
KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
KIPP New Orleans, Inc.
New Orleans, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP New Orleans, Inc. ("KIPP") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 KIPP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP New Orleans, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included from pages 13 to 15 are presented for purposes of additional analysis and are not a required part of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, on our consideration of KIPP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
December 5, 2017

KIPP NEW ORLEANS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 16,021,615	\$ 13,398,107
Grants receivable	1,563,168	1,303,439
Other receivables	107,865	197,491
Prepaid expenses	406	9,313
	<hr/>	<hr/>
Total current assets	17,693,054	14,908,350
<u>OTHER ASSETS</u>		
Deposits	147,609	116,115
<u>PROPERTY AND EQUIPMENT, NET</u>		
	481,892	650,339
	<hr/>	<hr/>
Total assets	<u>\$ 18,322,555</u>	<u>\$ 15,674,804</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 2,340,384	\$ 1,235,539
<u>NON-CURRENT LIABILITIES</u>		
Accrued interest	-	41,889
Long-term debt	-	200,000
	<hr/>	<hr/>
Total non-current liabilities	-	241,889
	<hr/>	<hr/>
Total liabilities	2,340,384	1,477,428
<u>NET ASSETS</u>		
Unrestricted	15,913,534	14,110,756
Temporarily restricted	68,637	86,620
	<hr/>	<hr/>
Total net assets	15,982,171	14,197,376
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 18,322,555</u>	<u>\$ 15,674,804</u>

The accompanying notes are an integral part of these financial statements.

KIPP NEW ORLEANS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	Year ended June 30, 2017			Year ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>PUBLIC SUPPORT AND OTHER REVENUES</u>						
Local per pupil aid	\$ 22,592,418	\$ -	\$ 22,592,418	\$ 22,477,405	\$ -	\$ 22,477,405
Federal sources	9,382,137	-	9,382,137	9,997,777	-	9,997,777
State public school funds	20,030,856	-	20,030,856	18,229,947	-	18,229,947
Donations and contributions	266,598	769,994	1,036,592	1,102,717	766,790	1,869,507
Other local sources	-	-	-	28,353	-	28,353
Other state funds	136,563	-	136,563	465,140	-	465,140
Other income	1,067,965	-	1,067,965	598,328	-	598,328
Net assets released from restrictions	787,977	(787,977)	-	1,095,117	(1,095,117)	-
Total public support and other revenues	54,264,514	(17,983)	54,246,531	53,994,784	(328,327)	53,666,457
<u>EXPENSES</u>						
Program services:						
Regular education programs	19,043,120	-	19,043,120	18,158,705	-	18,158,705
School administration	6,548,856	-	6,548,856	5,245,408	-	5,245,408
Operation and maintenance of plant services	3,856,292	-	3,856,292	4,007,652	-	4,007,652
Special education programs	3,925,196	-	3,925,196	3,749,465	-	3,749,465
Food services	3,013,076	-	3,013,076	3,501,831	-	3,501,831
Student transportation	4,373,868	-	4,373,868	4,106,794	-	4,106,794
Instructional staff services	2,543,399	-	2,543,399	2,495,539	-	2,493,539
Pupil support services	3,327,339	-	3,327,339	3,229,635	-	3,229,635
Other special programs	311,764	-	311,764	91,358	-	91,358
Other instructional programs	483,301	-	483,301	427,842	-	427,842
Enterprise operations	3,998	-	3,998	88,126	-	88,126
Community service operations	184,025	-	184,025	314,359	-	314,359
	<u>47,614,234</u>	<u>-</u>	<u>47,614,234</u>	<u>45,414,714</u>	<u>-</u>	<u>45,414,714</u>
Management and general:						
Business services	960,673	-	960,673	1,814,675	-	1,814,676
Central services	1,823,231	-	1,823,231	2,078,195	-	2,078,195
General administration	2,000,822	-	2,000,822	2,041,780	-	2,041,780
Other support services	1,395	-	1,395	5,210	-	5,210
	<u>4,786,121</u>	<u>-</u>	<u>4,786,121</u>	<u>5,939,861</u>	<u>-</u>	<u>5,939,861</u>
Fundraising	61,381	-	61,381	50,486	-	50,486
Total expenses	52,461,736	-	52,461,736	51,405,061	-	51,405,061
Change in net assets	1,802,778	(17,983)	1,784,795	2,589,723	(328,327)	2,261,396
<u>NET ASSETS, BEGINNING OF YEAR</u>	14,110,756	86,620	14,197,376	11,521,033	414,947	11,935,980
<u>NET ASSETS, END OF YEAR</u>	\$ 15,913,534	\$ 68,637	\$ 15,982,171	\$ 14,110,756	\$ 86,620	\$ 14,197,376

The accompanying notes are an integral part of these financial statements.

KIPP NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,784,795	\$ 2,261,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	192,953	326,365
Loss on disposal of property and equipment	143,771	14,009
(Increase) decrease in operating assets:		
Grants and other receivables	(170,103)	1,720,569
Prepaid expenses	8,907	88,741
Deposits	(31,494)	(14,720)
Increase in operating liabilities		
Accounts payable and accrued expenses	1,062,956	(3,476,068)
Net cash provided by operating activities	<u>2,991,785</u>	<u>920,292</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	<u>(168,277)</u>	<u>(344,738)</u>
Net cash used in investing activities	<u>(168,277)</u>	<u>(344,738)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on debt	<u>(200,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(200,000)</u>	<u>-</u>
Net increase in cash	2,623,508	575,554
Cash and cash equivalents, beginning of year	<u>13,398,107</u>	<u>12,822,553</u>
Cash and cash equivalents, end of year	<u>\$ 16,021,615</u>	<u>\$ 13,398,107</u>
<u>SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 45,283</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

Organization

KIPP New Orleans, Inc. ("KIPP") was incorporated in the Spring of 2005 for the purpose of operating charter schools in New Orleans, Louisiana. KIPP was created 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 eight (8) Type 5 charters to operate KIPP Believe (includes Primary and College Prep and was previously KIPP Phillips Preparatory), KIPP Central City Primary, KIPP Central City Academy, KIPP East Community Primary, KIPP New Orleans Leadership (Primary and Academy), KIPP McDonogh 15 (Primary and Middle), KIPP Renaissance High School, and KIPP Booker T. Washington High School. In addition, the KIPP New Orleans School Support Center ("SSC") 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.

The Board of Elementary and Secondary Education (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 rather than Recovery School District.

Basis of Accounting

The 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).

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board under *ASC No. 958 Not-for-Profit Entities*.

KIPP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of KIPP and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of KIPP and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of KIPP pursuant to those stipulations. At June 30, 2017 and 2016, KIPP had no permanently restricted net assets.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include amounts on deposit at local financial institutions and unrestricted, highly liquid investments with an initial maturity of less than three months.

Grants Receivable

Grants receivable 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, 2017 and 2016, no allowance is recorded as management considers the receivables to be fully collectible.

Other receivables

Other receivables are stated at the amount management expects to collect from outstanding balances. 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 other receivables. At June 30, 2017 and 2016, no allowance is recorded as management considers the receivables to be fully collectible.

Property and Equipment

The land, building and building improvements used to operate KIPP are owned by the Recovery School District (RSD) and, as such, are recorded on the financial statements of the RSD. The RSD also provided KIPP with furniture and equipment that is also recorded on the RSD's financial statements and not reported by KIPP. KIPP only reports its direct purchases of leasehold improvements, 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 furniture and equipment, 3 years or the life of the lease (whichever is greater) for leasehold improvements, and 3 years for software.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Contributions and Revenue Recognition

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 unrestricted net assets and reported as net assets released from restrictions in the 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 financial statements as they do not meet the criteria for recognition under GAAP.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the services benefited.

Compensated Absences

All instructional staff members are granted ten paid time off (PTO) days at the beginning of each 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. School Support Center and non-instructional staff earn a total of 13 PTO days per year.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Tax Exempt Status

KIPP is a nonprofit organization exempt from the income taxes under provisions of the Internal Revenue Service Code Sections 501(c)(3) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes. KIPP applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, KIPP has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on KIPP.

Recent Accounting Pronouncements

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; reporting of expenses by function and nature, as well as an analysis of expenses both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Application to interim financial statements is permitted but not required in the initial year of application, and early application of the standard is permitted. KIPP is currently assessing the impact of this pronouncement on the financial statements.

2. Grants Receivable

Grants receivable as of June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Due from federal government	\$ 316,858	\$ 223,953
Due from State of Louisiana	941,402	859,667
Due from foundations	<u>304,908</u>	<u>219,819</u>
	<u>\$ 1,563,168</u>	<u>\$ 1,303,439</u>

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

3. Property and Equipment

A summary of property and equipment at June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 346,448	\$ 607,737
Land	44,877	1,076
Leasehold improvements	420,536	933,851
Software	32,578	236,056
	<u>844,439</u>	<u>1,778,720</u>
Less accumulated depreciation	<u>(362,547)</u>	<u>(1,128,381)</u>
	<u>\$ 481,892</u>	<u>\$ 650,339</u>

4. 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 4.0%. There was no outstanding balance due on the line of credit as of June 30, 2017 and 2016. The line of credit expires on May 30, 2019.

5. Long-Term Debt

On January 22, 2010, KIPP entered into a loan agreement with Charter Fund, Inc. (the "Fund"), a nonprofit corporation doing business as the Charter School Growth Fund, in the amount of \$500,000. Interest on the loan started from the date of funding, which was April 12, 2010. Interest accrues at a rate of 3.25% per annum (based on a 360 day year). Accrued interest on the loan at June 30, 2016 and 2015 was \$0 and \$41,889, respectively. The outstanding balance of the loan was \$0 and \$200,000 at June 30, 2017 and 2016. Principal repayment in the amount of \$200,000 was made in fiscal year ending June 30, 2017.

Interest expense for the years ended June 30, 2017 and 2016 was \$3,394 and \$6,497.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

5. Temporarily Restricted Net Assets

A summary of the composition of temporarily restricted net assets at June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Student Scholarships	\$ 47,994	\$ 46,788
Elementary School Growth Fund	-	6,509
Technology	-	5,868
Personalized learning	-	23,220
Career Development	20,000	-
Other	643	4,235
	<u>\$ 68,637</u>	<u>\$ 86,620</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during the year in the amounts of \$787,977 and \$1,095,117 for the years ended June 30, 2017 and 2016, respectively.

6. Credit Risk Concentration

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.

7. 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 \$950,721 and \$904,219 for the years ended June 30, 2017 and 2016, respectively.

8. School Properties

KIPP entered into lease agreements with the Recovery School District ("RSD") to allow KIPP to use several facilities and their contents, typically for an initial lease term of two years. The lease agreements may be extended for an additional two years in the event the Louisiana Board of Elementary and Secondary Education extends the respective Charter contract for an additional two years. The RSD has forgone the payment of rent for the 2017 and 2016 years for each of the lease agreements.

Use of the property, including fixtures, furniture and equipment provided by the RSD 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 NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

9. Contingencies

Grant Programs

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, 2017 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 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.

10. 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, 2017 and 2016 totaled \$42,623,274 and \$40,707,352, respectively. Funding and 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 2018 relating to its grant awards.

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 5, 2017, and determined that there are no items that require disclosure.

KIPP NEW ORLEANS, INC.
STATEMENTS OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2017
(with comparative totals for 2016)

	2017									2016	
	McDonogh 15 School for the Creative Arts	Believe College Preparatory School / Primary	Central City Academy	Central City Primary	Renaissance High School	New Orleans Leadership Primary / Academy	East Community Primary	Booker T. Washington High School	School Support Center	Total	Total
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents	\$ 599,847	\$ 3,402,672	\$ 412,898	\$ 1,296,534	\$ (532,122)	\$ 1,368,126	\$ 302,427	\$ 38,156	\$ 9,133,077	\$ 16,021,615	\$ 13,398,107
Grants receivable	206,734	152,579	126,731	88,149	112,131	215,002	42,907	183,745	435,190	1,563,168	1,303,439
Other receivables	24,625	77,275	1	-	1,667	1,611	-	-	2,686	107,865	197,491
Prepaid expenses	-	-	-	1	193	-	-	-	212	406	9,313
Due from (to) KIPP New Orleans / Schools	102,318	(2,439,833)	(125,497)	(782,287)	1,211,035	(446,605)	-	-	2,481,919	-	-
Total current assets	933,524	1,192,642	413,133	602,397	792,904	1,138,134	345,334	221,901	12,053,084	17,693,054	14,908,350
OTHER ASSETS											
Deposits	27,449	17,759	-	2,150	26,626	10,679	23,756	2,500	36,690	147,609	116,115
PROPERTY AND EQUIPMENT, NET											
	-	4,121	-	57,635	319,359	24,728	-	-	76,049	481,892	650,339
Total assets	\$ 960,973	\$ 1,214,523	\$ 413,133	\$ 662,182	\$ 1,138,889	\$ 1,173,541	\$ 369,090	\$ 224,401	\$ 12,165,823	\$ 18,322,555	\$ 15,674,804
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
Accounts payable and accrued expenses	\$ 282,368	\$ 382,839	\$ 31,951	\$ 242,633	389,798	\$ 367,862	\$ 161,832	\$ 73,119	\$ 407,982	\$ 2,340,384	\$ 1,235,539
NON-CURRENT LIABILITIES											
Accrued interest	-	-	-	-	-	-	-	-	-	-	41,889
Long-term debt	-	-	-	-	-	-	-	-	-	-	200,000
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	241,889
Total liabilities	282,368	382,839	31,951	242,633	389,798	367,862	161,832	73,119	407,982	2,340,384	1,477,428
NET ASSETS											
Unrestricted	678,605	831,684	381,182	419,549	739,091	805,679	207,258	140,639	11,709,847	15,913,534	14,110,756
Temporarily restricted	-	-	-	-	10,000	-	-	10,643	47,994	68,637	86,620
Total net assets	678,605	831,684	381,182	419,549	749,091	805,679	207,258	151,282	11,757,841	15,982,171	14,197,376
Total liabilities and net assets	\$ 960,973	\$ 1,214,523	\$ 413,133	\$ 662,182	\$ 1,138,889	\$ 1,173,541	\$ 369,090	\$ 224,401	\$ 12,165,823	\$ 18,322,555	\$ 15,674,804

See accompanying independent auditors' report.

KIPP NEW ORLEANS, INC.
STATEMENTS OF ACTIVITIES BY SCHOOL
YEAR ENDED JUNE 30, 2017
(with comparative totals for 2016)

	2017										2016	
	McDonogh 15 School for the Creative Arts	Believe College Preparatory School / Primary	Central City Academy	Central City Primary	Renaissance High School	New Orleans Leadership Primary / Academy	East Community Primary	Booker T. Washington High School	School Support Center	Interfund Eliminations	Total	Total
UNRESTRICTED NET ASSETS												
PUBLIC SUPPORT AND OTHER REVENUES												
Local per pupil aid	\$ 4,282,716	\$ 4,613,898	\$ 2,208,477	\$ 2,611,538	\$ 2,597,788	\$ 4,438,011	\$ 1,263,585	\$ 576,405	\$ -	\$ -	\$ 22,592,418	\$ 22,477,405
Federal sources	1,845,451	1,918,180	848,620	953,666	993,273	1,688,866	508,920	379,610	245,551	-	9,382,137	9,997,777
State public school funds	3,588,550	3,868,290	1,941,147	1,946,792	2,803,317	4,158,644	992,977	731,139	-	-	20,030,856	18,229,947
Donations and contributions	150	-	-	2,100	(30,000)	-	6,999	(10,000)	297,349	-	266,598	1,102,717
Other local sources	-	-	-	-	-	-	-	-	-	-	-	28,353
Other state funds	18,000	18,000	18,000	12,000	46,563	18,000	6,000	-	-	-	136,563	465,140
Other income	95,156	97,615	55,076	45,577	57,355	252,476	10,842	2,536	11,476,428	(11,025,096)	1,067,965	598,328
Net assets released from restrictions	16,738	74,228	-	6,509	105,000	5,868	75,000	253,704	250,930	-	787,977	1,095,117
Total public support and other revenues	9,846,761	10,590,211	5,071,320	5,578,182	6,573,296	10,561,865	2,864,323	1,933,394	12,270,258	(11,025,096)	54,264,514	53,994,784
EXPENSES												
Program services:												
Instructional	5,097,816	5,062,487	2,718,269	3,289,656	3,097,009	5,318,842	1,456,546	1,020,907	229,868	(3,528,015)	23,763,385	20,674,734
Non-instructional	5,068,411	5,203,675	2,892,229	4,043,757	3,414,336	6,043,627	1,391,663	747,570	1,826,044	(6,780,463)	23,850,849	24,739,980
Supporting services:												
Management and general	238,554	220,045	166,200	234,555	96,191	329,801	55,842	30,710	4,130,841	(716,618)	4,786,121	5,939,861
Fundraising	-	-	-	-	-	-	-	-	61,381	-	61,381	50,486
Total expenses	10,404,781	10,486,207	5,776,698	7,567,968	6,607,536	11,692,270	2,904,051	1,799,187	6,248,134	(11,025,096)	52,461,736	51,405,061
Transfers in (out)												
Transfers in	481,949	424,754	30,805	39,093	144,506	379,179	13,661	22,519	137,326	(1,673,792)	-	-
Transfers out	(636,125)	(443,535)	(41,777)	(26,208)	(101,782)	(285,653)	(12,697)	(66,853)	(59,162)	1,673,792	-	-
Total transfers in (out)	(154,176)	(18,781)	(10,972)	12,885	42,724	93,526	964	(44,334)	78,164	-	-	-
Change in unrestricted net assets	(712,196)	85,223	(716,350)	(1,976,901)	8,484	(1,036,879)	(38,764)	89,873	6,100,288	-	1,802,778	2,589,723
TEMPORARILY RESTRICTED NET ASSETS												
Donations and contributions	-	67,746	-	-	115,000	-	75,000	260,112	252,136	-	769,994	766,790
Net assets released from restrictions	(16,738)	(74,228)	-	(6,509)	(105,000)	(5,868)	(75,000)	(253,704)	(250,930)	-	(787,977)	(1,095,117)
Change in temporarily restricted net assets	(16,738)	(6,482)	-	(6,509)	10,000	(5,868)	-	6,408	1,206	-	(17,983)	(328,327)
NET ASSETS, BEGINNING OF YEAR	1,407,539	752,943	1,097,532	2,402,959	730,607	1,848,426	246,022	55,001	5,656,347	-	14,197,376	11,935,980
NET ASSETS, END OF YEAR	\$ 678,605	\$ 831,684	\$ 381,182	\$ 419,549	\$ 749,091	\$ 805,679	\$ 207,258	\$ 151,282	\$ 11,757,841	\$ -	\$ 15,982,171	\$ 14,197,376

See accompanying independent auditors' report.

KIPP NEW ORLEANS, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED JUNE 30, 2017

Agency Head Name: Rhonda Kalifey-Aluise, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 174,655
Benefits - insurance	5,637
Benefits - retirement	8,715
Gas stipend	600
Reimbursements	3,217
Registration fees	2,500
Conference travel	2,569
Special meals	90

See accompanying independent auditors' report.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SINGLE AUDIT REPORTS

JUNE 30, 2017



Postlethwaite & Netterville

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KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SINGLE AUDIT REPORTS

JUNE 30, 2017

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

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**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,
KIPP New Orleans, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KIPP New Orleans, Inc. (KIPP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
December 5, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Trustees,
KIPP New Orleans, Inc.

Report on Compliance for Each Major Federal Program

We have audited KIPP New Orleans, Inc.'s (KIPP) 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's major federal programs for the year ended June 30, 2017. KIPP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of KIPP'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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, KIPP 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, 2017.

Report on Internal Control Over Compliance

Management of KIPP 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'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's internal control over compliance.

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

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

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



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of KIPP as of and for the year ended June 30, 2017, and have issued our report thereon dated December 5, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

New Orleans, Louisiana
December 5, 2017

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>Passed-through Louisiana Department of Education:</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 1,136,105
National School Lunch Program	10.555	N/A	-	2,282,863
Total Child Nutrition Cluster			-	3,418,968
Child and Adult Care Food Program	10.558	N/A	-	337,939
Total U.S. Department of Agriculture			-	3,756,907
<u>U.S. Department of Education:</u>				
<i>Passed-through Louisiana Department of Education:</i>				
Special Education - Grants to States	84.027A	H027A150033, H027A16003316A	-	1,146,621
Special Education - Preschool Grants	84.173A	H173A150082	-	13,518
Total Special Education Cluster			-	1,160,139
Title I Grants to Local Educational Agencies (LEAs)	84.010A	S010A140018	-	3,561,155
Striving Readers Comprehensive Literacy Program	84.371A	S371C11045-12	-	252,506
School Improvement Grants	84.377A	S377A150020, S377A150019	-	110,125
<i>Passed-through the New Orleans Business Alliance</i>				
Career and Technical Education Grant	84.048	V0488A150018	-	20,000
<i>Passed-through the KIPP Foundation</i>				
Public Charter School Grant	84.282M	U282M140013	-	199,577
<i>Passed-through New Schools for New Orleans</i>				
Teacher Incentive Fund	84.374A	U374A160040	-	310,873
Total U.S. Department in Education			-	5,614,375
Total			\$ -	\$ 9,371,282

See accompanying notes to Schedule of Expenditures of Federal Awards.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Total federal expenditures by CFDA number

School Breakfast Program	10.553	\$ 1,136,105
National School Lunch Program	10.555	2,282,863
Child and Adult Care Food Program	10.558	337,939
Title I Grants to Local Education Agencies	84.010	3,561,155
Special Education - Grants to States	84.027	1,146,621
Career and Technical Education Grant	84.048	20,000
Special Education - Preschool Grants	84.173	13,518
Public Charter School Grant	84.282	199,577
Striving Readers Comprehensive Literacy Program	84.371	252,506
Teacher Incentive Fund	84.374	310,873
School Improvement Grants	84.377	110,125
		<u>\$ 9,371,282</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of KIPP New Orleans, Inc. (KIPP) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of KIPP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KIPP.

(2) **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. KIPP has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) **Relationship to Basic Financial Statements**

Federal awards are included in the statement of activities and changes in net assets as federal government revenue.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified:	<u>no</u>
• Significant deficiency(ies) identified:	<u>none reported</u>
Noncompliance material to the financial statements noted:	<u>no</u>

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified:	<u>no</u>
• Significant deficiency(ies) identified:	<u>none reported</u>
Type of auditor's report issued on compliance for major programs:	<u>unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a):	<u>no</u>
Identification of major programs:	
U.S. Department of Education:	
Title I	<u>84.010A</u>
Dollar threshold used to distinguish between type A and type B programs	<u>\$750,000</u>
Auditee qualified as a low risk auditee:	<u>yes</u>

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II – Findings relating to the financial statements reported in accordance with
Government Auditing Standards

None

Section III – Findings and Questioned Costs Related to Federal Awards

None

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None

KIPP NEW ORLEANS, INC
NEW ORLEANS, LOUISIANA

PERFORMANCE AND STATISTICAL DATA

FOR THE YEAR ENDED JUNE 30, 2017



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KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

PERFORMANCE AND STATISTICAL DATA SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2017

Independent Accountants' Report
On Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the management of KIPP New Orleans, Inc., the Louisiana Department of Education, the Louisiana Legislature Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of KIPP for the fiscal year ended June 30, 2017; 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 24:514.1. Management of KIPP 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 random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue, and
 - Total State Revenue in Lieu of Taxes.

We noted no exceptions.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to KIPP supporting payroll records as of October 1st.

We noted no exceptions.

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

We noted no exceptions.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determine if the individual's education level was properly classified on the schedule.

We noted no exceptions.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

We noted no exceptions.

Experience of Public School Principals and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

We noted no exceptions.

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

We noted no exceptions.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

We noted no exceptions.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.



We noted no exceptions.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by KIPP.

We noted no exceptions.

The Graduation Exit Exam for the 21st Century (Schedule 8)

The Graduation Exit Exam has been discontinued.

The iLEAP Tests (Schedule 9)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by KIPP.

We noted no exceptions.

This agreed-upon procedures engagement was performed 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.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of KIPP, as required by Louisiana Revised Statute 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
December 5, 2017

KIPP NEW ORLEANS SCHOOLS
New Orleans, Louisiana

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2017**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 13,353,209	
Other Instructional Staff Activities	1,793,997	
Instructional Staff Employee Benefits	2,792,060	
Purchased Professional and Technical Services	3,886,085	
Instructional Materials and Supplies	1,717,750	
Instructional Equipment	176,120	
Total Teacher and Student Interaction Activities		\$ 23,719,221

Other Instructional Activities		760,982
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Pupil Support Activities	2,362,030	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		2,362,030

Instructional Staff Services	4,245,748	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		4,245,748

School Administration	8,110,806	
Less: Equipment for School Administration	-	
Net School Administration		8,110,806

Total General Fund Instructional Expenditures		<u>\$ 39,198,787</u>
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Total General Fund Equipment Expenditures		<u>\$ 176,120</u>
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Certain Local Revenue Sources

Not Applicable

Prepared by KIPP New Orleans, Inc.

KIPP NEW ORLEANS SCHOOLS
New Orleans, Louisiana

Education Levels of Public School Staff
As of October 1, 2016

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	0	0%	0	0%	0	0%
Bachelor's Degree	57	77%	225	95%	2	67%	39	71%
Master's Degree	16	22%	12	5%	1	33%	14	25%
Master's Degree + 30	0	0%	0	0%	0	0%	0	0%
Specialist in Education	0	0%	1	0%	0	0%	1	2%
Ph. D. or Ed. D.	1	1%	0	0%	0	0%	1	2%
Total	74	100%	238	100%	3	100%	55	100%

Prepared by KIPP New Orleans, Inc.

KIPP NEW ORLEANS SCHOOLS
New Orleans, Louisiana

Number and Type of Public Schools
For the Year Ended June 30, 2017

Type	Number
Elementary	5
Middle/Jr. High	1
Secondary	2
Combination	0
Total	8

Note: Schools opened or closed during the fiscal year are included in this schedule.

Prepared by KIPP New Orleans, Inc.

KIPP NEW ORLEANS SCHOOLS
New Orleans, Louisiana

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
As of October 1, 2016

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	2	4	32	4	3	1	0	46
Principals	4	0	8	0	0	0	0	12
Classroom Teachers	88	88	116	9	5	3	3	312
Total	94	92	156	13	8	4	3	370

Prepared by KIPP New Orleans, Inc.

KIPP NEW ORLEANS SCHOOLS
New Orleans, Louisiana

Public School Staff Data: Average Salaries
For the Year Ended June 30, 2017

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$ 46,287	\$ 46,287
Average Classroom Teachers' Salary Excluding Extra Compensation	\$ 44,918	\$ 44,918
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	328	328

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

Prepared by KIPP New Orleans, Inc.

KIPP NEW ORLEANS SCHOOLS
New Orleans, Louisiana

Class Size Characteristics
As of October 1, 2016

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	28%	210	44%	334	20%	152	9%	67
Elementary Activity Classes	20%	30	55%	81	17%	25	8%	12
Middle/Jr. High	27%	34	7%	9	12%	15	54%	67
Middle/Jr. High Activity Classes	0%	0	50%	4	0%	0	50%	4
High	41%	81	31%	62	23%	45	5%	10
High Activity Classes	41%	9	14%	3	41%	9	5%	1
Combination	0%	0	0%	0	0%	0	0%	0
Combination Activity Classes	0%	0	0%	0	0%	0	0%	0

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.

Prepared by KIPP New Orleans, Inc.

Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	0%	0%	2%	2%	3%
Mastery	24%	21%	26%	27%	23%	27%
Basic	25%	27%	26%	32%	29%	32%
Approaching Basic	24%	26%	27%	28%	29%	27%
Unsatisfactory	27%	26%	21%	12%	17%	11%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	2%	0%	0%	1%	0%
Mastery	24%	30%	23%	33%	20%	26%
Basic	39%	36%	43%	31%	36%	35%
Approaching Basic	24%	23%	26%	23%	32%	28%
Unsatisfactory	12%	9%	7%	12%	12%	11%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2%	2%	0%	0%	1%	1%
Mastery	19%	26%	21%	33%	19%	12%
Basic	33%	37%	35%	30%	35%	36%
Approaching Basic	34%	25%	29%	13%	30%	39%
Unsatisfactory	11%	10%	15%	24%	16%	12%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	5%	1%	1%	1%	0%
Mastery	28%	36%	30%	38%	19%	13%
Basic	36%	33%	34%	30%	32%	36%
Approaching Basic	24%	20%	25%	17%	30%	37%
Unsatisfactory	10%	6%	11%	15%	18%	13%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	10%	7%	1%	1%	1%	0%
Mastery	20%	30%	23%	33%	23%	17%
Basic	25%	31%	36%	36%	42%	45%
Approaching Basic	34%	20%	26%	20%	29%	24%
Unsatisfactory	11%	11%	14%	11%	6%	14%
Total	100%	100%	100%	100%	100%	100%

Louisiana Educational Assessment Program (LEAP) (continued)
For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3%	4%	1%	1%	1%	1%
Mastery	20%	37%	25%	29%	33%	26%
Basic	31%	34%	38%	28%	28%	31%
Approaching Basic	37%	16%	25%	27%	23%	23%
Unsatisfactory	9%	9%	10%	16%	14%	19%
Total	100%	100%	100%	100%	100%	100%

Prepared by KIPP New Orleans, Inc.

KIPP NEW ORLEANS SCHOOLS
New Orleans, Louisiana

Graduation Exit Examination (GEE)
For the Year Ended June 30, 2017

The Graduation Exit Examination is no longer administered. This schedule is no longer applicable.

iLEAP Tests
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	1%	1.36%	1%	N/A	0%
Mastery	9%	10%	8.60%	8%	N/A	13%
Basic	41%	44%	46.61%	27%	N/A	50%
Approaching Basic	33%	30%	35.29%	33%	N/A	24%
Unsatisfactory	16%	14%	8.14%	31%	N/A	12%
Total	100%	100%	100.00%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	2%	1.36%	0%	N/A	0%
Mastery	9%	15%	8.60%	12%	N/A	5%
Basic	54%	54%	46.61%	25%	N/A	45%
Approaching Basic	27%	24%	35.29%	35%	N/A	36%
Unsatisfactory	10%	5%	8.14%	28%	N/A	14%
Total	101%	100%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	0%	0.88%	1%	N/A	2%
Mastery	9%	11%	5.57%	10%	N/A	11%
Basic	45%	46%	45.75%	27%	N/A	51%
Approaching Basic	28%	24%	26.39%	27%	N/A	22%
Unsatisfactory	17%	18%	21.41%	35%	N/A	14%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	4%	6%	3.82%	3%	N/A	10%
Mastery	17%	25%	17.66%	11%	N/A	16%
Basic	53%	42%	47.97%	27%	N/A	48%
Approaching Basic	17%	17%	19.33%	32%	N/A	18%
Unsatisfactory	9%	10%	11.22%	27%	N/A	8%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	7%	4%	2.49%	8%	N/A	6%
Mastery	22%	24%	19.15%	22%	N/A	23%
Basic	38%	46%	40.80%	22%	N/A	50%
Approaching Basic	23%	15%	24.13%	20%	N/A	10%
Unsatisfactory	10%	12%	13.43%	28%	N/A	11%
Total	100%	100%	100%	100%	N/A	100%

iLEAP Tests
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1%	1%	0.25%	7%	N/A	1%
Mastery	13%	15%	11.79%	26%	N/A	14%
Basic	45%	38%	36.86%	31%	N/A	46%
Approaching Basic	25%	32%	31.70%	21%	N/A	25%
Unsatisfactory	16%	13%	19.41%	15%	N/A	13%
Total	100%	100%	100%	100%	N/A	100%

Prepared by KIPP New Orleans, Inc.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2017

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of KIPP New Orleans, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of KIPP New Orleans, Inc, (KIPP) and the Louisiana Legislative Auditor (LLA) (the specified parties) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. KIPP's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget

We performed the procedures above and noted no exceptions.

b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

We performed the procedures above and noted no exceptions.

c) *Disbursements*, including processing, reviewing, and approving

We performed the procedures above and noted no exceptions.

d) *Receipts*, including receiving, recording, and preparing deposits

We performed the procedures above and noted no exceptions.

e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

We performed the procedures above and noted the following exception:

- **No written policy regarding (2) reviewing and approving time and attendance records including leave and overtime worked.**

Written Policies and Procedures (continued)

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

We performed the procedures above and noted the following exceptions:

- **No written policies regarding (3) legal review.**
- **No written policies regarding (5) monitoring process.**

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

We performed the procedures above and noted no exceptions.

- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

We performed the procedures above and noted no exceptions.

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

We performed the procedures above and noted no exceptions.

Management response:

1e) Payroll/Personnel: KIPP updated its written policies to reflect its procedures. KIPP procedures require supervisors to approve time and attendance records, including leave and overtime, in ADP prior to payroll processing each pay period.

1f) Contracting: KIPP updated its written policies to reflect its procedures. KIPP procedures leverage internal expertise for contract review, utilize outside counsel as needed, and require the appropriate officials to provide signed approval on all invoices prior to payment in order to monitor the delivery of contracted services.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

We performed the procedures above and noted no exceptions.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

We performed the procedures above and noted no exceptions.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We performed the procedures above and noted no exceptions.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

We performed the procedures above and noted the following exception:

- **We selected 16 out of 47 bank accounts. Of the 192 months tested, we noted one exception where the bank reconciliation was not signed by a preparer.**

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We performed the procedures above and noted no exceptions.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We performed the procedures above and noted no exceptions.

Management's response:

4a) Bank Reconciliation Signed by Preparer: *KIPP policies require both the preparer and the reviewer to sign bank reconciliations. This exception pertains to a school's student activity fund account. Upon completion of the bank reconciliation, the school's business operations manager neglected to sign the reconciliation prior to submitting it to the school leader for review. As a result, the reconciliation was signed and approved only by the reviewer. KIPP has provided additional training to personnel responsible for preparing and reviewing student activity fund accounts.*

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

We performed the procedures above and noted no exceptions.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

We performed the procedures above and noted no exceptions.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We performed the procedures above and noted the following exception:

- **KIPP maintains receipts and system reports, but KIPP does not log the date all collections were received; therefore, the number of days from receipt to deposit could not be calculated.**

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We performed the procedures above and noted the following exception:

- **KIPP does maintain numbered receipts and system reports, but these reports did not include sequentially numbering.**

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

We performed the procedures above and noted no exceptions.

Management's response:

6c) Collection Documentation: Checks received at KIPP's regional office are logged by date and deposited via a remote deposit scanner when received. Cash is not collected at KIPP's regional office. KIPP policies for student activity funds require schools to use a Square point-of-sale register to log cash and credit card sales and to retain copies of checks deposited. KIPP policies did not require check to be recorded via Square or logged by date, and the schools selected for testing did not maintain a check receipt log. KIPP updated its policies to require schools to record checks through the Square register to capture the date and amount of each receipt. KIPP policies do not require schools to make student activity funds deposits within one day of receipt. KIPP policies instead require schools to make such deposits regularly and prohibit schools from retaining large cash balances. KIPP updated its policies to define large cash balances as any balance in excess of \$1,000 and to require the deposit of large cash balances by the end of the following business day. KIPP will provide additional student activity fund account training to schools to reinforce these policy revisions.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

We performed the procedures above and noted no exceptions.

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

We performed the procedures above and noted the following exception:

- **We selected 25 purchases for this test. Of the 25 items tested, 3 purchases included invoices that were under \$250 and written policies and procedures do not require such documentation for items under \$250.**

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

We performed the procedures above and noted the following exception:

- **We selected 25 purchases for this test. Of the 25 items tested, 3 purchases included invoices that were under \$250 and written policies and procedures do not require such documentation for items under \$250. Of the 25 items, one item was approved by the same person who initiated the purchase.**
- c) Payments for purchases were not processed without a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

We performed the procedures above and noted the following exception:

- **KIPP does not utilize receiving reports, and written policies and procedures do not require such documentation.**
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

We performed the procedures above and noted no exceptions.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We performed the procedures above and noted no exceptions.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, inspect entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We performed the procedures above and noted no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

We performed the procedures above and noted no signature stamp or signature machine is used and no exceptions.

Management's response:

9a and 9b) Purchase Initiation and Approval: KIPP policies require either a purchase order or fully-executed contract to support all purchases in excess of \$250. All 25 disbursements selected for testing adhered to KIPP policies. KIPP investigated the exception referenced in step 9b and found that the appropriate corporate officer signed the vendor agreement and approved the invoice in the course of monitoring the proper completion of contracted services. All actions were in accordance with KIPP policies.

9c) Receiving Report: KIPP policies require the appropriate officials to sign and approve all invoices prior to payment as confirmation of either (a.) receipt of materials in lieu of a receiving report or (b.) proper completion of contracted services.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

15. Using the listing prepared by management, select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

We performed the procedures above and noted the following exception:

- **Of the 7 credit card statements selected for testing, for 1 credit card statement there was no evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.**

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

We performed the procedures above and noted the following exception:

- **Of the 85 transactions tested, 1 transaction in the amount of \$48.36 did not have original itemized receipts.**

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

We performed the procedures above and noted the following exceptions:

- **Of the 85 transactions tested, 13 transactions in the amount did not have a documented business purpose.**
- **Of the 85 transactions tested, 77 were not meal purchases and this attribute does not apply, 6 include the documentation of those participating in the meal, 1 did not have documentation of the individuals participating in the meal and 1 did not have any support to determine if it was for a meal and those participating.**

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

We performed the procedures above and noted the following exception:

- **Of the 85 transactions tested, 1 transaction in the amount of \$48.36 was not supported by other documentation as required by written policy.**
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We performed the procedures above and noted the following exception:

- **Of the 85 transactions tested, two items did not comply with the entity's written purchasing/disbursement policies. These include 1 item in the amount of \$48.36 that had no support and 1 item in the total amount of \$616.10 that included \$15 of alcohol in the purchase.**
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted the following exception:

- **Of the 85 transactions tested, 1 transaction in the amount of \$48.36 did not have the original itemized receipt to determine the business purpose.**

Management's response:

15) Review and Approval: KIPP credit card statements are reviewed by the Accounts Payable Specialist and approved by the Managing Director of Finance. The Accounts Payable Specialist's review of the statement noted in the exception was not evidenced in writing, as KIPP's policies did not require such evidence. KIPP updated its policies to require the Accounts Payable Specialist to provide written evidence of credit card statement review.

16) Supporting Documentation: KIPP updated its credit card policies to require documentation of the business purpose of each charge, including the name of the individuals participating in meal expenses. KIPP policies require submission of itemized receipts for all purchases and forbid the purchase of alcohol. KIPP investigated both exceptions referenced in steps 16b and 16c and noted both violations were tied to a single cardholder as a result of a KIPP credit card being inadvertently used for incidentals during hotel stays. The cardholder underwent additional training regarding KIPP policies and will ensure a personal card is used for incidentals during all hotel stays in alignment with KIPP policies.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We performed the procedures above and noted no exceptions.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We performed the procedures above and noted no exceptions.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We performed the procedures above and noted no exceptions.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We performed the procedures above and noted no exceptions.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

We performed the procedures above and noted no exceptions.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We performed the procedures above and noted no exceptions.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted no exceptions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We performed the procedures above and noted no exceptions.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

We performed the procedures above and noted no exceptions.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

KIPP does not have to follow public bid law in accordance with LA R.S. 17:3996(2).

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

We performed the procedures above and noted no exceptions.

- One contract amended for a rate change of \$36 dollars.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We performed the procedures above and noted no exceptions.

- e) Obtain/inspect contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We performed the procedures above and noted no exceptions.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We performed the procedures above and noted no exceptions.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We performed the procedures above and noted no exceptions.

23. Obtain attendance and leave records and select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees/officials (or select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

We performed the procedures above and noted the following exceptions:

- **KIPP employees do not document their daily attendance**

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

We performed the procedures above and noted no exceptions.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We performed the procedures above and noted no exceptions.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Procedure not applicable due to no termination payments made in fiscal year 2017.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We performed the procedures above and noted no exceptions.

Management's response:

23a) Attendance Records: KIPP updated its written policies to reflect its procedures. KIPP procedures require supervisors to approve time and attendance records, including leave and overtime, in ADP prior to payroll processing each pay period.

Ethics

26. Using the five selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

We performed the procedures above and noted no exceptions.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, inspect documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

We performed the procedures above and noted no exceptions.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the Entity, and report whether State Bond Commission approval was obtained.

Debt service is not applicable to KIPP.

29. If the Entity had outstanding debt during the fiscal period, obtain supporting documentation from the Entity and report whether the Entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Debt service is not applicable to KIPP.

30. If the Entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Debt service is not applicable to KIPP.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/inspect supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

We performed the procedures above and noted no misappropriations of public funds or assets and thus no exceptions.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted no exceptions.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

We performed the procedures above and noted no exceptions.

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 those C/C areas identified in the SAUPs. 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.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
December 5, 2017