

KIPP NEW ORLEANS, INC.
AND SUBSIDIARY
NEW ORLEANS, LOUISIANA
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019



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 statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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

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 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, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 presented for 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 presented for 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

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 23, 2020, 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 23, 2020
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 16,510,140	\$ 8,715,337
Grant receivables	6,022,583	2,446,100
Other receivables	47,312	36,375
Investments	4,333,814	10,048,567
Prepaid expenses	<u>28,500</u>	<u>-</u>
 Total current assets	 <u>26,942,349</u>	 <u>21,246,379</u>
 <u>PROPERTY AND EQUIPMENT, NET</u>	 1,142,793	 1,414,305
<u>OTHER ASSETS:</u>		
Notes receivable	15,063,960	15,063,960
Deposits	<u>188,639</u>	<u>163,417</u>
 Total other assets	 <u>15,252,599</u>	 <u>15,227,377</u>
 Total assets	 <u>\$ 43,337,741</u>	 <u>\$ 37,888,061</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 1,384,957	\$ 3,178,599
Accrued expenses	138,754	90,669
Current portion of long-term debt	823,676	809,838
Student activity funds	<u>272,997</u>	<u>241,240</u>
 Total current liabilities	 <u>2,620,384</u>	 <u>4,320,346</u>
<u>NON-CURRENT LIABILITIES:</u>		
Long-term debt, net of unamortized issuance costs	<u>9,459,044</u>	<u>10,531,465</u>
 Total non-current liabilities	 <u>9,459,044</u>	 <u>10,531,465</u>
 Total liabilities	 <u>12,079,428</u>	 <u>14,851,811</u>
<u>NET ASSETS:</u>		
Without donor restrictions	31,164,197	22,973,322
With donor restrictions	<u>94,116</u>	<u>62,928</u>
 Total net assets	 <u>31,258,313</u>	 <u>23,036,250</u>
 Total liabilities and net assets	 <u>\$ 43,337,741</u>	 <u>\$ 37,888,061</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUE:</u>			
Local per pupil aid	\$ 31,327,899	\$ -	\$ 31,327,899
Federal grants	15,276,118	-	15,276,118
State public school funds	26,255,302	-	26,255,302
Donations and contributions	733,776	631,469	1,365,245
Other state funds	929,980	-	929,980
Investment income	253,083	-	253,083
Other income	2,256,682	-	2,256,682
Net assets released from restrictions	600,281	(600,281)	-
	<u>77,633,121</u>	<u>31,188</u>	<u>77,664,309</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	37,265,019	-	37,265,019
General non-instructional	9,144,343	-	9,144,343
Special education	9,888,774	-	9,888,774
Special programs	844,293	-	844,293
Administration	12,299,817	-	12,299,817
	<u>69,442,246</u>	<u>-</u>	<u>69,442,246</u>
Change in net assets	8,190,875	31,188	8,222,063
Net assets, beginning of year	<u>22,973,322</u>	<u>62,928</u>	<u>23,036,250</u>
Net assets, end of year	<u>\$ 31,164,197</u>	<u>\$ 94,116</u>	<u>\$ 31,258,313</u>

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

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<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	10,807,339	-	10,807,339
Special education	10,067,342	-	10,067,342
Special programs	1,067,457	-	1,067,457
Administration	<u>11,733,344</u>	<u>-</u>	<u>11,733,344</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Administration	Total
	General Instructional	General Non-Instructional	Special Education	Special Program		
Salaries and stipend pay	\$ 26,369,514	\$ 1,047,890	\$ 7,277,445	\$ 713,307	\$ 3,595,243	\$ 39,003,399
Benefits	2,722,003	108,000	836,076	78,731	365,577	4,110,387
Payroll taxes	1,959,685	77,236	539,935	52,255	261,819	2,890,930
Purchased education services	730,829	7,163	7,763	-	6,709	752,464
Other purchased professional services	87,509	53,990	580,964	-	550,618	1,273,081
Purchased technical services	-	-	-	-	33,441	33,441
Utilities	-	-	-	-	910,994	910,994
Repairs and maintenance	2,422	53,017	-	-	2,314,920	2,370,359
Rentals	402,666	33,092	-	-	1,993,301	2,429,059
Student transportation	353,250	3,505,824	607,175	-	-	4,466,249
Insurance	-	391,104	-	-	575,843	966,947
Communciations	579	3,564	-	-	94,234	98,377
Advertising, printing, and binding	63,995	1,318	450	-	42,688	108,451
Tuition	685,247	-	-	-	-	685,247
Food service	-	2,794,857	-	-	-	2,794,857
Travel	293,595	3,646	17,938	-	31,213	346,392
Miscellaneous purchased services	368,401	28,524	6,000	-	122,468	525,393
Materials and supplies	1,506,996	396,700	10,145	-	823,253	2,737,094
Books and periodicals	621,760	315	3,221	-	736	626,032
Dues and fees	1,096,468	346,519	1,662	-	9,019	1,453,668
Miscellaneous	100	-	-	-	7,362	7,462
Depreciation	-	291,584	-	-	97,194	388,778
Interest	-	-	-	-	463,185	463,185
Total expenses	\$ 37,265,019	\$ 9,144,343	\$ 9,888,774	\$ 844,293	\$ 12,299,817	\$ 69,442,246

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	-	103,492	-	-	34,497	137,989
Interest	-	-	-	-	492,653	492,653
Total expenses	<u>\$ 30,491,714</u>	<u>\$ 10,807,339</u>	<u>\$ 10,067,342</u>	<u>\$ 1,067,457</u>	<u>\$ 11,733,344</u>	<u>\$ 64,167,196</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 8,222,063	\$ 1,729,801
Adjustments to reconcile change in net assets to cash and cash equivalents from (used for) operating activities:		
Depreciation expense	388,778	137,989
Amortization expense	26,457	26,457
Loss on disposition of assets	-	48,680
Unrealized (gains)/losses on investments	(14,005)	(54,043)
(Increase) decrease in:		
Grant receivables	(3,576,483)	357,982
Other receivables	(10,937)	104,518
Prepaid expenses	(28,500)	39,273
Deposits	(25,222)	1,658
Increase (decrease) in:		
Accounts payable	(1,793,642)	1,360,965
Accrued expenses	48,085	(186,107)
Student activity funds	31,757	26,957
	<u>3,268,351</u>	<u>3,594,130</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Capital expenditures	(117,266)	(1,016,904)
Purchase of investments	(5,761,242)	(6,028,360)
Sale of investments	11,490,000	4,760,000
	<u>5,611,492</u>	<u>(2,285,264)</u>
<u>CASH FLOWS (USED FOR) FINANCING ACTIVITIES:</u>		
Payments on long-term debt	(1,085,040)	(795,070)
	<u>(1,085,040)</u>	<u>(795,070)</u>
Net increase in cash and cash equivalents	7,794,803	513,796
Cash and cash equivalents, beginning of year	8,715,337	8,201,541
Cash and cash equivalents, end of year	<u>\$ 16,510,140</u>	<u>\$ 8,715,337</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(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 (includes Primary and Middle), Frederick A. Douglass High School, Booker T. Washington High School, and John F. Kennedy High School (added on July 1, 2020). 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, 2020 AND 2019

(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, 2020 and 2019, 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, 2020 AND 2019

(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 the lesser of 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, or the remaining number of years on the lease.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(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.

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 are granted a total of 13 PTO days per year. In addition to PTO, all employees of KNOS will receive for the 2020-21 school year an additional ten (10) days of PTO to use for the following reasons related to the COVID-19 pandemic: (1) is subject to a government quarantine or isolation order related to COVID-19; (2) has been advised by a health care provider to self-quarantine related to COVID-19; (3) is experiencing COVID-19 symptoms and is seeking a medical diagnosis; (4) is caring for a family member subject to an order described in (1) or self-quarantine as described in (2); or (5) is caring for a child whose school or place of care is closed (or child care provider is unavailable) for reasons related to COVID-19. 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.

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.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

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

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.

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.

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, 2020 and 2019, 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, 2017 and later remain subject to examination by the taxing authorities.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2018-08, "*Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*" The Update addresses the inconsistencies in accounting for transactions as a contribution or as an exchange transaction and determining whether a contribution is conditional. KIPP has adopted this standard. The adoption of the standard did not have a material impact on KIPP's revenue recognition policies.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

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

Date of Management Review

Subsequent events have been evaluated through December 23, 2020, 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>2020</u>	<u>2019</u>
Interest	<u>\$ 436,728</u>	<u>\$ 466,196</u>

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects KIPP's financial assets as of June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets at year end	\$ 42,120,609	\$ 36,310,339
Less those unavailable for general expenditure within one year due to:		
Donor restrictions	(94,116)	(62,928)
Note receivable	(15,063,960)	(15,063,960)
Deferred revenue	(47,791)	(51,900)
Debt service	<u>(823,676)</u>	<u>(809,838)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,091,066</u>	<u>\$ 20,321,713</u>

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.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(3) GRANTS RECEIVABLES

Grants receivable at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Due from federal government	\$ 91,308	\$ 32,730
Due from State of Louisiana	5,652,735	1,757,422
Due from foundations	<u>278,540</u>	<u>655,948</u>
	<u>\$ 6,022,583</u>	<u>\$ 2,446,100</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 318,237	\$ 318,237
Land	44,877	44,877
Leasehold improvements	1,540,014	1,422,750
Software	<u>32,579</u>	<u>32,579</u>
	1,935,707	1,818,443
Less accumulated depreciation	<u>(792,914)</u>	<u>(404,138)</u>
Total	<u>\$ 1,142,793</u>	<u>\$ 1,414,305</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$388,778 and \$137,989, respectively.

(5) 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:

	<u>2020</u>	<u>2019</u>
Fixed income securities	<u>\$ 4,333,814</u>	<u>\$ 10,048,567</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(5) INVESTMENTS (CONTINUED)

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

	2020	2019
Dividends and interest	\$ 239,078	\$ 222,204
Net unrealized gains	14,005	54,043
Total return on investments	\$ 253,083	\$ 276,247

(6) 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, 2020 and 2019.

Annual maturities of note receivable for each of the five years following June 30, 2020, in total thereafter follow:

2021-2025	\$ 8,252,015
2026-2030	1,530,384
2031-2035	2,089,969
2036-2040	2,854,167
2041	337,425
	\$ 15,063,960

(7) 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, 2020 and 2019. The line of credit expires on March 31, 2021.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(8) LONG-TERM DEBT

FKNO has long-term notes payable at June 30, 2020 and 2019 as follows:

	2020	2019
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.	\$ 4,267,113	\$ 4,686,218
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.	4,096,343	4,179,900
Non-interest bearing note to unrelated party with quarterly principal payments of \$145,594 starting March 2019. The note matures on December 1, 2023.	<u>2,038,321</u>	<u>2,620,699</u>
	10,401,777	11,486,817
Less: unamortized debt issuance costs	(119,057)	(145,514)
Less: current portion of long-term debt	<u>(823,676)</u>	<u>(809,838)</u>
Total long-term debt, net	<u>\$ 9,459,044</u>	<u>\$ 10,531,465</u>

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:

2021	\$	823,676
2022		836,021
2023		849,002
2024		571,464
2025		<u>7,321,614</u>
	<u>\$</u>	<u>10,401,777</u>

FKNO is subject to certain financial covenants under its notes payables. FKNO was in compliance with its financial covenants at June 30, 2020 and 2019.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(9) RESTRICTIONS ON NET ASSETS

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

	<u>2020</u>	<u>2019</u>
KIPP Foundation	\$ 35,916	\$ -
Equipment for KIPP Believe	-	34,673
Student scholarships	15,171	20,966
Other	<u>43,029</u>	<u>7,289</u>
Net assets with donor restrictions	<u>\$ 94,116</u>	<u>\$ 62,928</u>

Net assets with donor restrictions were released from restrictions for the following purposes during the years ended June 30th:

	<u>2020</u>	<u>2019</u>
FKNO	\$ 225,750	\$ 550,500
KIPP Foundation	4,354	-
Equipment for KIPP Believe	34,673	350,765
Student scholarships	10,106	30,615
Other	<u>325,398</u>	<u>385,364</u>
Net assets released from restrictions	<u>\$ 600,281</u>	<u>\$ 1,317,244</u>

(10) 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 \$1,155,263 and \$1,011,016 for the years ended June 30, 2020 and 2019, respectively.

(11) 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, 2020 AND 2019

(12) 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 2020 and 2019 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 years ended June 30, 2020 and 2019 was \$1,342,500 and \$671,250, respectively.

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. Total rent expense under the terms of this lease for the year ended June 30, 2020 was \$458,337.

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

2021	\$	1,867,500
2022		1,893,756
2023		1,921,308
2024		1,657,946
2025		<u>175,000</u>
	\$	<u>7,515,510</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

(13) 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, 2020 and 2019 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.

(14) 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, 2020 and 2019 totaled \$57,583,201 and \$50,402,243, 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.

(15) NEW ACCOUNTING PRONOUNCEMENTS

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. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)*." Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year through ASU 2020-05 "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*." Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. 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, 2020 AND 2019

(15) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The FASB has issued 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, 2019, and to interim reporting periods within annual reporting periods beginning after December 15, 2020. The FASB further delayed the implementation date by one year through ASU 2020-05 “*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*.” Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. KIPP plans to adopt this Update as applicable by the effective date.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2020-07, “*Not-for-Profit Entities (Topic 958)*.” This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP’s programs and other activities. This Update will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. 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, 2020 AND 2019

(16) RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency including the state of Louisiana. It is anticipated that these impacts will continue for some time. KIPP is operating within social distancing guidelines. However, the future effects of these issues are unknown.

(17) SUBSEQUENT EVENTS

John F. Kennedy high opened as a new LEA for the 2020-2021 school year. The school has an enrollment of 526 high school students.

SUPPLEMENTARY INFORMATION

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
WITH SUMMARIZED INFORMATION AT JUNE 30, 2019

	KIPP New Orleans, Inc.	Friends of KIPP New Orleans, Inc.	Eliminating Entries	2020 Total	2019 Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 15,484,678	\$ 1,025,462	\$ -	\$ 16,510,140	\$ 8,715,337
Grant receivables	6,022,583	-	-	6,022,583	2,446,100
Other receivables	47,312	-	-	47,312	36,375
Investments	4,333,814	-	-	4,333,814	10,048,567
Prepaid expenses	28,500	-	-	28,500	-
Total current assets	<u>25,916,887</u>	<u>1,025,462</u>	<u>-</u>	<u>26,942,349</u>	<u>21,246,379</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	1,142,793	-	-	1,142,793	1,414,305
<u>OTHER ASSETS</u>					
Notes receivable	-	15,063,960	-	15,063,960	15,063,960
Deposits	188,639	-	-	188,639	163,417
Total other assets	<u>188,639</u>	<u>15,063,960</u>	<u>-</u>	<u>15,252,599</u>	<u>15,227,377</u>
Total assets	<u>\$ 27,248,319</u>	<u>\$ 16,089,422</u>	<u>\$ -</u>	<u>\$ 43,337,741</u>	<u>\$ 37,888,061</u>
<u>CURRENT LIABILITIES</u>					
Accounts payable	\$ 1,384,957	\$ -	\$ -	\$ 1,384,957	\$ 3,178,599
Accrued expenses	138,754	-	-	138,754	90,669
Current portion of long-term debt	-	823,676	-	823,676	809,838
Student activity funds	272,997	-	-	272,997	241,240
Total current liabilities	<u>1,796,708</u>	<u>823,676</u>	<u>-</u>	<u>2,620,384</u>	<u>4,320,346</u>
<u>NON-CURRENT LIABILITIES</u>					
Long-term debt, net of unamortized issuance costs	-	9,459,044	-	9,459,044	10,531,465
Total non-current liabilities	<u>-</u>	<u>9,459,044</u>	<u>-</u>	<u>9,459,044</u>	<u>10,531,465</u>
Total liabilities	<u>1,796,708</u>	<u>10,282,720</u>	<u>-</u>	<u>12,079,428</u>	<u>14,851,811</u>
<u>NET ASSETS</u>					
Without donor restrictions	25,357,495	5,806,702	-	31,164,197	22,973,322
With donor restrictions	94,116	-	-	94,116	62,928
Total net assets	<u>25,451,611</u>	<u>5,806,702</u>	<u>-</u>	<u>31,258,313</u>	<u>23,036,250</u>
Total liabilities and net assets	<u>\$ 27,248,319</u>	<u>\$ 16,089,422</u>	<u>\$ -</u>	<u>\$ 43,337,741</u>	<u>\$ 37,888,061</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

	KIPP New Orleans, Inc.			Friends of KIPP New Orleans, Inc.			Eliminating Entries	2020 Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE:									
Local per pupil aid	\$ 31,327,899	\$ -	\$ 31,327,899	\$ -	\$ -	\$ -	\$ -	\$ 31,327,899	\$ 27,762,426
Federal grants	15,276,118	-	15,276,118	-	-	-	-	15,276,118	12,067,785
State public school funds	26,255,302	-	26,255,302	-	-	-	-	26,255,302	22,639,817
Donations and contributions	533,367	405,719	939,086	256,062	225,750	481,812	(55,653)	1,365,245	900,725
Other state funds	929,980	-	929,980	-	-	-	-	929,980	686,317
Investment income	253,083	-	253,083	-	-	-	-	253,083	276,247
Other income	1,306,776	-	1,306,776	949,906	-	949,906	-	2,256,682	1,563,680
Intercompany	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	374,531	(374,531)	-	225,750	(225,750)	-	-	-	-
Total revenue	76,257,056	31,188	76,288,244	1,431,718	-	1,431,718	(55,653)	77,664,309	65,896,997
EXPENSES:									
Program services:									
General instructional	37,265,019	-	37,265,019	-	-	-	-	37,265,019	30,491,714
General non-instructional	9,144,343	-	9,144,343	-	-	-	-	9,144,343	10,807,339
Special education	9,888,774	-	9,888,774	-	-	-	-	9,888,774	10,067,342
Special programs	844,293	-	844,293	-	-	-	-	844,293	1,067,457
Administration	11,815,290	-	11,815,290	540,180	-	540,180	(55,653)	12,299,817	11,733,344
Total expenses	68,957,719	-	68,957,719	540,180	-	540,180	(55,653)	69,442,246	64,167,196
Change in net assets	7,299,337	31,188	7,330,525	891,538	-	891,538	-	8,222,063	1,729,801
Net assets, beginning of year	18,058,158	62,928	18,121,086	4,915,164	-	4,915,164	-	23,036,250	21,306,449
Net assets, end of year	\$ 25,357,495	\$ 94,116	\$ 25,451,611	\$ 5,806,702	\$ -	\$ 5,806,702	\$ -	\$ 31,258,313	\$ 23,036,250

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
COMBINING STATEMENT OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2020
WITH SUMMARIZED INFORMATION AT JUNE 30, 2019

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Renaissance High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	John F. Kennedy	School Support Center	2020 Total	2019 Total
<u>ASSETS</u>											
Cash and cash equivalents	\$ (69,794)	(355,203)	\$ (190,106)	\$ 276,995	\$ 12,641	\$ 109,325	\$ 57,435	\$ 142,655	\$ 15,500,730	\$ 15,484,678	\$ 7,761,911
Grant receivables	1,005,933	1,125,114	1,123,478	399,277	789,837	454,251	664,541	-	460,152	6,022,583	2,434,100
Other receivables	-	-	-	13,080	-	-	-	-	34,232	47,312	36,375
Investments	-	-	-	-	-	-	-	-	4,333,814	4,333,814	10,048,567
Prepaid expenses	-	-	-	-	-	-	-	-	28,500	28,500	-
Total current assets	936,139	769,911	933,372	689,352	802,478	563,576	721,976	142,655	20,357,428	25,916,887	20,280,953
<u>PROPERTY AND EQUIPMENT, NET</u>	16,121	434,340	260,193	316,017	8,487	33,707	6,817	-	67,111	1,142,793	1,414,305
<u>OTHER ASSETS</u>											
Deposits	27,720	10,134	23,158	26,626	10,679	23,484	27,648	-	39,190	188,639	163,417
Total other assets	27,720	10,134	23,158	26,626	10,679	23,484	27,648	-	39,190	188,639	163,417
Total assets	<u>\$ 979,980</u>	<u>\$ 1,214,385</u>	<u>\$ 1,216,723</u>	<u>\$ 1,031,995</u>	<u>\$ 821,644</u>	<u>\$ 620,767</u>	<u>\$ 756,441</u>	<u>\$ 142,655</u>	<u>\$ 20,463,729</u>	<u>\$ 27,248,319</u>	<u>\$ 21,858,675</u>
<u>CURRENT LIABILITIES</u>											
Accounts payable	\$ 102,405	127,174	\$ 155,610	\$ 128,374	\$ 95,828	\$ 91,022	\$ 115,135	\$ 23,057	\$ 546,352	\$ 1,384,957	\$ 3,405,680
Accrued expenses	3,830	7,117	19,681	26,547	1,551	13,316	44,296	2,012	20,404	138,754	90,669
Student activity funds	73,750	39,087	23,590	35,724	23,998	10,979	65,869	-	-	272,997	241,240
Total liabilities	179,985	173,378	198,881	190,645	121,377	115,317	225,300	25,069	566,756	1,796,708	3,737,589
<u>NET ASSETS</u>											
Without donor restrictions	799,995	1,041,007	1,017,842	841,350	700,267	505,450	531,141	117,586	19,802,857	25,357,495	18,058,158
With donor restrictions	-	-	-	-	-	-	-	-	94,116	94,116	62,928
Total net assets	799,995	1,041,007	1,017,842	841,350	700,267	505,450	531,141	117,586	19,896,973	25,451,611	18,121,086
Total liabilities and net assets	<u>\$ 979,980</u>	<u>\$ 1,214,385</u>	<u>\$ 1,216,723</u>	<u>\$ 1,031,995</u>	<u>\$ 821,644</u>	<u>\$ 620,767</u>	<u>\$ 756,441</u>	<u>\$ 142,655</u>	<u>\$ 20,463,729</u>	<u>\$ 27,248,319</u>	<u>\$ 21,858,675</u>

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
COMBINING STATEMENT OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Renaissance High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	John F. Kennedy	School Support Center	Interfund Eliminations	2020 Total	2019 Total
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>												
<u>REVENUE:</u>												
Local per pupil aid	\$ 5,519,907	\$ 4,737,522	\$ 5,443,163	\$ 3,507,500	\$ 5,048,071	\$ 3,362,539	\$ 3,709,197	\$ -	\$ -	\$ -	\$ 31,327,899	\$ 27,762,426
Federal grants	2,672,376	2,286,288	2,706,598	1,225,145	2,440,789	1,764,252	1,509,752	-	670,918	-	15,276,118	12,067,785
State public school funds	4,460,583	3,676,000	4,514,362	3,503,419	4,269,937	2,600,305	3,230,696	-	-	-	26,255,302	22,639,817
Donations and contributions	-	-	334	15,095	5,500	-	-	365,000	147,438	-	533,367	57,438
Other state funds	311,895	32,877	221,015	23,423	38,535	290,705	11,530	-	-	-	929,980	686,317
Investment income	2,356	1,015	1,382	2,263	908	1,996	349	-	242,814	-	253,083	276,247
Other income	295,140	99,782	237,437	(22,644)	162,938	71,515	343,949	-	14,262,336	(14,143,677)	1,306,776	616,456
Net assets released from restrictions	6,000	6,000	6,000	33,000	-	103,000	26,842	-	193,688	-	374,530	766,747
Total revenue	13,268,257	10,839,484	13,130,291	8,287,201	11,966,678	8,194,312	8,832,315	365,000	15,517,194	(14,143,677)	76,257,055	64,873,233
<u>EXPENSES:</u>												
Program services:												
General instructional	6,203,552	5,030,049	6,030,484	4,447,958	5,545,538	4,100,989	3,760,427	195,316	1,950,706	-	37,265,019	30,491,714
General non-instructional	1,476,052	1,034,408	1,821,444	980,873	1,308,974	848,892	833,214	12,898	827,588	-	9,144,343	10,807,339
Special education	1,487,782	1,413,469	1,859,813	893,996	1,907,427	701,302	959,251	6,532	659,202	-	9,888,774	10,067,342
Special programs	201,970	-	-	-	1,354	156,705	-	-	484,264	-	844,293	1,067,457
Administration	3,888,635	3,277,467	3,515,391	2,037,531	3,235,537	2,282,633	3,067,942	32,668	4,621,163	(14,143,677)	11,815,290	11,409,131
Total expenses	13,257,991	10,755,393	13,227,132	8,360,358	11,998,830	8,090,521	8,620,834	247,414	8,542,923	(14,143,677)	68,957,719	63,842,983
<u>TRANSFERS IN (OUT):</u>												
Transfers in	74,623	75,941	74,162	44,986	67,724	39,899	36,921	-	625	(414,881)	-	-
Transfers out	(70,897)	(93,912)	(70,304)	(43,157)	(64,397)	(37,122)	(35,092)	-	-	414,881	-	-
Total transfers in (out)	3,726	(17,971)	3,858	1,829	3,327	2,777	1,829	-	625	-	-	-
Change in net assets without donor restrictions	13,992	66,120	(92,983)	(71,328)	(28,825)	106,568	213,310	117,586	6,974,896	-	7,299,336	1,030,250
<u>NET ASSETS WITH DONOR RESTRICTIONS:</u>												
Donations and contributions	6,000	6,000	6,000	33,000	-	103,000	26,842	-	224,877	-	405,719	402,579
Net assets released from restrictions	(6,000)	(6,000)	(6,000)	(33,000)	-	(103,000)	(26,842)	-	(193,688)	-	(374,530)	(766,747)
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	31,189	-	31,189	(364,168)
Net assets, beginning 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
Net assets, end of year	\$ 799,995	\$ 1,041,007	\$ 1,017,842	\$ 841,350	\$ 700,267	\$ 505,450	\$ 531,141	\$ 117,586	\$ 19,896,973	\$ -	\$ 25,451,611	\$ 18,121,086

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2020

	Rhonda Kalifey-Aluise, CEO
	06/30/19 through 06/30/20
Time served	
Salary	\$ 198,900
Benefits - insurance	6,540
Benefits - retirement	9,535
Gas stipend	1,200
Reimbursements	112
Confrence travel	494
Supplies	67
	<hr/>
Total compensation, benefits, and other payments	<u><u>\$ 216,848</u></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, 2020, 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 23, 2020.

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) as a basis for designing 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 of
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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 23, 2020
New Orleans, Louisiana


Certified Public Accountants

SINGLE AUDIT SECTION

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, 2020. 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 of
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, 2020.

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.

To the Board of Directors of
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 23, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 4,050,135
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	\$ 1,671,523
Special Education - Preschool Grants	84.173	<u>18,957</u>
Total Special Education Cluster		1,690,480
English Language Acquisition State Grants	84.365	47,421
Improving Teacher Quality State Grants	84.367	508,715
Comprehensive Literacy Development	84.371	821,130
School Improvement Grants	84.377	106,418
Student Support and Academic Enrichment Program	84.424	274,110
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	1,719,232
<i>Pass-through New Orleans Business Alliance</i>		
Career and Technical Education - Basic Grants to States	84.048	14,115
<i>Pass-through KIPP Foundation</i>		
Charter Schools	84.282	814,929
<i>Pass-through New Schools for New Orleans</i>		
Teacher and School Leader Incentive Grants	84.374	<u>1,791,437</u>
Total U.S. Department of Education		<u>11,838,122</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	1,103,102
National School Lunch Program	10.555	2,160,081
Summer Food Service Program for Children	10.559	<u>16,403</u>
Total Child Nutrition Cluster		3,279,586
Child and Adult Care Food Program	10.558	380,472
Fresh Fruit and Vegetable Program	10.582	<u>3,563</u>
Total U.S. Department of Agriculture		<u>3,663,621</u>
Total expenditures of federal awards		<u>\$ 15,501,743</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, 2020

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:

Title I Grants to Local Education Agencies (CFDA No. 84.010)
Charter Schools (CFDA No. 84.282)
Comprehensive Literacy Development (CFDA No. 84.371)
Elementary and Secondary School Emergency Relief Fund (CFDA No. 84.425D)

NOTE 2 – FISCAL PERIOD AUDIT

Single audit testing procedures were performed for program transactions occurring during the year ended June 30, 2020.

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, 2020.

Non-Cash Assistance

Nonmonetary assistance in the amount of \$96,539 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, 2020

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 programs tested as major programs were Title I Grants to Local Education Agencies (CFDA No. 84.010), Charter Schools (CFDA No. 84.282), Comprehensive Literacy Development (CFDA No. 84.371), and Elementary and Secondary School Emergency Relief Fund (CFDA No. 84.425D).
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, 2020.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to the consolidated financial statements for the year ended June 30, 2020.

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, 2020.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

**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, 2020; 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)

1. 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.

Exceptions: None

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

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.

Exceptions: 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.

Exceptions: 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).

Exceptions: 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 of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

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 23, 2020
New Orleans, Louisiana

Erickson Krentel, LLP
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, 2020

GENERAL FUND INSTRUCTIONAL AND EQUIPMENT EXPENDITURES

	Column A	Column B
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom teacher salaries	\$ 18,532,626	
Other instructional staff salaries	2,333,099	
Instructional staff employee benefits	3,870,618	
Purchased professional and technical services	4,903,175	
Instructional materials and supplies	903,347	
Instructional equipment	-	
Total teacher and students interaction activities		\$ 30,542,865
Other instructional activities		1,344,354
Pupil support services	2,345,292	
Less: Equipment for pupil support services	-	
Net pupil support services		2,345,292
Instructional staff services	5,236,643	
Less: Equipment for instructional staff services	-	
Net instructional staff services		5,236,643
School administration	9,200,195	
Less: equipment for school administration	-	
Net school administration		9,200,195
Total general fund instructional expenditures (total of column B)		<u>\$ 48,669,349</u>
Total General fund equipment expenditures		<u>\$ -</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 on Applying Agreed-Upon Procedures)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE 30, 2020
AS OF OCTOBER 1, 2019

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	9%	43	55%	277	36%	178	0%	2
Elementary/Activity Classes	6%	8	57%	73	36%	46	1%	1
Middle/Jr. High	26%	118	18%	83	51%	233	5%	20
Middle/Jr. High Activity Classes	45%	50	23%	26	27%	30	5%	5
High	44%	153	29%	101	26%	89	2%	6
High Activity Classes	31%	19	45%	28	18%	11	6%	4
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.