



Rea & associates a *brighter* way

**KIPP Columbus**  
Franklin County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of KIPP Columbus, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 3, 2014

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**KIPP Columbus**  
**Franklin County, Ohio**  
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*June 30, 2013*

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December 19, 2013

To The Board of Directors  
KIPP Columbus  
Franklin County, Ohio  
2080 Citygate Drive  
Columbus, Ohio 43219

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KIPP Columbus, Franklin County, Ohio, (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School'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 an opinion 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KIPP Columbus, Franklin County, Ohio, as of June 30, 2013, and the respective changes in its financial position and its cash flows 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 4-7, 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 an opinion on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, Ohio



**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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The management's discussion and analysis of KIPP Columbus (formerly, KIPP Journey Academy), financial performance provides an overall review of KIPP Columbus (KIPP) financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the KIPP's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of KIPP's financial performance. The 2013 fiscal year was the fifth full year of operations with students.

**Financial Highlights**

- Net Position decreased \$117,370.
- Operating revenues accounted for \$2,139,551 in revenue or 61.4% of all revenues.
- Non-operating revenues accounted for \$1,347,011 in revenue or 38.6% of all revenues.

**Using these Basic Financial Statements**

This financial report consists of three parts – management's discussion and analysis, the basic financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand the financial position of the KIPP. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of net position represents the statement of position of KIPP. The statement of revenues, expenses and changes in net position presents increases (e.g., revenue) and decreases (e.g., expenses) in net total position. The statement of cash flows reflects how KIPP finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

**Reporting KIPP Financial Activities**

***Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2013?" The statement of net position and the statement of revenue, expenses and changes in net position answer this question. These statements include *all assets, liabilities, revenue and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report KIPP's *net position* and changes in net position. This change in net position is important because it tells the reader that, for KIPP as a whole, the *financial position* of KIPP has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 8 and 9 of this report. The statement of cash flows can be found on page 10.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-20 of this report.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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The following tables represent KIPP's condensed financial information for 2013 compared to 2012:

	<u>Net Position</u>	
	<u>2013</u>	<u>2012</u>
Assets:		
Current assets	\$ 342,279	\$ 388,418
Capital assets, net	469,131	499,009
Total assets	<u>811,410</u>	<u>887,427</u>
Liabilities:		
Current liabilities	284,510	238,150
Noncurrent liabilities	<u>8,111</u>	<u>13,118</u>
Total liabilities	<u>292,621</u>	<u>251,268</u>
Net position:		
Net investment in capital assets	461,020	485,891
Unrestricted	<u>57,769</u>	<u>150,268</u>
Total net position	<u>\$ 518,789</u>	<u>\$ 636,159</u>

Results as of June 30, 2013 indicate an ending net position of \$518,789, a decrease of \$117,370 from fiscal 2012. Over time, net position can serve as a useful indicator of a government's financial position.

At year-end, capital assets represented 57.8% of total assets. Capital assets consisted of leasehold improvements and furniture and equipment items. Capital Assets are used to provide services to students and are not available for future spending.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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Changes in Net Position – The following table shows the changes in net position for the fiscal year 2013 compared to 2012:

	Change in Net Position	
	2013	2012
Operating Revenues:		
Foundation	\$ 2,105,874	\$ 1,928,082
Fees	33,677	12,138
Total revenues	2,139,551	1,940,220
Expenses:		
Personal services	2,223,954	1,732,107
Purchased Services	1,169,544	1,109,744
Supplies and Materials	140,676	202,315
Depreciation	68,553	63,510
Total expenses	3,602,727	3,107,676
Operating Loss	(1,463,176)	(1,167,456)
Non-Operating Revenues:		
Donations	464,834	215,118
Federal & State Grants	882,177	790,379
Interest (expense) income, net	(1,205)	(1,729)
Net non-operating revenues	1,345,806	1,003,768
Change in Net Position	(117,370)	(163,688)
Net Position Beginning of Year	636,159	799,847
Net Position End of Year	\$ 518,789	\$ 636,159

KIPP operates as a business-type enterprise fund. Results of fiscal year 2013, indicates a decrease in net position of \$117,370 and ending net position of \$518,789. Fiscal 2013 was KIPP's fifth year of operations. In fiscal 2013 KIPP provided services to students in grades fifth through eighth. The FTE's for 2013 was 321 students while the FTE for fiscal 2012 was 301 students. KIPP was organized in fiscal 2007 and operated in fiscal 2007 and fiscal 2008 through grants and donations in the amount \$264,805, while incurring start-up cost in the amount of \$253,669. The increases in foundation operating revenue and personal service expenses are a result of the increases in FTEs.

**Budgeting**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by KIPP's contract with its sponsor. The contract between KIPP's and its sponsor, Thomas B. Fordham Foundation, does not prescribe a budgetary process for KIPP.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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**Capital Asset and Debt Administration**

Capital Assets

At June 30, 2013, KIPP had capital assets in the amount of \$469,131. Total depreciation expense for 2013 was \$68,553. See note 5.

Debt

On September 22, 2009 KIPP entered in a capital lease arrangement for copier equipment which valued at \$23,762. Principal and interest payments for fiscal 2013 were \$5,007 and \$1,205, respectively. See note 8.

**Economic Factors**

KIPP receives approximately 98.4% of its operating revenue from the Ohio Department of Education. Additionally, approximately 99.0% of all revenues are from the Ohio Department of Education or from grants and donations. As such KIPP is economically dependent on these two revenue sources.

**Operations**

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

KIPP contracted with The Educational Service Center of Central Ohio (ESCCO), for management services including management of personnel and human resources, technology, data management, financial reporting, compliance issues, budgets, and contracts for the fiscal year July 1, 2012 through June 30, 2013.

**Request for Information**

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

KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2013

**ASSETS:**

**Current Assets:**

Cash and cash equivalents	\$ 186,363
Intergovernmental receivable	151,846
Other receivables	248
Prepaid assets	3,822
<b>Total Current Assets</b>	<b>342,279</b>

**Non-Current Assets:**

Depreciable capital assets, net of accumulated depreciation	469,131
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**TOTAL ASSETS**

**811,410**

**LIABILITIES:**

Current Liabilities:

Accounts payable	125,059
Due to other governments	28,289
Accrued wages and benefits	131,162

Long-term Liabilities:

Due within one year	5,592
Due in more than one year	2,519

**TOTAL LIABILITIES**

**292,621**

**NET POSITION:**

Net Investment in capital assets	461,020
Unrestricted	57,769

**TOTAL NET POSITION**

**\$ 518,789**

The notes to the basic financial statements are an integral part of this statement.

KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Operating Revenues:</b>	
Foundation	\$ 2,105,874
Charges for services and other	33,677
<b>Total operating revenues</b>	2,139,551
 <b>Operating Expenses:</b>	
Personal services	2,223,954
Purchased services	1,169,544
Supplies and materials	140,676
Depreciation	68,553
<b>Total operating expenses</b>	3,602,727
<b>Operating loss</b>	(1,463,176)
 <b>Nonoperating revenues and expenses:</b>	
Donations and capital contributions	464,834
Federal & State grants	882,177
Interest expense	(1,205)
<b>Net nonoperating revenues</b>	1,345,806
<b>Change in net position</b>	(117,370)
<b>Net position at beginning of year</b>	636,159
<b>Net position end of the year</b>	\$ 518,789

The notes to the basic financial statements are an integral part of this statement.

KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Cash flows from operating activities:</b>	
Cash received for foundation payments	\$ 2,109,653
Cash received for fees and other	26,041
Cash payments for personal services	(2,189,109)
Cash payments purchased services	(1,183,643)
Cash payments for supplies and materials	(152,191)
<b>Net cash flows used for operating activities</b>	<u>(1,389,249)</u>
 <b>Cash flows from noncapital financing activities</b>	
Donations	504,334
Federal & State grant monies received	1,025,708
<b>Net cash provided by noncapital financing activities</b>	<u>1,530,042</u>
 <b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(33,717)
Principal paid on capital lease	(5,007)
Interest paid on capital lease	(1,205)
<b>Net cash used for capital and related financing activities</b>	<u>(39,929)</u>
<b>Net increase in cash and cash equivalents</b>	100,864
<b>Cash and cash equivalents at beginning of year</b>	85,499
<b>Cash and cash equivalents at end of year</b>	<u>\$ 186,363</u>
 <b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (1,463,176)
Adjustment to reconcile operating loss to net cash used for operations:	
Depreciation	68,553
Changes in assets and liabilities:	
Increase in operating governmental receivables	(36,028)
Decrease in operating accounts payable	(25,614)
Increase in accrued liabilities	67,016
<b>Net cash used for operating activities</b>	<u>\$ (1,389,249)</u>

**Non cash transactions:**

During the year, the School capitalized \$4,958 in expenses that were incurred and included in accounts payable but not paid until fiscal year 2014.

The notes to the basic financial statements are an integral part of this statement.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

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

KIPP was approved for operation under a contract with Thomas B. Fordham Foundation (the “Sponsor”) for a period of five academic years commencing after July 1, 2008 and ending June 30, 2013. In May of 2013 this contract was renewed for a three year period ending June 30, 2016. The Sponsor is responsible for evaluating the performance of KIPP and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Educational Service Center of Central Ohio (“ESCCO”) serves as the fiscal agent for KIPP (see Note 10).

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of KIPP consists of all funds, departments, boards, and agencies that are not legally separate from KIPP. For KIPP, this includes instructional activities of KIPP.

Component units are legally separate organizations for which KIPP is financially accountable. KIPP is financially accountable for an organization if KIPP appoints a voting majority of the organization’s governing board and (1) KIPP is able to significantly influence the programs or services performed or provided by the organization; or (2) KIPP is legally entitled to or can otherwise access the organization’s resources; KIPP is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or KIPP is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on KIPP in that KIPP approves the budget and issuance of debt. KIPP has no component units.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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



**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. Statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

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

**D. Cash and Cash Equivalents**

Cash received by KIPP is maintained in demand deposit accounts. KIPP had no investments during the fiscal year ended June 30, 2013.

**E. Capital Assets**

KIPP's capital assets during fiscal year 2013 consisted of building leasehold improvements and Furniture and Equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. KIPP maintains a capitalization threshold of five thousand dollars. KIPP does not have any infrastructure. Building leasehold improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Furniture and fixtures are being depreciated over ten years. Leasehold improvements are being depreciated over the life of the remaining lease agreement.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Net Position**

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

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

**G. Intergovernmental Revenue**

KIPP currently participates in the State Foundation Program, as well as the School net professional development, Title I, Title II-A, Title II-D, Title VI-B, Education Jobs, Investing in Innovation, National School Lunch and Breakfast Program, and the 21<sup>st</sup> Century grant programs. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which KIPP must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to KIPP on a reimbursement basis. Federal and State grant revenue for fiscal year 2013 was \$882,177, exclusive of the State Foundation Program.

**H. Accrued Liabilities**

KIPP has recognized certain expenses due, but unpaid as of June 30, 2013. These expenses are reported as accrued liabilities in the accompanying financial statements.

**I. Prepayments**

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items in the statement of net position. These items are reported as assets on the statements of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of KIPP. Operating expenses are necessary cost incurred to provide the service that is the primary activity of KIPP. All revenues and expenses not meeting this definition are reported as non-operating.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**L. Economic Dependency**

KIPP receives approximately 98.4% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue, KIPP is considered to be economically dependent on the State of Ohio Department of Education.

**3. CASH DEPOSITS**

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2013, the carrying amount of all the deposits was \$186,363. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$0 of KIPP's bank balance of \$222,045, was exposed to custodial risk as discussed above, while \$222,045 was covered by the Federal Deposit Insurance Corporation.

**4. RECEIVABLES**

At June 30, 2013, KIPP had intergovernmental receivables in the amount of \$151,846. The receivables are expected to be collected within one year and are comprised as follows:

	Amount
<b>Intergovernmental receivables:</b>	
Title VIB	\$ 44,674
Title I	15,863
Title II-A	3,785
21st Century Grant	15,387
Investing in innovation	21,741
Federal Lunch Program	6,840
Other State amounts	43,556
	\$ 151,846

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>6/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2013</u>
Leasehold Improvements	\$ 609,775	\$ -	\$ -	\$ 609,775
Furniture and equipment	86,264	38,675		124,939
Less: Accumulated Depreciation	<u>(197,030)</u>	<u>(68,553)</u>	<u>-</u>	<u>(265,583)</u>
Net Capital Assets	<u>\$ 499,009</u>	<u>\$ (29,878)</u>	<u>\$ -</u>	<u>\$ 469,131</u>

**6. PURCHASED SERVICES**

For the fiscal year ended June 30, 2013, purchased services expenses were as follows:

	<u>Amount</u>
Staff Development	\$ 19,830
Student Services	78,298
Transportation Services	156,702
Fiscal, Staff and Administrative Services	286,632
Liability Insurance	47,725
Printing and Postage	25,790
Utilities	65,032
Professional Services	28,506
Food Services	266,207
Building Services	<u>194,822</u>
Total	<u>\$ 1,169,544</u>

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**7. BUILDING LEASE**

KIPP has entered into a lease for the period from July 1, 2008 through June 30, 2018 with Columbus City School District. KIPP has the option to renew the lease with Columbus City Schools for a renewal term of July 1, 2018 through June 30, 2028. Under the lease agreement, KIPP is responsible for paying all utilities, maintenance, and repairs, and applicable property taxes. Rent charges and other occupancy costs for KIPP totaled \$194,822 for the fiscal year.

There is a scheduled inflationary rent adjustment (lesser of 13.5 % or CPI factor) effective July 1, 2013.

The following is a schedule of the future minimum payments; excluding allowable facility costs passthroughs, required under the operating lease as of June 30, 2013.

Fiscal Year Ending June 30	Amount
2014	\$ 55,345
2015	62,817
2016	62,817
2017	62,817
2018	62,817
Total minimum lease payments	\$ 306,613

**8. DEBT**

Capital lease

In 2010 KIPP entered into a copier lease agreement with an asset value of \$23,762. This lease meets the criteria of a capital lease as defined by Statement of the Financial Accounting Standards No. 13 "Accounting of Leases."

The principal and interest payments made on the leases during fiscal 2013 were \$5,007 and \$1,205, respectively.

KIPP's future minimum lease payments under capital lease obligations as of June 30, 2013 are as follows:

Year ending June 30,	Capital Lease
2014	\$ 6,213
2015	2,588
Total minimum lease payments	8,801
Less: amounts representing interest	690
Present value of minimum lease payments	\$ 8,111

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**9. SPONSOR**

KIPP was approved for operation under a contract with the Thomas B. Fordham Foundation (the Sponsor) through June 30, 2013. As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation. The Sponsor was paid \$46,047 in sponsorship fees for fiscal year fiscal year 2013. In May of 2013 this contract was renewed for a three year period ending June 30, 2016.

**10. SERVICE AGREEMENT**

KIPP entered into a service contract with the Educational Service Center of Central Ohio (ESCCO), for fiscal year 2013, to provide fiscal, student data, and Comprehensive Continuous Planning (CCP) consulting services. KIPP paid ESCCO \$76,860 in service fees for fiscal year 2013.

**11. RISK MANAGEMENT**

KIPP is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2013, KIPP had general liability insurance through Ohio Casualty Insurance.

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

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

**12. DEFINED BENEFIT PENSION PLANS**

State Teachers Retirement System

Plan Description - KIPP participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

State Teachers Retirement System (Continued)

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. KIPP was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

KIPP's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2013, 2012 and 2011 were \$184,337, \$166,117, and \$107,942, respectively; 100 percent has been contributed for fiscal year 2013, 2012, and 2011.

School Employees Retirement System

Plan Description - KIPP contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and KIPP is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of KIPP's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. KIPP's contributions to SERS for the years ended June 30, 2013, 2012 and 2011 were \$60,196, \$26,208, and \$36,739, respectively; 100 percent has been contributed for fiscal year 2013, 2012, and 2011.

**13. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System

Plan Description - KIPP contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

State Teachers Retirement System (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. KIPP's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$13,167, \$11,866, \$7,710, respectively; 100 percent has been contributed for fiscal year 2013, 2012, and 2011.

School Employees Retirement System

Plan Description – KIPP participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 (the latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

KIPP's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,869, \$1,030, and \$1,997, respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.



**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

School Employees Retirement System (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. KIPP's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,181, \$847, and \$1,641, respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**14. OTHER EMPLOYEE BENEFITS**

KIPP has contracted through an independent agent to provide employee medical and dental, insurance to its full time employees. KIPP pays a portion of the monthly premiums for a selected coverage (medical and dental).

**15. CONTINGENCIES**

**A. Grants**

KIPP received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of KIPP at June 30, 2013.

**B. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for 2011-12 school year occurred and all documentation was found to be in order. KIPP School does not anticipate any material adjustments to state funding for fiscal year 2013.

**16. TAX EXEMPT STATUS**

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

**17. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

For the fiscal year ended June 30, 2013, KIPP has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," and GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*."

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of KIPP. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

December 19, 2013

To the Board of Directors  
KIPP Columbus  
Franklin County, Ohio  
2080 Citygate Drive  
Columbus, Ohio 43219

**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***

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 KIPP Columbus, Franklin County, Ohio (the “School”) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated December 19, 2013.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Hea & Associates, Inc.*

Medina, Ohio

December 19, 2013

To the Board of Directors  
KIPP Columbus  
Franklin County, Ohio  
2080 Citygate Drive  
Columbus, Ohio 43219

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited KIPP Columbus's, Franklin County, Ohio (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2013. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 each major federal program. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control over Compliance**

Management of the School 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

*Rea & Associates, Inc.*

Medina, Ohio

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U. S. Department of Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	2013	\$ 65,934	\$ 65,934
National School Lunch Program	10.555	2013	175,442	175,442
<i>Total Child Nutrition Cluster</i>			<u>241,376</u>	<u>241,376</u>
<b>Total U.S Department of Agriculture</b>			<u>241,376</u>	<u>241,376</u>
<b>U. S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to LEA's	84.010	2012	86,578	30,760
Title I - Grants to LEA's	84.010	2013	290,090	287,264
Total Title I - Grants to LEA's			<u>376,668</u>	<u>318,024</u>
Special Education - Grants to States	84.027	2012	9,800	10,526
Special Education - Grants to States	84.027	2013	51,668	88,975
Total Special Education - Grants to States			<u>61,468</u>	<u>99,501</u>
21st Century Grant	84.287	2012	66,101	18,630
21st Century Grant	84.287	2013	178,881	184,836
Total 21st Century Grant			<u>244,982</u>	<u>203,466</u>
Title II-A - Improving Teacher Quality	84.367	2012	638	638
Title II-A - Improving Teacher Quality	84.367	2013	2,514	6,300
Total Title II-A - Improving Teacher Quality			<u>3,152</u>	<u>6,938</u>
Education Jobs Fund	84.410	2012	901	0
<i>Total Passed Through Ohio Department of Education:</i>			687,171	627,929
<i>Passed Through KIPP Foundation:</i>				
Investing in Innovation	84.396A	2012	70,859	0
Investing in Innovation	84.396A	2013	23,259	45,000
Total Investing in Innovation			<u>94,118</u>	<u>45,000</u>
<i>Total Passed Through KIPP Foundation</i>			<u>94,118</u>	<u>45,000</u>
<b>Total U.S. Department of Education</b>			<u>1,022,665</u>	<u>672,929</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,022,665</u>	<u>\$ 914,305</u>

*See Notes to the Schedule of Expenditures of Federal Awards*

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**Note A – Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

**Note B – Commingled Funds**

Federal money is commingled with non-federal money for the Child Nutrition Cluster. It is assumed federal monies are expended first.

**Note C - Transfers**

The School generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, the School can transfer unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. However, during fiscal year 2013 the ODE authorized no transfers.

**Note D – Investing in Innovation**

During fiscal year 2012 and 2013 the School participated in the Investing in Innovation (i3) grant awarded by the KIPP foundation. The \$70,859 was the final installment received during fiscal year 2013 as reimbursement for approved expenditures incurred and paid during fiscal year 2012 for salaries of an assistant principal and performance evaluation manager. The \$45,000 expended during fiscal year 2013 for an assistant principal and performance evaluation manager per the grant agreement will be fully reimbursed during fiscal year 2014.

**KIPP COLUMBUS  
FRANKLIN COUNTY, OHIO**  
*Schedule of Findings*  
*OMB Circular A-133, Section .505*  
*June 30, 2013*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I – Grants to LEA's	#84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None Noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted



December 19, 2013

To the Board of Directors  
KIPP Columbus  
2080 Citygate Drive  
Columbus, OH 43219

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether KIPP Columbus (the "School") has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated December 12, 2012, we noted the Board had an adopted anti-harassment policy. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on December 13, 2012. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

Medina, Ohio

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# Dave Yost • Auditor of State

**KIPP COLUMBUS**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 13, 2014**