378	-	-	1,028,378
Unassigned	9,130,694	-	-	9,130,694
Total fund balances	<u>10,214,131</u>	<u>-</u>	<u>-</u>	<u>10,214,131</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,463,635</u>	<u>\$ 137,664</u>	<u>\$ 53,652</u>	<u>\$ 10,654,951</u>

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

SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES BY SCHOOL
KIPP ANTIOCH COLLEGE PREP MIDDLE SCHOOL
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,074,612	\$ 44,101	\$ -	\$ 9,118,713
Investments	-	-	-	-
Receivables	116,394	-	22,610	139,004
Due from other funds	22,610	-	-	22,610
Other current assets	45,190	-	-	45,190
Restricted assets:				
TCRS Stabilization Reserve Trust	12,428	-	-	12,428
Total assets	<u>\$ 9,271,234</u>	<u>\$ 44,101</u>	<u>\$ 22,610</u>	<u>\$ 9,337,945</u>
LIABILITIES				
Accounts payable	\$ 25,592	\$ -	\$ -	\$ 25,592
Accrued expenditures	35,588	-	-	35,588
Due to other funds	-	-	22,610	22,610
Advance contributions and grants	-	44,101	-	44,101
Total liabilities	<u>61,180</u>	<u>44,101</u>	<u>22,610</u>	<u>127,891</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>46,886</u>	<u>-</u>	<u>-</u>	<u>46,886</u>
FUND BALANCES				
Nonspendable	45,190	-	-	45,190
Restricted	18,187,428	-	-	18,187,428
Unassigned	<u>(9,069,450)</u>	<u>-</u>	<u>-</u>	<u>(9,069,450)</u>
Total fund balances	<u>9,163,168</u>	<u>-</u>	<u>-</u>	<u>9,163,168</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,271,234</u>	<u>\$ 44,101</u>	<u>\$ 22,610</u>	<u>\$ 9,337,945</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Contributions	\$ 496,449	\$ 32,659	\$ -	\$ -	\$ 529,108
District funding	3,940,185	-	-	-	3,940,185
Federal and state grants	-	-	488,894	-	488,894
Interest and investment income	4,151	-	-	14,930	19,081
Other income	71,719	-	-	-	71,719
Total revenues	<u>4,512,504</u>	<u>32,659</u>	<u>488,894</u>	<u>14,930</u>	<u>5,048,987</u>
EXPENDITURES					
Current:					
Instructional	279,823	-	12,925	2,000	294,748
Occupancy	285,333	-	51,408	-	336,741
Office	85,390	-	-	-	85,390
Organizational development	14,237	32,659	-	-	46,896
Professional services and fees	162,157	-	-	-	162,157
Employee compensation	2,665,983	-	351,561	-	3,017,544
Staff development	58,254	-	-	-	58,254
Transportation	44,557	-	-	-	44,557
Debt service:					
Principal	19,831	-	-	-	19,831
Interest	1,510	-	-	-	1,510
Capital outlay	47,888	-	73,000	-	120,888
Total expenditures	<u>3,664,963</u>	<u>32,659</u>	<u>488,894</u>	<u>2,000</u>	<u>4,188,516</u>
OTHER FINANCING SOURCES (USES):					
Issuance of debt	577,968	-	-	-	577,968
Debt issue premium	-	-	-	-	-
Transfers out	(521,964)	-	-	-	(521,964)
Total other financing sources (uses)	<u>56,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,004</u>
NET CHANGE IN FUND BALANCES	903,545	-	-	12,930	916,475
FUND BALANCES, June 30, 2019	<u>1,729,794</u>	<u>-</u>	<u>-</u>	<u>230,190</u>	<u>1,959,984</u>
FUND BALANCES, June 30, 2020	<u>\$ 2,633,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,120</u>	<u>\$ 2,876,459</u>

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

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BY SCHOOL
KIPP NASHVILLE COLLEGE PREP
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 467,483	\$ 30,754	\$ -	\$ 498,237
District funding	3,683,692	-	-	3,683,692
Federal and state grants	-	-	488,628	488,628
Interest and investment income	17,969	-	-	17,969
Other income	18,326	-	-	18,326
Total revenues	<u>4,187,470</u>	<u>30,754</u>	<u>488,628</u>	<u>4,706,852</u>
EXPENDITURES				
Current:				
Instructional	208,607	-	5,427	214,034
Occupancy	322,495	-	55,352	377,847
Office	52,177	-	-	52,177
Organizational development	12,640	30,754	-	43,394
Professional services and fees	152,179	-	-	152,179
Employee compensation	2,554,928	-	358,649	2,913,577
Staff development	49,125	-	-	49,125
Transportation	43,658	-	-	43,658
Debt service:				
Principal	150,182	-	-	150,182
Interest	245,578	-	-	245,578
Capital outlay	<u>1,396,944</u>	<u>-</u>	<u>69,200</u>	<u>1,466,144</u>
Total expenditures	<u>5,188,513</u>	<u>30,754</u>	<u>488,628</u>	<u>5,707,895</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	544,245	-	-	544,245
Debt issue premium	-	-	-	-
Transfers in	<u>1,364,686</u>	<u>-</u>	<u>-</u>	<u>1,364,686</u>
Total other financing sources (uses)	<u>1,908,931</u>	<u>-</u>	<u>-</u>	<u>1,908,931</u>
NET CHANGE IN FUND BALANCES	907,888	-	-	907,888
FUND BALANCES, June 30, 2019	<u>1,326,537</u>	<u>-</u>	<u>-</u>	<u>1,326,537</u>
FUND BALANCES, June 30, 2020	<u>\$ 2,234,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,234,425</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 460,057	\$ 136,843	\$ -	\$ 596,900
District funding	4,449,559	-	-	4,449,559
Federal and state grants	-	-	489,780	489,780
Interest and investment income	21,530	-	-	21,530
Other income	94,549	-	-	94,549
Total revenues	<u>5,025,695</u>	<u>136,843</u>	<u>489,780</u>	<u>5,652,318</u>
EXPENDITURES				
Current:				
Instructional	346,590	-	12,925	359,515
Occupancy	319,249	-	47,464	366,713
Office	79,867	-	-	79,867
Organizational development	17,529	36,843	-	54,372
Professional services and fees	160,324	-	-	160,324
Employee compensation	3,385,897	100,000	326,991	3,812,888
Staff development	62,876	-	-	62,876
Transportation	3,063	-	-	3,063
Debt service:				
Principal	-	-	-	-
Interest	49	-	-	49
Capital outlay	<u>(40,251)</u>	<u>-</u>	<u>102,400</u>	<u>62,149</u>
Total expenditures	<u>4,335,193</u>	<u>136,843</u>	<u>489,780</u>	<u>4,961,816</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	652,019	-	-	652,019
Debt issue premium	-	-	-	-
Transfers out	<u>(195,157)</u>	<u>-</u>	<u>-</u>	<u>(195,157)</u>
Total other financing sources (uses)	<u>456,862</u>	<u>-</u>	<u>-</u>	<u>456,862</u>
NET CHANGE IN FUND BALANCES	1,147,364	-	-	1,147,364
FUND BALANCES, June 30, 2019	<u>1,843,202</u>	<u>-</u>	<u>-</u>	<u>1,843,202</u>
FUND BALANCES, June 30, 2020	<u>\$ 2,990,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,990,566</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 532,014	\$ 34,999	\$ -	\$ 567,013
District funding	4,214,264	-	-	4,214,264
Federal and state grants	-	-	871,871	871,871
Interest and investment income	20,450	-	-	20,450
Other income	133,664	-	-	133,664
Total revenues	<u>4,900,392</u>	<u>34,999</u>	<u>871,871</u>	<u>5,807,262</u>
EXPENDITURES				
Current:				
Instructional	371,667	-	289,816	661,483
Occupancy	149,643	-	46,104	195,747
Office	88,254	-	-	88,254
Organizational development	15,155	34,999	-	50,154
Professional services and fees	154,409	-	-	154,409
Employee compensation	3,115,728	-	454,951	3,570,679
Staff development	72,418	-	-	72,418
Transportation	46,054	-	-	46,054
Debt service:				
Principal	13,006	-	-	13,006
Interest	1,733	-	-	1,733
Capital outlay	<u>(25,589)</u>	<u>-</u>	<u>81,000</u>	<u>55,411</u>
Total expenditures	<u>4,002,478</u>	<u>34,999</u>	<u>871,871</u>	<u>4,909,348</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	619,372	-	-	619,372
Debt issue premium	-	-	-	-
Transfers out	<u>(1,247,897)</u>	<u>-</u>	<u>-</u>	<u>(1,247,897)</u>
Total other financing sources (uses)	<u>(628,525)</u>	<u>-</u>	<u>-</u>	<u>(628,525)</u>
NET CHANGE IN FUND BALANCES	269,389	-	-	269,389
FUND BALANCES, June 30, 2019	<u>2,424,949</u>	<u>-</u>	<u>-</u>	<u>2,424,949</u>
FUND BALANCES, June 30, 2020	<u>\$ 2,694,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,694,338</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 433,899	\$ 28,544	\$ -	\$ 462,443
District funding	3,460,332	-	-	3,460,332
Federal and state grants	-	-	593,742	593,742
Interest and investment income	16,679	-	-	16,679
Other income	19,341	-	-	19,341
Total revenues	<u>3,930,251</u>	<u>28,544</u>	<u>593,742</u>	<u>4,552,537</u>
EXPENDITURES				
Current:				
Instructional	279,874	-	76,563	356,437
Occupancy	306,426	-	58,480	364,906
Office	55,696	-	-	55,696
Organizational development	11,970	28,544	-	40,514
Professional services and fees	145,029	-	-	145,029
Employee compensation	2,438,669	-	351,799	2,790,468
Staff development	39,800	-	9,565	49,365
Transportation	45,903	-	-	45,903
Debt service:				
Principal	115,137	-	-	115,137
Interest	171,015	-	-	171,015
Capital outlay	<u>1,428,219</u>	<u>-</u>	<u>97,335</u>	<u>1,525,554</u>
Total expenditures	<u>5,037,738</u>	<u>28,544</u>	<u>593,742</u>	<u>5,660,024</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	505,146	-	-	505,146
Debt issue premium	-	-	-	-
Transfers in	<u>1,905,308</u>	<u>-</u>	<u>-</u>	<u>1,905,308</u>
Total other financing sources (uses)	<u>2,410,454</u>	<u>-</u>	<u>-</u>	<u>2,410,454</u>
NET CHANGE IN FUND BALANCES	1,302,967	-	-	1,302,967
FUND BALANCES, June 30, 2019	<u>754,713</u>	<u>-</u>	<u>-</u>	<u>754,713</u>
FUND BALANCES, June 30, 2020	<u>\$ 2,057,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,057,680</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, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 312,293	\$ 95,579	\$ -	\$ 407,872
District funding	3,036,472	-	-	3,036,472
Federal and state grants	-	-	530,956	530,956
Interest and investment income	14,710	-	-	14,710
Other income	35,650	-	-	35,650
Total revenues	<u>3,399,125</u>	<u>95,579</u>	<u>530,956</u>	<u>4,025,660</u>
EXPENDITURES				
Current:				
Instructional	192,663	-	211,219	403,882
Occupancy	174,130	-	39,712	213,842
Office	82,996	-	-	82,996
Organizational development	9,403	25,176	-	34,579
Professional services and fees	473,646	-	-	473,646
Employee compensation	2,658,406	70,403	158,841	2,887,650
Staff development	51,909	-	-	51,909
Transportation	43,677	-	-	43,677
Debt service:				
Principal	1,735,178	-	-	1,735,178
Interest	589,632	-	-	589,632
Capital outlay	<u>3,592,396</u>	<u>-</u>	<u>121,184</u>	<u>3,713,580</u>
Total expenditures	<u>9,604,036</u>	<u>95,579</u>	<u>530,956</u>	<u>10,230,571</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	3,271,767	-	-	3,271,767
Debt issue premium	-	-	-	-
Transfers in	<u>8,809,733</u>	<u>-</u>	<u>-</u>	<u>8,809,733</u>
Total other financing sources (uses)	<u>12,081,500</u>	<u>-</u>	<u>-</u>	<u>12,081,500</u>
NET CHANGE IN FUND BALANCES	5,876,589	-	-	5,876,589
FUND BALANCES, June 30, 2019	<u>4,337,542</u>	<u>-</u>	<u>-</u>	<u>4,337,542</u>
FUND BALANCES, June 30, 2020	<u>\$ 10,214,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,214,131</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 MIDDLE SCHOOL
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Purpose School Fund	Restricted Contribution Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES				
Contributions	\$ 167,595	\$ 11,025	\$ -	\$ 178,620
District funding	1,361,679	-	-	1,361,679
Federal and state grants	-	-	256,248	256,248
Interest and investment income	6,442	-	-	6,442
Other income	9,994	-	-	9,994
Total revenues	<u>1,545,710</u>	<u>11,025</u>	<u>256,248</u>	<u>1,812,983</u>
EXPENDITURES				
Current:				
Instructional	83,931	-	74,301	158,232
Occupancy	146,367	-	17,544	163,911
Office	28,251	-	-	28,251
Organizational development	4,092	11,025	-	15,117
Professional services and fees	79,629	-	-	79,629
Employee compensation	1,184,070	-	100,115	1,284,185
Staff development	20,066	-	-	20,066
Transportation	43,105	-	-	43,105
Debt service:				
Principal	26,405	-	-	26,405
Interest	7,043	-	-	7,043
Capital outlay	925,814	-	64,288	990,102
Total expenditures	<u>2,548,773</u>	<u>11,025</u>	<u>256,248</u>	<u>2,816,046</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	18,013,228	-	-	18,013,228
Debt issue premium	2,183,117	-	-	2,183,117
Transfers out	<u>(10,114,709)</u>	<u>-</u>	<u>-</u>	<u>(10,114,709)</u>
Total other financing sources (uses)	<u>10,081,636</u>	<u>-</u>	<u>-</u>	<u>10,081,636</u>
NET CHANGE IN FUND BALANCES	9,078,573	-	-	9,078,573
FUND BALANCES, June 30, 2019	<u>84,595</u>	<u>-</u>	<u>-</u>	<u>84,595</u>
FUND BALANCES, June 30, 2020	<u>\$ 9,163,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,163,168</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, 2020

As of June 30, 2020, 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 one in fiscal year 2020, an additional grade will be added each year through fiscal year 2023)
- KIPP Antioch College Prep Middle School (grade five in fiscal year 2020, an additional grade will be added each year through fiscal year 2023)

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, 2020, and the related notes to the financial statements, which collectively comprise KIPP Nashville's basic financial statements, and have issued our report thereon dated December 7, 2020.

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) as a basis for designing 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 financial statements. 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 7, 2020



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, 2020. 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.



To the Board of Directors
KIPP Nashville

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, 2020.

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 7, 2020

KIPP NASHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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, 2020

KIPP Nashville had no audit findings for the year ended June 30, 2019.