

KIPP NEW ORLEANS, INC.
AND SUBSIDIARY
NEW ORLEANS, LOUISIANA
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

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



To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KIPP New Orleans, Inc. and Subsidiary as of June 30, 2019, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of KIPP New Orleans, Inc. and Subsidiary as of June 30, 2018 were audited by other auditors whose report dated December 19, 2018 expressed an unmodified opinion on those statements.

Change in Accounting Principle

As described in Note 1 to the financial statements, KIPP New Orleans, Inc. and Subsidiary adopted the Financial Accounting Standards Board's ASU 2016-14, "*Not-for-Profit Entities*" for the year ended June 30, 2019. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in Schedules "1" through "4" is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head (Schedule "5"), as required by Louisiana Revised Statute 24:513 A.(3), is also presented for the purposes of additional analysis and is also not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for the purposes of additional analysis and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



ERICKSEN KRENTEL

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of KIPP New Orleans, Inc. and Subsidiary'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 New Orleans, Inc. and Subsidiary'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 New Orleans, Inc. and Subsidiary's internal control over financial reporting and compliance.

December 19, 2019
New Orleans, Louisiana

Certified Public Accountants

FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 8,715,337	\$ 8,201,541
Grant receivables	2,446,100	2,804,082
Other receivables	36,375	140,893
Investments	10,048,567	8,726,164
Prepaid expenses	-	39,273
	<u>21,246,379</u>	<u>19,911,953</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	1,414,305	584,070
<u>OTHER ASSETS:</u>		
Notes receivable	15,063,960	15,063,960
Deposits	163,417	165,075
	<u>15,227,377</u>	<u>15,229,035</u>
Total assets	<u>\$ 37,888,061</u>	<u>\$ 35,725,058</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 3,178,599	\$ 1,817,634
Accrued expenses	90,669	276,776
Current portion of long-term debt	809,838	385,828
Student activity funds	241,240	214,283
	<u>4,320,346</u>	<u>2,694,521</u>
<u>NON-CURRENT LIABILITIES:</u>		
Long-term debt, net of unamortized issuance costs	10,531,465	11,724,088
	<u>10,531,465</u>	<u>11,724,088</u>
Total non-current liabilities	<u>10,531,465</u>	<u>11,724,088</u>
Total liabilities	<u>14,851,811</u>	<u>14,418,609</u>
<u>NET ASSETS:</u>		
Without donor restrictions	22,973,322	20,479,356
With donor restrictions	62,928	827,093
	<u>23,036,250</u>	<u>21,306,449</u>
Total net assets	<u>23,036,250</u>	<u>21,306,449</u>
Total liabilities and net assets	<u>\$ 37,888,061</u>	<u>\$ 35,725,058</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE:</u>			
Local per pupil aid	\$ 27,762,426	\$ -	\$ 27,762,426
Federal grants	12,067,785	-	12,067,785
State public school funds	22,639,817	-	22,639,817
Donations and contributions	347,646	553,079	900,725
Other state funds	686,317	-	686,317
Investment income	276,247	-	276,247
Other income	1,563,680	-	1,563,680
Net assets released from restrictions	<u>1,317,244</u>	<u>(1,317,244)</u>	<u>-</u>
 Total revenue	 <u>66,661,162</u>	 <u>(764,165)</u>	 <u>65,896,997</u>
 <u>EXPENSES:</u>			
Program services:			
General instructional	30,491,714	-	30,491,714
General non-instructional	10,703,847	-	10,703,847
Special education	10,067,342	-	10,067,342
Special programs	1,067,457	-	1,067,457
Administration	<u>11,836,836</u>	<u>-</u>	<u>11,836,836</u>
 Total expenses	 <u>64,167,196</u>	 <u>-</u>	 <u>64,167,196</u>
 Change in net assets	 2,493,966	 (764,165)	 1,729,801
Net assets, beginning of year	<u>20,479,356</u>	<u>827,093</u>	<u>21,306,449</u>
 Net assets, end of year	 <u>\$ 22,973,322</u>	 <u>\$ 62,928</u>	 <u>\$ 23,036,250</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUE:</u>			
Local per pupil aid	\$ 25,431,331	\$ -	\$ 25,431,331
Federal grants	9,886,851	-	9,886,851
State public school funds	21,208,351	-	21,208,351
Donations and contributions	3,368,815	725,220	4,094,035
Other state funds	120,639	-	120,639
Investment income	95,884	-	95,884
Other income	913,134	-	913,134
Net assets released from restrictions	566,764	(566,764)	-
	<u>61,591,769</u>	<u>158,456</u>	<u>61,750,225</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	29,912,459	-	29,912,459
General non-instructional	9,824,156	-	9,824,156
Special education	7,425,941	-	7,425,941
Special programs	751,009	-	751,009
Administration	9,112,382	-	9,112,382
	<u>57,025,947</u>	<u>-</u>	<u>57,025,947</u>
Change in net assets	4,565,822	158,456	4,724,278
Net assets, beginning of year	<u>15,913,534</u>	<u>668,637</u>	<u>16,582,171</u>
Net assets, end of year	<u>\$ 20,479,356</u>	<u>\$ 827,093</u>	<u>\$ 21,306,449</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Total
	General Instructional	General Non-Instructional	Special Education	Special Program	Administration	
Salaries and stipend pay	\$ 20,709,573	\$ 1,005,791	\$ 7,519,136	\$ 911,489	\$ 3,409,921	\$ 33,555,910
Benefits	1,967,447	94,269	796,681	88,895	343,065	3,290,357
Payroll taxes	1,556,375	74,447	542,765	67,073	243,818	2,484,478
Purchased education services	779,254	14,540	15,156	-	3,367	812,317
Other purchased professional services	142,977	100,350	564,608	-	427,652	1,235,587
Purchased technical services	-	-	-	-	84,367	84,367
Utilities	-	-	-	-	982,831	982,831
Repairs and maintenance	420	119,565	-	-	2,497,981	2,617,966
Rentals	370,896	-	288	-	1,109,825	1,481,009
Student transportation	232,227	4,535,665	525,896	-	-	5,293,788
Insurance	-	445,459	-	-	538,110	983,569
Communciations	1,676	2,229	91	-	73,532	77,528
Advertising, printing, and binding	34,635	3,530	-	-	6,076	44,241
Tuition	418,725	-	-	-	-	418,725
Food service	-	3,243,700	-	-	-	3,243,700
Travel	186,983	17,507	44,272	-	21,598	270,360
Miscellaneous purchased services	299,157	37,700	13,522	-	85,932	436,311
Materials and supplies	2,356,275	668,466	38,103	-	1,363,024	4,425,868
Books and periodicals	469,983	1,040	1,326	-	151	472,500
Dues and fees	945,528	339,589	5,498	-	11,854	1,302,469
Miscellaneous	19,583	-	-	-	3,090	22,673
Depreciation	-	-	-	-	137,989	137,989
Interest	-	-	-	-	492,653	492,653
Total expenses	\$ 30,491,714	\$ 10,703,847	\$ 10,067,342	\$ 1,067,457	\$ 11,836,836	\$ 64,167,196

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Administration	Total
	General Instructional	General Non-Instructional	Special Education	Special Program	Special Program		
Salaries and stipend pay	\$ 20,697,296	\$ 1,013,864	\$ 5,437,335	\$ 637,321	\$ 2,968,166	\$ 30,753,982	
Benefits	2,043,222	91,285	582,170	66,588	287,874	3,071,139	
Payroll taxes	1,538,272	74,174	399,737	47,100	211,442	2,270,725	
Purchased education services	736,499	14,799	6,381	-	34,966	792,645	
Other purchased professional services	216,179	107,070	460,330	-	485,868	1,269,447	
Purchased technical services	91	-	-	-	38,841	38,932	
Utilities	-	-	-	-	995,889	995,889	
Repairs and maintenance	4,789	149,517	-	-	2,292,781	2,447,087	
Rentals	391,818	-	658	-	170,262	562,738	
Student transportation	231,780	4,131,742	439,191	-	-	4,802,713	
Insurance	3,172	315,488	-	-	464,285	782,945	
Communications	16,454	8,871	533	-	61,687	87,545	
Advertising, printing, and binding	50,687	14,040	102	-	53,706	118,535	
Tuition	214,268	-	-	-	-	214,268	
Food service	-	2,942,939	-	-	-	2,942,939	
Travel	223,947	17,372	34,086	-	76,501	351,906	
Miscellaneous purchased services	181,899	96,114	7,015	-	57,579	342,607	
Materials and supplies	2,009,783	511,360	41,640	-	356,642	2,919,425	
Books and periodicals	417,700	4,361	5,439	-	174	427,674	
Dues and fees	934,533	331,160	11,324	-	64,019	1,341,036	
Miscellaneous	70	-	-	-	-	70	
Depreciation	-	-	-	-	151,674	151,674	
Interest	-	-	-	-	340,026	340,026	
Total expenses	\$ 29,912,459	\$ 9,824,156	\$ 7,425,941	\$ 751,009	\$ 9,112,382	\$ 57,025,947	

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,729,801	\$ 4,724,278
Adjustments to reconcile change in net assets to cash and cash equivalents from (used for) operating activities:		
Depreciation expense	137,989	151,674
Amortization expense	26,457	13,229
Loss on disposition of assets	48,680	-
Unrealized (gains)/losses on investments	(54,043)	52,823
(Increase) decrease in:		
Grant receivables	357,982	(840,914)
Other receivables	104,518	(33,028)
Prepaid expenses	39,273	(38,867)
Deposits	1,658	(17,466)
Increase (decrease) in:		
Accounts payable	1,360,965	(322,750)
Accrued expenses	(186,107)	276,776
Student activity funds	26,957	214,283
	<u>3,594,130</u>	<u>4,180,038</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Capital expenditures	(1,016,904)	(253,852)
Issuance of notes receivable	-	(15,063,960)
Purchase of investments	(6,028,360)	(11,316,487)
Sale of investments	4,760,000	2,537,500
	<u>(2,285,264)</u>	<u>(24,096,799)</u>
<u>CASH FLOWS (USED FOR) FINANCING ACTIVITIES:</u>		
Proceeds from issuance of long-term debt	-	12,281,887
Payments of debt issuance costs	-	(185,200)
Payments on long-term debt	(795,070)	-
	<u>(795,070)</u>	<u>12,096,687</u>
Net cash from (used for) financing activities	<u>(795,070)</u>	<u>12,096,687</u>
Net increase (decrease) in cash and cash equivalents	513,796	(7,820,074)
Cash and cash equivalents, beginning of year	<u>8,201,541</u>	<u>16,021,615</u>
Cash and cash equivalents, end of year	<u>\$ 8,715,337</u>	<u>\$ 8,201,541</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

KIPP New Orleans, Inc. and Subsidiary (KIPP) is a nonprofit corporation organized under the laws of the State of Louisiana. KIPP New Orleans, Inc. was incorporated in the Spring of 2005 for the purpose of operating charter schools in New Orleans, Louisiana to provide students with knowledge, skills, and character traits necessary to succeed in competitive high schools, college, and life. The Board of Elementary and Secondary Education (BESE) approved the granting of seven Type 5 charters to operate KIPP Believe (includes Primary and College Prep), KIPP Central City (includes Primary and Academy), KIPP East, KIPP Leadership (includes Primary and Academy), KIPP Morial (formerly McDonogh 15 and includes Primary and Middle), Frederick A. Douglass High School (formerly KIPP Renaissance), and Booker T. Washington High School (formerly KIPP Booker T. Washington). In addition, the School Support Center provides support to each of the schools in the areas of development, operations, finance, academics, recruitment, and planning. All KIPP schools and the SSC are governed by the KIPP Board of Directors.

BESE, effective July 1, 2016, approved the transfer of the Type 5 charter to a Type 3B charter to operate KIPP Renaissance High School under the jurisdiction of Orleans Parish School Board (OPSB) rather than Recovery School District (RSD). As a result of Orleans Parish city wide school reunification, effective July 1, 2018, BESE approved the transfer of all of KIPP's Type 5 charter schools to a Type 3B charter to operate under the jurisdiction of OPSB.

Principles of Consolidation

These financial statements have been consolidated to include all accounts of KIPP New Orleans, Inc. and its subsidiary, Friends of KIPP New Orleans, Inc.

Friends of KIPP New Orleans, Inc. (FKNO) is a support organization established to foster the strategic development goals of KIPP New Orleans, Inc. FKNO was founded in September 2016 with operations commencing on June 1, 2017. FKNO is operated, supervised, and controlled by KIPP New Orleans, Inc.

The accompanying consolidated financial statements are presented on a consolidated basis and significant intercompany accounts have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, KIPP is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of KIPP. KIPP's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of KIPP or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, KIPP considers all demand deposits and all highly liquid investments with a maturity of three months or less to be cash equivalents.

Receivables

Grants, notes, and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2019 and 2018, no allowance is recorded as management considers all receivables to be fully collectible.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities.

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

No Level 2 or Level 3 inputs were used by KIPP.

Property and Equipment

The land, building and building improvements used to operate KIPP are owned by OPSB and, as such, are recorded on the financial statements of OPSB. KIPP's authorizers, OPSB and RSD, also provided KIPP with furniture and equipment that is also recorded on the authorizer's financial statements and not reported by KIPP. KIPP only reports its direct purchases of leasehold improvements, and furniture and equipment. KIPP has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$5,000. Property is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives of 5 years for classroom furniture and equipment, 15 years for playground equipment, 5 years for musical instruments, 5-15 years for building improvements, and 5 years for software.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the interest method.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

KIPP reports contributions of cash or other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the consolidated statement of activities.

Revenues from federal and state grants are recorded when KIPP has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by KIPP, or when otherwise earned under the terms of the grants.

Contributed Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In addition, KIPP receives services donated by parents and community members in carrying out KIPP's mission. The value of these services is not recognized in the accompanying consolidated financial statements as they do not meet the criteria for recognition under GAAP.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Expenses

The costs of providing the various programs and other activities of KIPP have been summarized on a functional basis in the consolidated statements of activities. Directly identifiable expenses are charged to programs, support services, and non-instructional services. Expenses related to more than one function are charged to programs, support services, and non-instructional services on the basis of periodic time and expense studies.

Compensated Absences

All instructional staff members are granted ten paid time off (PTO) days at the beginning of each year. School Support Center and non-instructional staff earn a total of 13 PTO days per year. Unused days do not carry forward at the end of the fiscal year and may not be redeemed for additional compensation at the end of the year or end of employment with KIPP.

Income Tax Status

KIPP has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to income tax unless it has unrelated trade or business income.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2019 and 2018, KIPP believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2016 and later remain subject to examination by the taxing authorities.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, "*Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.*" The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. KIPP has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through December 19, 2019, which is the date the financial statements were available to be issued.

(2) STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES

Supplemental disclosures of cash flow information:

Cash paid during the year for:	<u>2019</u>	<u>2018</u>
Interest	\$ <u>466,196</u>	\$ <u>326,797</u>

Non-Cash Investing Activities

During the year ended June 30, 2019, KIPP disposed of fixed assets which had a cost basis of \$184,972 and accumulated depreciation of \$136,292. There was a loss on sale relating to the disposals in the amount of \$48,680 during the year ended June 30, 2019. No proceeds were received in relation to the disposals.

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects KIPP's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include restricted contributions, investments, long-term note receivable, deferred revenue, and debt service. However, amounts already appropriated from the restricted deposits and funded reserves for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	<u>2019</u>	<u>2018</u>
Financial assets at year end	\$ 36,310,339	\$ 34,936,640
Less those unavailable for general expenditure within one year due to:		
Donor restrictions	(62,928)	(427,093)
Note receivable	(15,063,960)	(15,063,960)
Deferred revenue	(51,900)	(182,000)
Debt service	<u>(809,838)</u>	<u>(385,828)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,321,713</u>	<u>\$ 18,877,759</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

As part of the KIPP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the KIPP does not intend to spend from its restricted contributions other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its contributions could be made available if necessary.

(4) GRANTS RECEIVABLES

Grants receivable at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Due from federal government	\$ 32,730	\$ 354,376
Due from State of Louisiana	1,757,422	1,882,443
Due from foundations	<u>655,948</u>	<u>567,263</u>
	<u>\$ 2,446,100</u>	<u>\$ 2,804,082</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 318,237	\$ 363,520
Land	44,877	44,877
Leasehold improvements	1,422,750	545,536
Software	<u>32,579</u>	<u>32,579</u>
	1,818,443	986,512
Less accumulated depreciation	<u>(404,138)</u>	<u>(402,442)</u>
Total	<u>\$ 1,414,305</u>	<u>\$ 584,070</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$137,989 and \$151,674, respectively.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(6) INVESTMENTS

The fair value of investments are determined by reference to quoted prices in active markets for identical assets (Level 1) and are as follows at June 30:

	2019	2018
Fixed income securities	\$ 10,048,567	\$ 8,726,164

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended June 30:

	2019	2018
Dividends and interest	\$ 222,204	\$ 143,928
Net unrealized gains (losses)	54,043	(48,044)
Total return on investments	\$ 276,247	\$ 95,884

(7) NOTE RECEIVABLE

FKNO has a note receivable from COCFR Investor 90, LLC bearing interest at 6.28% annually until maturity on October 25, 2040. Interest is paid quarterly. A principal payment of \$8,123,597 is due October 25, 2024 followed by quarterly payments starting in March of 2025. The balance of the note receivable was \$15,063,960 at June 30, 2019 and 2018.

Annual maturities of note receivable for each of the five years following June 30, 2019, in total thereafter follow:

2020-2024	\$ -
2025-2029	9,437,032
2030-2034	1,963,686
2035-2039	2,681,708
2040-2041	981,534
	\$ 15,063,960

(8) LINE OF CREDIT

KIPP has a line of credit in the amount of \$2,000,000. The interest rate on the line of credit is 5.5%. There was no outstanding balance due on the line of credit as of June 30, 2019 and 2018. The line of credit expires on March 31, 2021.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(9) LONG-TERM DEBT

FKNO has long-term notes payable at June 30, 2019 and 2018 as follows:

	2019	2018
Notes payable to Capital One, bearing interest at 4.75% with quarterly interest payments starting December 2017 and quarterly principal payments starting March 2019. Balloon payment of \$3,913,426 due at maturity, October 25, 2024.	\$ 4,686,218	\$ 5,150,000
Notes payable to Low Income Investment Fund ("LIIF"), bearing interest at 5.49% with quarterly interest payments starting March 2019, and balloon payment of \$3,685,716 due at maturity, October 25, 2024.	4,179,900	4,220,000
Non-interest bearing note to unrelated party with quarterly principal payments of \$145,594 starting March 2019. The note matures on December 1, 2023.	2,620,699	2,911,887
	11,486,817	12,281,887
Less: unamortized debt issuance costs	(145,514)	(171,971)
Less: current portion of long-term debt	(809,838)	(385,828)
Total long-term debt, net	\$ 10,531,465	\$ 11,724,088

The proceeds of these notes payable were used by FKNO to make a leverage loan to COCRF Investor 90 (as further described in Note 7). The proceeds of the leverage loan were combined with Capital One's equity investment in COCRF Investor 90 to make qualified equity investment in COCFR Investor 90's subsidiary CDEs which in turn made qualified low income community investments in BDF Elementary for the construction of a K-8 school building to be leased to KIPP.

The maturities of long-term debt for next five years and thereafter are as follows:

2020	\$	809,838
2021		823,676
2022		836,021
2023		849,002
2024		571,464
Thereafter		7,596,816
		\$ 11,486,817

FKNO is subject to certain financial covenants under its notes payables. FKNO was in compliance with its financial covenants at June 30, 2019 and 2018.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(10) RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
FKNO	\$ -	\$ 400,000
Equipment for KIPP Believe	34,673	385,438
Student scholarships	20,966	36,802
Other	<u>7,289</u>	<u>4,853</u>
Net assets with donor restrictions	<u>\$ 62,928</u>	<u>\$ 827,093</u>

Temporarily restricted net assets were released from restrictions for the following purposes during the years ended June 30th:

	<u>2019</u>	<u>2018</u>
FKNO	\$ 550,500	\$ 200,000
Equipment for KIPP Believe	350,765	-
Student scholarships	30,615	63,929
Career development	-	20,000
Other	<u>385,364</u>	<u>282,835</u>
Net assets released from restrictions	<u>\$ 1,317,244</u>	<u>\$ 566,764</u>

(11) RETIREMENT PLAN

KIPP has a 403(b) deferred compensation plan covering substantially all employees. Covered employees may elect to contribute a portion of their salaries as allowable. KIPP has elected to match 5% of covered employees' salaries. KIPP's contributions were \$1,011,016 and \$963,665 for the years ended June 30, 2019 and 2018, respectively.

(12) CONCENTRATIONS OF CREDIT RISK

KIPP maintains cash in bank accounts in excess of insured limits periodically. KIPP has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. All of KIPP's cash is maintained in collateralized bank accounts.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(13) LEASE COMMITMENTS

KIPP entered into lease agreements with the RSD and OPSB ("KIPP's authorizers") to allow KIPP to use several facilities and their contents for a lease term equivalent to the remaining number of years on the charter agreement. The lease agreement may be extended based on the charter renewal terms, in the event BESE, or OPSB, extends the respective charter contract. KIPP's authorizers have forgone the payment of rent for the 2019 and 2018 years for each of the lease agreements. Use of the property, including fixtures, furniture and equipment provided by the RSD and OPSB is not recorded as an in-kind contribution. KIPP is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

KIPP entered into a sublease agreement on October 25, 2017 (effective date) with BDF Elementary for a new facility to be constructed to house KIPP Believe. During the year ended June 30, 2019, KIPP Believe was relocated to the newly constructed facility and rent payments commenced on March 1, 2019 (rent commencement date). The sublease will remain in effect until the earlier of the ten-year anniversary of the rent commencement date or the revocation or non-renewal of KIPP Believe's charter. The sublease contains two renewal options for an additional ten years each and a third renewal option of five years. Base rent under the sublease agreement is \$175,000 per quarter. An additional rent payment is also due each quarter in the amount of \$160,625. Total rent expense under the terms of this lease for the year ended June 30, 2019 was \$671,250.

KIPP entered into a sublease agreement on June 14, 2017 (effective date) with BTW School Facility, LLC for a new facility to house Booker T. Washington High School. During the year ended June 30, 2019, Booker T. Washington High School was relocated to the new facility and rent payments commenced on July 1, 2019 (rent commencement date). The sublease will remain in effect until the earlier of June 30, 2024 or the revocation or non-renewal of Booker T. Washington High School's charter. The sublease contains a renewal option for one additional year. Base rent under the sublease agreement is \$41,667 per month. No rent payments were made during the year ended June 30, 2019.

Future minimum lease payments under the operating leases for the next five years and thereafter are as follows:

2020	\$	1,800,837
2021		1,867,500
2022		1,893,756
2023		1,921,308
2024		1,657,946
Thereafter		<u>175,000</u>
	\$	<u>9,316,347</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(14) GRANT PROGRAM CONTINGENCIES

KIPP participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that KIPP has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2019 and 2018 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and KIPP.

(15) ECONOMIC DEPENDENCY

KIPP receives the majority of its revenue from the State of Louisiana Minimum Foundation Program (MFP). MFP funding for the years ended June 30, 2019 and 2018 totaled \$50,402,243 and \$46,639,682, respectively. Funding was from various federal grants passed through the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds KIPP receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will significantly affect the amount of funds KIPP will receive in fiscal year 2020 relating to its grant awards.

(16) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2014-09, "*Revenue from Contracts with Customers*." The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Deferring the effective date of the amendments in Update No. 2014-09, the FASB has issued Update No. 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date* ASU No. 2015-14." Update No. 2015-14 permits entities to apply the guidance in Update No. 2014-09 to annual reporting periods beginning after December 15, 2018, and to interim reporting periods within annual reporting periods beginning after December 15, 2019. KIPP plans to adopt this Update as applicable by the effective date.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

(16) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "*Leases*." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. KIPP plans to adopt this Update as applicable by the effective date.

The FASB has issued Update No. 2018-08, "*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*." The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments in this Update require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. KIPP plans to adopt this Update as applicable by the effective date.

(17) RECLASSIFICATIONS

KIPP made certain reclassifications to prior period amounts to conform to the current year presentation. These reclassifications did not have a material effect on the financial statements.

SUPPLEMENTARY INFORMATION

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH SUMMARIZED INFORMATION AT JUNE 30, 2018

	KIPP New Orleans, Inc.	Friends of KIPP New Orleans, Inc.	Eliminating Entries	2019 Total	2018 Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 7,761,911	\$ 953,426	\$ -	\$ 8,715,337	\$ 8,201,541
Grant receivables	2,434,100	262,000	(250,000)	2,446,100	2,804,082
Other receivables	36,375	-	-	36,375	140,893
Investments	10,048,567	-	-	10,048,567	8,726,164
Prepaid expenses	-	-	-	-	39,273
Total current assets	20,280,953	1,215,426	(250,000)	21,246,379	19,911,953
<u>PROPERTY AND EQUIPMENT, NET</u>	1,414,305	-	-	1,414,305	584,070
<u>OTHER ASSETS</u>					
Notes receivable	-	15,063,960	-	15,063,960	15,063,960
Deposits	163,417	-	-	163,417	165,075
Total other assets	163,417	15,063,960	-	15,227,377	15,229,035
Total assets	<u>\$ 21,858,675</u>	<u>\$ 16,279,386</u>	<u>\$ (250,000)</u>	<u>\$ 37,888,061</u>	<u>\$ 35,725,058</u>
<u>CURRENT LIABILITIES</u>					
Accounts payable	\$ 3,405,680	\$ 22,919	\$ (250,000)	\$ 3,178,599	\$ 1,817,634
Accrued expenses	90,669	-	-	90,669	276,776
Current portion of long-term debt	-	809,838	-	809,838	385,828
Student activity funds	241,240	-	-	241,240	214,283
Total current liabilities	3,737,589	832,757	(250,000)	4,320,346	2,694,521
<u>NON-CURRENT LIABILITIES</u>					
Long-term debt, net of unamortized issuance costs	-	10,531,465	-	10,531,465	11,724,088
Total non-current liabilities	-	10,531,465	-	10,531,465	11,724,088
Total liabilities	3,737,589	11,364,222	(250,000)	14,851,811	14,418,609
<u>NET ASSETS</u>					
Without donor restrictions	18,058,158	4,915,164	-	22,973,322	20,479,356
With donor restrictions	62,928	-	-	62,928	827,093
Total net assets	18,121,086	4,915,164	-	23,036,250	21,306,449
Total liabilities and net assets	<u>\$ 21,858,675</u>	<u>\$ 16,279,386</u>	<u>\$ (250,000)</u>	<u>\$ 37,888,061</u>	<u>\$ 35,725,058</u>

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	KIPP New Orleans, Inc.			Friends of KIPP New Orleans, Inc.			Eliminating Entries	2019 Total	2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE:									
Local per pupil aid	\$ 27,762,426	\$ -	\$ 27,762,426	\$ -	\$ -	\$ -	\$ -	\$ 27,762,426	\$ 25,431,331
Federal grants	12,067,785	-	12,067,785	-	-	-	-	12,067,785	9,886,851
State public school funds	22,639,817	-	22,639,817	-	-	-	-	22,639,817	21,208,351
Donations and contributions	57,438	402,579	460,017	558,437	150,500	708,937	(268,229)	900,725	4,094,035
Other state funds	686,317	-	686,317	-	-	-	-	686,317	120,639
Investment income	276,247	-	276,247	-	-	-	-	276,247	95,884
Other income	616,456	-	616,456	947,224	-	947,224	-	1,563,680	913,134
Intercompany	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	766,744	(766,744)	-	550,500	(550,500)	-	-	-	-
Total revenue	64,873,230	(364,165)	64,509,065	2,056,161	(400,000)	1,656,161	(268,229)	65,896,997	61,750,225
EXPENSES:									
Program services:									
General instructional	30,491,714	-	30,491,714	-	-	-	-	30,491,714	29,912,459
General non-instructional	10,703,847	-	10,703,847	-	-	-	-	10,703,847	9,824,156
Special education	10,067,342	-	10,067,342	-	-	-	-	10,067,342	7,425,941
Special programs	1,067,457	-	1,067,457	-	-	-	-	1,067,457	751,009
Administration	11,512,623	-	11,512,623	592,442	-	592,442	(268,229)	11,836,836	9,112,382
Total expenses	63,842,983	-	63,842,983	592,442	-	592,442	(268,229)	64,167,196	57,025,947
Change in net assets	1,030,247	(364,165)	666,082	1,463,719	(400,000)	1,063,719	-	1,729,801	4,724,278
Net assets, beginning of year	17,027,911	427,093	17,455,004	3,451,445	400,000	3,851,445	-	21,306,449	16,582,171
Net assets, end of year	\$ 18,058,158	\$ 62,928	\$ 18,121,086	\$ 4,915,164	\$ -	\$ 4,915,164	\$ -	\$ 23,036,250	\$ 21,306,449

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
COMBINING STATEMENT OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2019
WITH SUMMARIZED INFORMATION AT JUNE 30, 2018

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Renaissance High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	School Support Center	2019 Total	2018 Total
ASSETS										
Cash and cash equivalents	\$ 513,700	\$ 927,260	\$ 1,239,357	\$ 703,542	\$ 583,181	\$ 396,900	\$ 380,629	\$ 3,017,342	\$ 7,761,911	\$ 7,507,365
Grant receivables	498,106	236,260	595,079	213,618	498,914	85,784	218,965	87,374	2,434,100	2,800,332
Other receivables	-	-	-	2,548	-	-	2,548	31,279	36,375	140,893
Investments	-	-	-	-	-	-	-	10,048,567	10,048,567	8,726,164
Prepaid expenses	-	-	-	-	-	-	-	-	-	39,273
Total current assets	1,011,806	1,163,520	1,834,436	919,708	1,082,095	482,684	602,142	13,184,562	20,280,953	19,214,027
PROPERTY AND EQUIPMENT, NET	33,707	417,773	385,026	435,577	11,224	42,500	14,253	74,245	1,414,305	584,070
OTHER ASSETS										
Deposits	26,542	10,214	16,872	25,494	10,225	22,486	12,394	39,190	163,417	165,075
Total other assets	26,542	10,214	16,872	25,494	10,225	22,486	12,394	39,190	163,417	165,075
Total assets	\$ 1,072,055	\$ 1,591,507	\$ 2,236,334	\$ 1,380,779	\$ 1,103,544	\$ 547,670	\$ 628,789	\$ 13,297,997	\$ 21,858,675	\$ 19,963,172
CURRENT LIABILITIES										
Accounts payable	\$ 221,250	\$ 562,889	\$ 1,093,891	\$ 425,413	\$ 330,184	\$ 131,361	\$ 230,138	\$ 410,554	\$ 3,405,680	\$ 2,017,109
Accrued expenses	7,026	9,889	7,405	12,845	12,319	9,986	34,944	(3,745)	90,669	276,776
Student activity funds	57,776	43,842	24,213	29,843	31,949	7,441	45,876	300	241,240	214,283
Total liabilities	286,052	616,620	1,125,509	468,101	374,452	148,788	310,958	407,109	3,737,589	2,508,168
NET ASSETS										
Without donor restrictions	786,003	974,887	1,110,825	912,678	729,092	398,882	317,831	12,827,960	18,058,158	17,007,908
With donor restrictions	-	-	-	-	-	-	-	62,928	62,928	447,096
Total net assets	786,003	974,887	1,110,825	912,678	729,092	398,882	317,831	12,890,888	18,121,086	17,455,004
Total liabilities and net assets	\$ 1,072,055	\$ 1,591,507	\$ 2,236,334	\$ 1,380,779	\$ 1,103,544	\$ 547,670	\$ 628,789	\$ 13,297,997	\$ 21,858,675	\$ 19,963,172

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
COMBINING STATEMENT OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Renaissance High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	School Support Center	Interfund Eliminations	2019 Total	2018 Total
NET ASSETS WITHOUT DONOR RESTRICTIONS:											
REVENUE:											
Local per pupil aid	\$ 5,289,599	\$ 4,131,149	\$ 5,308,854	\$ 3,185,312	\$ 5,094,299	\$ 2,637,923	\$ 2,115,290	\$ -	\$ -	\$ 27,762,426	\$ 25,431,331
Federal grants	2,269,755	1,870,569	2,438,394	1,008,582	2,245,578	1,045,588	771,174	418,145	-	12,067,785	9,886,851
State public school funds	4,234,818	3,079,754	4,049,778	3,064,078	4,185,875	1,872,221	2,153,293	-	-	22,639,817	21,208,351
Donations and contributions	-	-	-	100	-	-	-	57,338	-	57,438	387,649
Other state funds	100,800	15,876	17,858	84,327	17,522	89,524	34,918	325,492	-	686,317	120,639
Investment income	-	183	-	-	-	-	-	276,064	-	276,247	95,884
Other income	173,914	63,328	78,573	7,087	115,386	44,237	54,914	6,255,921	(6,176,904)	616,456	262,099
Net assets released from restrictions	78,484	12,672	16,756	58,500	6,928	36,793	36,500	520,114	-	766,747	366,764
Total revenue	12,147,370	9,173,531	11,910,213	7,407,986	11,665,588	5,726,286	5,166,089	7,853,074	(6,176,904)	64,873,233	57,759,568
EXPENSES:											
Program services:											
General instructional	5,949,569	4,098,253	5,908,906	3,848,634	5,316,743	3,052,925	2,439,781	1,853,504	(1,976,601)	30,491,714	29,912,459
General non-instructional	1,856,020	1,569,964	1,944,680	1,116,609	1,939,379	927,663	805,509	544,023	-	10,703,847	9,824,156
Special education	1,671,336	1,524,866	1,643,818	966,180	2,274,673	595,967	896,330	494,172	-	10,067,342	7,425,941
Special programs	192,171	8,434	5,035	-	9,096	194,585	-	658,136	-	1,067,457	751,009
Administration	2,438,546	1,598,712	2,042,767	1,352,137	2,129,953	841,375	881,443	4,427,893	(4,200,303)	11,512,623	8,751,629
Total expenses	12,107,742	8,800,229	11,545,206	7,283,560	11,669,844	5,612,515	5,023,063	7,977,728	(6,176,904)	63,842,983	56,665,194
TRANSFERS IN (OUT):											
Transfers in	43,087	38,638	46,812	18,557	42,170	17,664	9,481	-	(216,409)	-	-
Transfers out	(40,077)	(49,059)	(45,191)	(17,052)	(39,738)	(15,811)	(9,481)	-	216,409	-	-
Total transfers in (out)	3,010	(10,421)	1,621	1,505	2,432	1,853	-	-	-	-	-
Change in net assets without donor restrictions	42,638	362,881	366,628	125,931	(1,824)	115,624	143,026	(124,654)	-	1,030,250	1,094,374
NET ASSETS WITH DONOR RESTRICTIONS:											
Donations and contributions	78,484	12,672	16,756	58,500	6,928	32,960	36,500	159,779	-	402,579	725,220
Net assets released from restrictions	(78,484)	(12,672)	(16,756)	(58,500)	(6,928)	(36,793)	(36,500)	(520,114)	-	(766,747)	(366,764)
Change in net assets with donor restrictions	-	-	-	-	-	(3,833)	-	(360,335)	-	(364,168)	378,459
Net assets, beginning of year	743,365	612,006	744,197	786,747	730,916	287,091	174,805	13,375,877	-	17,455,004	15,982,171
Net assets, end of year	\$ 786,003	\$ 974,887	\$ 1,110,825	\$ 912,678	\$ 729,092	\$ 398,882	\$ 317,831	\$ 12,890,888	\$ -	\$ 18,121,086	\$ 17,455,004

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019

	Rhonda Kalifey-Aluise, CEO
Time served	06/30/18 through 06/30/19
Salary	\$ 195,000
Benefits - insurance	6,629
Benefits - retirement	9,750
Gas stipend	1,200
Reimbursements	406
Confrence travel	1,238
Supplies	469
Special meals	480
Total compensation, benefits, and other payments	<u>\$ 215,172</u>

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



**INDEPENDENT AUDITORS' 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 of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

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 consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary (a non-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered KIPP New Orleans, Inc. and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPP New Orleans, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the KIPP New Orleans, Inc. and Subsidiary'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 New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

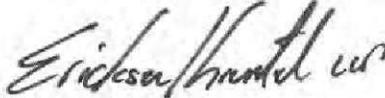
Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIPP New Orleans, Inc. and Subsidiary's consolidated 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 KIPP New Orleans, Inc. and Subsidiary'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 KIPP New Orleans, Inc. and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 19, 2019
New Orleans, Louisiana


Ericksen Krentel
Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited KIPP New Orleans, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KIPP New Orleans, Inc. and Subsidiary's major federal programs for the year ended June 30, 2019. KIPP New Orleans, Inc. and Subsidiary's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of KIPP New Orleans, Inc. and Subsidiary'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 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 New Orleans, Inc. and Subsidiary'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 KIPP New Orleans, Inc. and Subsidiary's compliance.



To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Opinion on Each Major Federal Program

In our opinion, KIPP New Orleans, Inc. and Subsidiary 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, 2019.

Report on Internal Control Over Compliance

Management of KIPP New Orleans, Inc. and Subsidiary 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 New Orleans, Inc. and Subsidiary'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 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 New Orleans, Inc. and Subsidiary'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.



ERICKSEN KRENTEL

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 19, 2019
New Orleans, Louisiana

Certified Public Accountants

SINGLE AUDIT SECTION

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	\$ 4,128,872
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	\$ 1,170,884
Special Education - Preschool Grants	84.173	<u>14,486</u>
Total Special Education Cluster		1,185,370
English Language Acquisition State Grants	84.365	24,896
Improving Teacher Quality State Grants	84.367	41,130
Comprehensive Literacy Development	84.371	406,744
School Improvement Grants	84.377	273,093
<i>Pass-through New Orleans Business Alliance</i>		
Career and Technical Education - Basic Grants to States	84.048	30,480
<i>Pass-through KIPP Foundation</i>		
Charter Schools	84.282	150,000
<i>Pass-through New Schools for New Orleans</i>		
Charter Schools	84.282	79,152
Teacher and School Leader Incentive Grants	84.374	<u>1,304,668</u>
 Total U.S. Department of Education		 <u>7,624,405</u>
<u>U.S. Department of Agriculture</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Child Nutrition Cluster		
School Breakfast Program	10.553	1,253,233
National School Lunch Program	10.555	2,934,084
Summer Food Service Program for Children	10.559	<u>17,525</u>
Total Child Nutrition Cluster		4,204,842
Child and Adult Care Food Program	10.558	61,501
Fresh Fruit and Vegetable Program	10.582	<u>27,757</u>
 Total U.S. Department of Agriculture		 <u>4,294,100</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
TANF Cluster		
Temporary Assistance for Needy Families	93.558	<u>199,694</u>
Total TANF Cluster		<u>199,694</u>
 Total U.S. Department of Health and Human Services		 <u>199,694</u>
 Total expenditures of federal awards		 <u>\$ 12,118,199</u>

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SCOPE OF AUDIT PURSUANT TO *GOVERNMENT AUDITING STANDARDS AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)*

All federal grant operations of KIPP New Orleans, Inc. and Subsidiary are included in the scope of the single audit. Those programs which were major grants and selected for specific testing were:

Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, & 10.559)

NOTE 2 – FISCAL PERIOD AUDIT

Single audit testing procedures were performed for program transactions occurring during the year ended June 30, 2019.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when KIPP New Orleans, Inc. and Subsidiary has met the qualifications for the respective grants.

Payments to Subrecipients

There were no payments to subrecipients for the fiscal year ended June 30, 2019.

Non-Cash Assistance

Nonmonetary assistance in the amount of \$207,918 is reported in the schedule of expenditures of federal awards as CFDA No. 10.555 at the fair market value of the commodities received and disbursed.

NOTE 4 – INDIRECT COST RATE

KIPP New Orleans, Inc. and Subsidiary has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary were reported in the 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*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for KIPP New Orleans, Inc. and Subsidiary expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was Child Nutrition Cluster (CFDA Nos. 10.553, 10.555 and 10.559).
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. KIPP New Orleans, Inc. and Subsidiary was determined to be a low risk auditee.
10. A management letter was not issued for the year ended June 30, 2019.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to the consolidated financial statements for the year ended June 30, 2019.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings related to major federal awards programs for the year ended June 30, 2019

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

**I. INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS**

Not applicable

**II. INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FEDERAL AWARDS**

Not applicable

III. MANAGEMENT LETTER

Not applicable

**SCHEDULES REQUIRED BY STATE LAW
(PERFORMANCE STATISTICAL DATA)**



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by KIPP New Orleans, Inc. and Subsidiary, the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of KIPP New Orleans, Inc. and Subsidiary for the fiscal year ended June 30, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514.I. Management of KIPP New Orleans, Inc. and Subsidiary is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
(Schedule 1)

- I. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - a. Total General Fund Instructional Expenditures,
 - b. Total General Fund Equipment Expenditures,
 - c. Total Local Taxation Revenue,
 - d. Total Local Earnings on Investment in Real Property,
 - e. Total State Revenue in Lieu of Taxes,
 - f. Nonpublic Textbook Revenue,
 - g. Nonpublic Transportation Revenue.

Findings: None



To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Findings: None

Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Findings: None

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Findings: None

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary

This report is intended solely to describe the scope and results of testing performed on the performance and statistical data accompanying the annual financial statements of the KIPP New Orleans, Inc. and Subsidiary, as required by Louisiana Revised Statute 24:514.I, and for the information and use of KIPP New Orleans, Inc. and Subsidiary, the Louisiana Department of Education, and the Louisiana Legislative Auditor. Accordingly, this report is not suitable for any other purpose and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

December 19, 2019
New Orleans, Louisiana

Certified Public Accountants

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2019

GENERAL FUND INSTRUCTIONAL AND EQUIPMENT EXPENDITURES

	<u>Column A</u>	<u>Column B</u>
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom teacher salaries	\$ 14,880,175	
Other instructional staff salaries	2,898,151	
Instructional staff employee benefits	3,151,000	
Purchased professional and technical services	2,332,423	
Instructional materials and supplies	2,170,782	
Instructional equipment	<u>88,159</u>	
Total teacher and students interaction activities		\$ 25,520,690
Other instructional activities		991,896
Pupil support services	2,704,917	
Less: Equipment for pupil support services	<u>-</u>	
Net pupil support services		2,704,917
Instructional staff services	2,817,571	
Less: Equipment for instructional staff services	<u>-</u>	
Net instructional staff services		2,817,571
School administration	6,878,084	
Less: equipment for school administration	<u>140</u>	
Net school administration		6,878,224
Total general fund instructional expenditures (total of column B)		<u>\$ 38,913,298</u>
Total General fund equipment expenditures		<u>\$ 88,299</u>
 <u>CERTAIN LOCAL REVENUE SOURCES</u>		
Total local taxation revenue		<u>\$ -</u>
Total local earnings on investment in real property		<u>\$ -</u>
Total state revenue in lieu of taxes		<u>\$ -</u>
Nonpublic textbook revenue		<u>\$ -</u>
Nonpublic transportation revenue		<u>\$ -</u>

(See Independent Accountants' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE 30, 2019
AS OF OCTOBER 1, 2018

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	13%	70	40%	220	42%	236	5%	30
Elementary/Activity Classes	10%	10	38%	35	40%	37	12%	11
Middle/Jr. High	23%	92	16%	68	50%	209	11%	47
Middle/Jr. High Activity Classes	10%	10	38%	35	40%	37	12%	11
High	36%	105	28%	83	31%	90	5%	14
High Activity Classes	21%	9	33%	13	23%	9	23%	9
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.