

**KIPP New Orleans, Inc.**

**Louisiana State Reporting  
Financial and Agrees upon Procedure Reports**

**June 30, 2013**

**CONTENTS**

**Financial Report**

<b>Independent Auditors' Report</b>	<b>1</b>
<b>Statements of Financial Position</b>	<b>3</b>
<b>Statements of Activities</b>	<b>4</b>
<b>Statements of Cash Flows</b>	<b>5</b>
<b>Notes to Financial Statements</b>	<b>6</b>
<b>Schedules of Financial Position by School</b>	<b>11</b>
<b>Schedules of Activities by School</b>	<b>12</b>
<b>Schedules Required by Louisiana State Law (R.S. 24:514 Performance and Statistical Data)</b>	<b>13</b>
<b>Independent Accountants' Report on Applying Agreed Upon Procedures</b>	<b>16</b>
<b>Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources</b>	<b>19</b>
<b>Schedule 2 – Education Levels of Public School Staff</b>	<b>20</b>
<b>Schedule 3 – Number and Type of Public Schools</b>	<b>21</b>
<b>Schedule 4 – Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers</b>	<b>22</b>
<b>Schedule 5 – Public School Staff Data</b>	<b>23</b>
<b>Schedule 6 – Class Size Characteristics</b>	<b>24</b>
<b>Schedule 7 – Louisiana Educational Assessment Program (LEAP)</b>	<b>25</b>
<b>Schedule 8 – Graduation Exit Exam</b>	<b>27</b>
<b>Schedule 9 – Integrated Louisiana Educational Assessment Program (iLEAP)</b>	<b>28</b>

## **Single Audit Act**

<b>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 <i>Government Auditing Standards</i></b>	<b>30</b>
<b>Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on the Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133</b>	<b>32</b>
<b>Schedule of Expenditures of Federal Awards</b>	<b>35</b>
<b>Notes to Schedule of Expenditures of Federal Awards</b>	<b>36</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>37</b>
<b>Summary Schedule of Prior Audit Findings</b>	<b>40</b>



Accessible  
Approachable  
Accountable

## Independent Auditors' Report

Board of Directors  
KIPP New Orleans, Inc.  
New Orleans, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of KIPP New Orleans, Inc. which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

---

## Macpage LLC

30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com  
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax

[macpage.com](http://macpage.com)

An Independently Owned Member, McGladrey Alliance

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.



## 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, 2013 and 2012, 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 Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of financial position by school and activities by school 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.

The performance and statistical data included as Schedules 1 through 9 is presented as supplementary information required by Louisiana State Law and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we also have issued our report dated December 20, 2013, on our consideration of KIPP New Orleans, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP New Orleans, Inc. internal control over financial reporting and compliance.



South Portland, Maine  
December 20, 2013

## Statements of Financial Position

June 30,

	2013	2012
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,601,324	\$ 456,270
Prepaid expenses	103,737	363,041
Grants receivable	2,867,258	2,454,281
Other receivables	531,123	277,855
<b>Total Current Assets</b>	<u>6,103,442</u>	<u>3,551,447</u>
<b>Other Assets:</b>		
Deposits	1,500	1,500
<b>Non-Current Assets:</b>		
Property and equipment (net of accumulated depreciation)	<u>973,111</u>	<u>1,411,990</u>
<b>Total Assets</b>	<u>\$ 7,078,053</u>	<u>\$ 4,964,937</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Line of credit	\$ 1,000,000	
Accounts payable and accrued expenses	3,195,400	\$ 2,131,352
<b>Total Current Liabilities</b>	<u>4,195,400</u>	<u>2,131,352</u>
<b>Non-Current Liabilities:</b>		
Long-term debt	<u>555,972</u>	<u>539,722</u>
<b>Total Liabilities</b>	<u>4,751,372</u>	<u>2,671,074</u>
<b>Net Assets:</b>		
Unrestricted	1,967,149	2,075,675
Temporarily restricted	359,532	218,188
<b>Total Net Assets</b>	<u>2,326,681</u>	<u>2,293,863</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,078,053</u>	<u>\$ 4,964,937</u>

## Statements of Activities

For the Years Ended June 30,

	2013	2012
<b>UNRESTRICTED NET ASSETS</b>		
<b>Public Support and Other Revenues</b>		
Local per pupil aid	\$ 13,630,759	\$ 10,193,856
Federal sources	8,194,934	6,251,885
State public school funds	12,958,868	9,467,162
Donations and contributions	1,921,094	2,118,871
Other local sources	678,865	501,238
Other state funds		8,653
<b>Total Public Support and Other Revenues</b>	<b>37,384,520</b>	<b>28,541,665</b>
<b>Net Assets Released from Restrictions</b>		
Restrictions satisfied by payments	603,269	418,349
<b>Total Support, Revenues and Reclassifications</b>	<b>37,987,789</b>	<b>28,960,014</b>
<b>Expenses</b>		
Program services:		
Regular education programs	11,802,994	11,379,174
School administration	4,097,732	2,938,564
Operation and maintenance of plant services	3,379,296	2,352,535
Special education programs	2,425,967	1,836,731
Food services	2,465,321	1,685,939
Student transportation	3,042,415	2,253,992
Instructional staff services	1,395,174	852,783
Pupil support services	2,369,224	1,880,528
Other special programs	1,637,243	149,454
Other instructional programs	1,721,597	884,156
Community service operations		40,039
	<b>34,336,963</b>	<b>26,253,895</b>
Management and general:		
Business services	1,425,934	1,229,436
Central services	1,250,188	1,045,716
General administration	898,594	377,110
Other support services	79,849	91,189
	<b>3,654,565</b>	<b>2,743,451</b>
Fundraising	104,787	118,637
<b>Total Expenses</b>	<b>38,096,315</b>	<b>29,115,983</b>
<b>Decrease in Unrestricted Net Assets</b>	<b>(108,526)</b>	<b>(155,969)</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Donations	744,613	391,547
Net assets released from restrictions	(603,269)	(418,349)
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<b>141,344</b>	<b>(26,802)</b>
<b>Change in Net Assets</b>	<b>32,818</b>	<b>(182,771)</b>
<b>Net Assets at Beginning of Fiscal Year</b>	<b>2,293,863</b>	<b>2,476,634</b>
<b>Net Assets at End of Fiscal Year</b>	<b>\$ 2,326,681</b>	<b>\$ 2,293,863</b>

See accompanying notes to financial statements.

## Statements of Cash Flows

For the Years Ended June 30,

	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 32,818	\$ (182,771)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	553,058	468,020
Accrued interest	16,250	16,250
Non-cash contributions		
(Increase) decrease in operating assets:		
Accounts/grants receivable	(666,245)	(1,454,839)
Prepaid expenses	259,304	(238,263)
Other assets		2,317
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,064,048	1,247,274
<b>Net Cash Flows From Operating Activities</b>	<u>1,259,233</u>	<u>(142,012)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(114,179)	(769,725)
<b>Net Cash from Investing Activities</b>	<u>(114,179)</u>	<u>(769,725)</u>
<b>Cash Flows from Financing Activities:</b>		
Payments on notes payable		(91,485)
Net proceeds from line of credit	1,000,000	
<b>Net Cash From Financing Activities</b>	<u>1,000,000</u>	<u>(91,485)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,145,054	(1,003,222)
<b>Cash and Cash Equivalents, Beginning of Fiscal Year</b>	<u>456,270</u>	<u>1,459,492</u>
<b>Cash and Cash Equivalents, End of Fiscal Year</b>	<u>\$ 2,601,324</u>	<u>\$ 456,270</u>
<b>Supplemental disclosure of cashflow information:</b>		
Cash paid during the year for interest	<u>\$ 62,517</u>	<u>\$ 16,250</u>



## Notes to Financial Statements

June 30, 2013 and 2012

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

KIPP New Orleans, Inc. ("KIPP N.O.") was incorporated in the Spring of 2005 for the purpose of operating charter schools in New Orleans, Louisiana. KIPP N.O. was created to provide students with knowledge, skills, and character traits necessary to succeed in competitive high schools, college, and life. The State Board of Elementary and Secondary Education has granted KIPP N.O. six (6) Type 5 charters to operate KIPP Believe (includes Primary and College Prep and was previously KIPP Phillips Preparatory), KIPP McDonogh 15 School for the Creative Arts (Primary and Middle), KIPP Central City Academy, KIPP Central City Primary, KIPP New Orleans Leadership (Primary and Academy) and KIPP Renaissance 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 N.O. schools and the SSC are governed by the KIPP N.O. Board of Directors.

#### 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.

#### Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles and KIPP N.O. is required to report information regarding its financial position and activities according to three classes of net assets as follows:

**Unrestricted Net Assets** – Net assets which are free of donor-imposed restrictions.

**Temporarily Restricted Net Assets** – Net assets whose use by KIPP N.O. is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the organization pursuant to such stipulations.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by KIPP N.O.

#### Estimates

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

#### Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. It is KIPP N.O.'s policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. Based on management's assessment of the credit history, third-party contracts, and other circumstances, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

## Notes to Financial Statements

June 30, 2013 and 2012

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Property and Equipment

Property and equipment acquired are capitalized at cost. Contributed property and equipment are recorded at fair value at the date of donation. It is KIPP N.O.'s policy to capitalize expenditures for individual items in excess of \$1,000 or groups of similar items in excess of \$2,500. Lesser amounts are expensed as incurred. Property and equipment are being depreciated over their estimated useful lives using the straight-line method using the following lives:

Furniture, fixtures and equipment	3 – 10 years
Leasehold improvements	3 – 10 years

#### Public Support and Revenue

KIPP N.O. receives its support primarily from the Louisiana State Department of Education and the United States Department of Education.

Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received.

Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support. KIPP N.O. uses the direct write-off method of writing off uncollectible receivables.

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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Income Tax Status

KIPP N.O. is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income tax.

Management has evaluated KIPP N.O.'s tax positions and concluded that as of June 30, 2013 and 2012, KIPP N.O. does not believe that it has taken any tax positions that would require the recording of any additional tax liabilities nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next 12 months. KIPP N.O. is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2010 through June 30, 2013.

## Notes to Financial Statements

June 30, 2013 and 2012

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting 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 roll forward at the end of the fiscal year and may not be redeemed for additional compensation at the end of the year. School Support Center and non-instructional staff earn a total of 15 PTO days per year. Unused days do not carry forward at the end of the fiscal year and may not be redeemed for additional compensation at the end of the year or end of employment with KIPP N.O.

#### Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, KIPP N.O. considers all unrestricted, highly liquid investments with an initial maturity of less than three months to be cash and cash equivalents.

### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Under State law, deposits with financial institutions must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2013 and 2012, KIPP N.O.'s deposits (bank balances) totaled approximately \$3.4 million and \$1.0 million, respectively. These deposits are secured from risk by federal deposit insurance under the temporary Transaction Account Guarantee Program. There were no balances as of June 30, 2013 and 2012 that were unsecured or uninsured. KIPP N.O. did not hold any investments as of June 30, 2013 and 2012.

### NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Furniture, fixtures and equipment	\$ 1,687,624	\$ 1,586,759
Leasehold improvements	884,178	870,399
Accumulated depreciation	<u>(1,598,691)</u>	<u>(1,045,168)</u>
Property and equipment, net	<u>\$ 973,111</u>	<u>\$ 1,411,990</u>

Depreciation expense for KIPP N.O. for the years ended June 30, 2013 and 2012 was \$553,058 and \$468,020, respectively.

KIPP N.O. occupies and utilizes buildings owned by the Recovery School District in New Orleans. The cost of these buildings is not reflected in the statement of financial position as asset title remains with the Recovery School District. KIPP N.O. has not recorded the free use of the facilities during the years ended June 30, 2013 and 2012, as the fair value is not readily determinable.

## Notes to Financial Statements

June 30, 2013 and 2012

### NOTE 4 – DEBT

#### Long-Term Debt

On January 22, 2010, KIPP N.O. 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) and is due in full on November 1, 2017. Principal repayments are due in the amount of \$200,000 on November 1, 2016 and \$300,000 on November 1, 2017.

According to the terms of the loan agreement, \$300,000 of the principal due and any accrued but unpaid interest on such principal, may be forgiven and treated as a grant award if KIPP N.O. achieves certain milestones for fiscal 2014, as determined by the Fund in its sole and absolute discretion. Any amounts not forgiven shall remain payable (both principal and interest) until maturity.

Interest expense for the years ended June 30, 2013 was \$62,517 and 2012 was \$16,250.

#### Line of Credit

KIPP N.O. holds a line of credit with a borrowing base equal to the lesser of \$1,500,000 or 80% of the aggregate amount of eligible accounts receivable. The interest rate on the line of credit is the Prime rate plus .75%. The line of credit was renewed on August 15, 2012 and is subject to review on an annual basis. The outstanding balance was \$1,000,000 as of June 30, 2013. There was no outstanding balance due on the line of credit as of June 30, 2012.

### NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 and 2012 were available for the following purposes:

	2013	2012
KIPP to College Program	\$ 69,993	\$ 121,518
Student Scholarships	63,678	64,888
Learning programs	224,861	30,782
College savings plan	1,000	1,000
	<u>\$ 359,532</u>	<u>\$ 218,188</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 \$603,269 and \$418,349 for the years ended June 30, 2013 and 2012, respectively.

### NOTE 6 – RETIREMENT PLAN

KIPP N.O. 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 N.O. has elected to match 5% of covered employees' salaries. KIPP N.O.'s contributions were \$537,837 and \$442,379 for the years ended June 30, 2013 and 2012, respectively.

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

### **NOTE 7 – CONTINGENCIES**

#### **Federal and State Grant Programs**

KIPP N.O. participates in numerous federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Grantor agencies reserve the right to perform certain audit work in addition to work performed by KIPP N.O.'s independent auditors. The grants generally require that all records, supporting documents and audit documentation be made available for a period of five years from the date the audit report is issued. Disallowed costs, if any, resulting from such additional audit work would have to be absorbed by KIPP N.O. In the opinion of KIPP N.O., there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### **NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS**

KIPP N.O. has evaluated subsequent events through December 31, 2013, the date of these financial statements, which represents the date on which the financial statements were available to be issued. Management believes no other events are required to be provided for or disclosed.

## Statements of Financial Position by School

June 30, 2013 (with comparative totals for 2012)

ASSETS	2013								2012	
	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	School Support Center	Interfund Eliminations	Total	Total
<b>Current Assets:</b>										
Cash and cash equivalents	\$ (16,785)	\$ 1,984,056	\$ 474,915	\$ 1,728,626	\$ (954,420)	\$ 297,544	\$ (912,612)		\$ 2,601,324	\$ 456,270
Prepaid expenses			34,628	34,481	193		34,435		103,737	363,041
Grants receivable	457,990	601,688	233,482	434,979	203,203	786,671	149,245		2,867,258	2,454,281
Other receivables	9,311	340,882	1,000				179,930		531,123	277,855
Due from KIPP New Orleans/Schools	7,718,683	12,648,541	970,763	1,021,703	1,222,908	3,378,203	13,461,391	\$ (40,422,192)		
<b>Total Current Assets</b>	<b>8,169,199</b>	<b>15,575,167</b>	<b>1,714,788</b>	<b>3,219,789</b>	<b>471,884</b>	<b>4,462,418</b>	<b>12,912,389</b>	<b>(40,422,192)</b>	<b>6,103,442</b>	<b>3,551,447</b>
<b>Other Assets:</b>										
Deposits			1,500						1,500	1,500
<b>Non-Current Assets:</b>										
Property and equipment (net of accumulated depreciation)	250,852	229,062	87,239	81,654	92,641	96,779	134,884		973,111	1,411,990
<b>Total Assets</b>	<b>\$ 8,420,051</b>	<b>\$ 15,804,229</b>	<b>\$ 1,803,527</b>	<b>\$ 3,301,443</b>	<b>\$ 564,525</b>	<b>\$ 4,559,197</b>	<b>\$ 13,047,273</b>	<b>\$ (40,422,192)</b>	<b>\$ 7,078,053</b>	<b>\$ 4,964,937</b>
<b>LIABILITIES AND NET ASSETS</b>										
<b>Current Liabilities:</b>										
Line of credit							\$ 1,000,000		\$ 1,000,000	
Accounts payable and accrued expenses	\$ 711,818	\$ 513,522	\$ 383,488	\$ 340,871	\$ 361,733	\$ 493,184	390,784		3,195,400	\$ 2,131,352
Due to KIPP New Orleans/Schools	7,627,260	15,049,697	1,101,739	1,806,875	15,932	3,833,969	10,986,720	\$ (40,422,192)		
<b>Total Current Liabilities</b>	<b>8,339,078</b>	<b>15,563,219</b>	<b>1,485,227</b>	<b>2,147,746</b>	<b>377,665</b>	<b>4,327,153</b>	<b>12,377,504</b>	<b>(40,422,192)</b>	<b>4,195,400</b>	<b>2,131,352</b>
<b>Non-Current Liabilities:</b>										
Long-term debt							555,972		555,972	539,722
<b>Total Liabilities</b>	<b>8,339,078</b>	<b>15,563,219</b>	<b>1,485,227</b>	<b>2,147,746</b>	<b>377,665</b>	<b>4,327,153</b>	<b>12,933,476</b>	<b>(40,422,192)</b>	<b>4,751,372</b>	<b>2,671,074</b>
<b>Net Assets:</b>										
Unrestricted	41,746	241,010	277,002	1,053,931	183,860	232,044	(62,444)		1,967,149	2,075,675
Temporarily restricted	39,227		41,298	99,766	3,000		176,241		359,532	218,188
<b>Total Net Assets</b>	<b>80,973</b>	<b>241,010</b>	<b>318,300</b>	<b>1,153,697</b>	<b>186,860</b>	<b>232,044</b>	<b>113,797</b>		<b>2,326,681</b>	<b>2,293,863</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,420,051</b>	<b>\$ 15,804,229</b>	<b>\$ 1,803,527</b>	<b>\$ 3,301,443</b>	<b>\$ 564,525</b>	<b>\$ 4,559,197</b>	<b>\$ 13,047,273</b>	<b>\$ (40,422,192)</b>	<b>\$ 7,078,053</b>	<b>\$ 4,964,937</b>

## Statements of Activities by School

For the Year Ended June 30, 2013 (with comparative totals for 2012)

	2013								2012	
	McDonogh 15 School for the Creative Arts	Believe College Preparatory School/Primar	Central City Academy	Central City Primary	Renaissance High School	New Orleans Leadership Primary/ Academy	School Support Center	Interfund Eliminations	Total	Total
<b>UNRESTRICTED NET ASSETS</b>										
<b>Public Support and Other Revenues</b>										
Local per pupil aid	\$ 3,274,429	\$ 2,594,690	\$ 1,729,929	\$ 2,350,677	\$ 1,499,625	\$ 2,181,409		\$ 13,630,759	\$ 10,193,856	
Federal sources	1,726,259	1,502,067	871,954	1,385,383	702,497	1,462,376	\$ 544,398	8,194,934	6,251,885	
State public school funds	3,109,775	2,413,671	1,641,284	1,984,613	1,561,603	2,247,922		12,958,868	9,467,162	
Donations and contributions	37,281	32,405	22,340	16,950	56,002	18,300	1,737,816	1,921,094	2,118,871	
Other local sources	140,853	85,415	40,777	45,623	31,698	108,868	225,631	678,865	501,238	
Other state funds									8,653	
Transfers	299,963	204,631	28,796	38,641	1,023,257	268,392	1,897,056	\$(3,760,736)		
<b>Total Public Support and Other Revenues</b>	<b>8,588,560</b>	<b>6,832,879</b>	<b>4,335,080</b>	<b>5,821,887</b>	<b>4,874,682</b>	<b>6,287,267</b>	<b>4,404,901</b>	<b>(3,760,736)</b>	<b>37,384,520</b>	<b>28,541,665</b>
<b>Net Assets Released from Restrictions</b>										
Restrictions satisfied by payments	40,773		83,702	109,691			369,103	603,269	418,349	
<b>Total Support, Revenues and Reclassifications</b>	<b>8,629,333</b>	<b>6,832,879</b>	<b>4,418,782</b>	<b>5,931,578</b>	<b>4,874,682</b>	<b>6,287,267</b>	<b>4,774,004</b>	<b>(3,760,736)</b>	<b>37,987,789</b>	<b>28,960,014</b>
<b>Expenses</b>										
Program services:										
Instructional	4,311,600	3,254,100	2,206,268	2,366,505	2,148,582	2,967,917	332,829	17,587,801	14,249,516	
Non-instructional	3,802,088	2,863,258	1,840,159	2,217,780	2,418,267	2,593,380	1,014,230	16,749,162	12,004,379	
Supporting services:										
Management and general	428,432	319,206	183,921	140,868	72,526	284,290	2,225,322	3,654,565	2,743,451	
Fundraising							104,787	104,787	118,637	
<b>Total Expenses</b>	<b>8,542,120</b>	<b>6,436,564</b>	<b>4,230,348</b>	<b>4,725,153</b>	<b>4,639,375</b>	<b>5,845,587</b>	<b>3,677,168</b>	<b>38,096,315</b>	<b>29,115,983</b>	
<b>Other Unrestricted Income (Expense)</b>										
Transfers out	(915,460)	(436,678)	(313,813)	(363,638)	(215,748)	(349,821)	(1,165,578)	3,760,736		
Other										
<b>Total Other Unrestricted Income (Expense)</b>	<b>(915,460)</b>	<b>(436,678)</b>	<b>(313,813)</b>	<b>(363,638)</b>	<b>(215,748)</b>	<b>(349,821)</b>	<b>(1,165,578)</b>	<b>3,760,736</b>		
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>(828,247)</b>	<b>(40,363)</b>	<b>(125,379)</b>	<b>842,787</b>	<b>19,559</b>	<b>91,859</b>	<b>(68,742)</b>	<b>(108,526)</b>	<b>(155,969)</b>	
<b>Temporarily Restricted Net Assets</b>										
Donations	80,000		125,000	178,675			360,938	744,613	391,547	
Net assets released from restrictions	(40,773)		(83,702)	(109,691)			(369,103)	(603,269)	(418,349)	
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<b>39,227</b>		<b>41,298</b>	<b>68,984</b>			<b>(8,165)</b>	<b>141,344</b>	<b>(26,802)</b>	
<b>Net Assets at Beginning of Fiscal Year</b>	<b>869,993</b>	<b>281,373</b>	<b>402,381</b>	<b>241,926</b>	<b>167,301</b>	<b>140,185</b>	<b>190,704</b>	<b>2,293,863</b>	<b>2,476,634</b>	
<b>Net Assets at End of Fiscal Year</b>	<b>\$ 80,973</b>	<b>\$ 241,010</b>	<b>\$ 318,300</b>	<b>\$ 1,153,697</b>	<b>\$ 186,860</b>	<b>\$ 232,044</b>	<b>\$ 113,797</b>	<b>\$ 2,326,681</b>	<b>\$ 2,293,863</b>	

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW  
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**



**KIPP New Orleans, Inc.  
New Orleans, Louisiana**

**Schedules Required by Louisiana State Law  
(R.S. 24:514 - Performance and Statistical Data)**

**As of and for the Year Ended June 30, 2013**

**Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**Schedule 2 – Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 – Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary, and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 4 – Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers**

This schedule includes the number of years of experience in teaching for principals, assistant principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 – Public School Staff Data**

This schedule includes average classroom teachers' salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 – Class Size Characteristics**

This schedule includes the percent and number of classes and student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

**KIPP New Orleans, Inc.  
New Orleans, Louisiana**

**Schedules Required by Louisiana State Law  
(R.S. 24:514 - Performance and Statistical Data)**

**As of and for the Year Ended June 30, 2013**

**Schedule 7 – Louisiana Educational Assessment Program (LEAP)**

This schedule represents student performance testing data and includes summary scores for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule contains three years of data.

**Schedule 8 – Graduation Exit Exam**

The Graduation Exit Exam was discontinued for the year ended June 30, 2013. Not applicable for the years ended June 30, 2012 and 2011.

**Schedule 9 – iLEAP Test Results**

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 in each category tested. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

Board of Directors  
KIPP New Orleans, Inc.  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of KIPP New Orleans, Inc. (the School) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of KIPP New Orleans, Inc. 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). Management of the School is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed 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.

Our procedures and findings relate to the accompanying schedules of supplemental information and 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,
  - Total Local Earnings on Investment in Real Property,
  - Total State Revenue in Lieu of Taxes,
  - Nonpublic Textbook Revenue, and
  - Nonpublic Transportation Revenue.

### **Findings:**

None

---

## Macpage LLC

30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com  
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax

[macpage.com](http://macpage.com)

An Independently Owned Member, McGladrey Alliance

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.



**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, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to the School's supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
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 determined if the individual's education level was properly classified on the schedule.

**Findings:**

None

**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.

**Findings:**

None

**Experience of Public Principals, Assistant 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.

**Findings:**

None

**Public School Staff Data: Average Salaries (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.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

**Findings:**

We noted one employee's salary was not updated to the salary earned as of June 30, 2013 per the payroll records.

**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.

**Findings:**

We noted that the schedule is reporting class size by school type based on grade level, not based on school type classification as reported in Schedule 3.

**Louisiana Educational Assessment Program (LEAP) (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 the School.

**Findings:**

None

**Graduation Exit Exam (Schedule 8)**

11. Not applicable as the Graduation Exit Exam was discontinued.

**iLEAP Tests (Schedule 9)**

12. 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 the School.

**Findings:**

None

We were not engaged to perform, and did not perform, an audit or examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of KIPP New Orleans, Inc., the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



South Portland, Maine  
December 20, 2013

**General Fund Instructional and Support Expenditures and  
Certain Local Revenue Sources  
For the Year Ended June 30, 2013**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 8,073,979	
Other Instructional Staff Activities	294,360	
Instructional Staff Employee Benefits	1,582,804	
Purchased Professional and Technical Services	435,569	
Instructional Materials and Supplies	1,543,310	
Instructional Equipment	<u>543,836</u>	

Total Teacher and Student Interaction Activities \$ 12,473,858

Other Instructional Activities 882,253

Pupil Support Activities 1,965,619

Less: Equipment for Pupil Support Services -

Net Pupil Support Services 1,965,619

Instructional Staff Services 648,827

Less: Equipment for Instructional Staff Services 3,349

Net Instructional Staff Services 645,478

School Administration 3,266,959

Less: Equipment for School Administrations 1,090

Net School Administration 3,265,869

Total General Fund Expenditures \$ 19,233,077

Total General Fund Equipment Expenditures \$ 548,276

Education Levels of Public School Staff  
 As of October 1, 2012

Category	FT Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	#	%	#	%	#	%	#	%
Less than Bachelor's								
Bachelor's	82	89%	87	77%	9	69%	10	47%
Master's	10	11%	26	23%	4	31%	9	43%
Master's +30							1	5%
Specialist in Ed								
PhD or Ed.D							1	5%
Total	92		113		13		21	

**Number and Types of Public Schools  
As of October 1, 2012**

<b>Type</b>	<b>Number</b>
Elementary	3
Middle/Jr. High	2
Secondary	1
Combination	0
<b>Total</b>	<b>6</b>



Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers  
As of October 1, 2012

Type	0-1 Yr	2-3 Yr	4-10 Yr	11-14 Yr	15-19 Yr	20-24 Yr	25+ Yr	Total
Classroom Teachers	51	76	72	4	2			205
Asst. Principals		2	16	3	1		1	23
Principals		1	8	1	1			11
<b>Total</b>	<b>51</b>	<b>79</b>	<b>96</b>	<b>8</b>	<b>4</b>		<b>1</b>	<b>239</b>

Public School Staff Data  
 For the Year Ended June 30, 2013

	All Classroom Teachers	Classroom teachers excluding ROTC, Rehired Retirees and Flagged Salary
Avg Classroom Teachers Salary Including Extra Compensation	\$ 47,385	\$ 47,385
Avg Classroom Teachers Salary Excluding Extra Compensation	\$ 47,385	\$ 47,385
Number of Teacher Full-time Equivalent (FTEs)	205	205

Class Size Characteristics  
 As of October 1, 2012

School Type	Class Size Range									
	1-20 stds.		21-26 stds.		27-33 stds.		34+ stds.		Total	
	%	#	%	#	%	#	%	#	%	#
Elementary	21%	66	65%	200	14%	44			100%	310
Elem. Activity Classes	16%	30	69%	132	15%	28			100%	190
Mid./Jr. High	52%	208	19%	75	29%	114		1	100%	398
Mid./Jr. High Activity Classes	52%	127	18%	44	22%	53	9%	21	100%	245
High	38%	40	54%	57	8%	8			100%	105
High Activity Classes	55%	30	31%	17	11%	6	4%	2	100%	55
Combination										
Combination Activity Classes										
<b>Total</b>	<b>38%</b>	<b>501</b>	<b>40%</b>	<b>525</b>	<b>19%</b>	<b>253</b>	<b>2%</b>	<b>24</b>	<b>100%</b>	<b>1303</b>

Louisiana Educational Assessment Program (LEAP)  
For the Years Ended June 30

LEAP_ Grade	LEAP_ Achievement Level	ELA			Math				
		2013	2012	2011	2010	2013	2012	2011	2010
<b>4</b>	Advanced	2	1	2	2	6	6	2	7
	Mastery	24	10	10	9	28	5	20	16
	Basic	110	55	67	45	111	71	66	57
	Approaching Basic	61	44	34	25	48	31	29	7
	Unsatisfactory	19	15	14	12	24	13	8	7
<b>4 Total</b>		<b>216</b>	<b>125</b>	<b>127</b>	<b>93</b>	<b>217</b>	<b>126</b>	<b>125</b>	<b>94</b>
<b>8</b>	Advanced	11	9	19	6	11	11	18	9
	Mastery	52	45	47	24	27	20	16	5
	Basic	121	93	89	58	174	133	129	79
	Approaching Basic	52	52	41	25	23	29	29	18
	Unsatisfactory	6	4	6	7	8	9	10	9
<b>8 Total</b>		<b>242</b>	<b>203</b>	<b>202</b>	<b>120</b>	<b>243</b>	<b>202</b>	<b>202</b>	<b>120</b>

Louisiana Educational Assessment  
 For the Years Ended June 30

LEAP _ Grade	LEAP _ Achievement Level	Science				Social			
		2013	2012	2011	2010	2013	2012	2011	2010
<b>4</b>	Advanced	0	0	0	0	0	0	1	1
	Mastery	13	6	5	4	5	2	7	4
	Basic	78	29	42	41	90	41	65	46
	Approaching Basic	91	73	60	42	79	49	32	29
	Unsatisfactory	38	18	20	5	44	34	22	13
<b>4 Total</b>		<b>220</b>	<b>126</b>	<b>127</b>	<b>92</b>	<b>218</b>	<b>126</b>	<b>127</b>	<b>93</b>
<b>8</b>	Advanced	6	6	0	1	8	6	5	3
	Mastery	50	40	33	14	46	39	22	22
	Basic	116	82	94	57	147	108	125	66
	Approaching Basic	64	63	53	38	30	42	39	19
	Unsatisfactory	7	11	20	10	12	7	9	10
<b>8 Total</b>		<b>243</b>	<b>202</b>	<b>200</b>	<b>120</b>	<b>243</b>	<b>202</b>	<b>200</b>	<b>120</b>

**Graduation Exit Exam  
For the Year Ended June 30, 2013**

Does not apply.

Integrated Louisiana Educational Assessment Program (iLEAP)  
For the Years Ended June 30

LEAP_Gra	LEAP_Achievementl	ELA				Math			
		2013	2012	2011	2010	2013	2012	2011	2010
<b>3</b>	Advanced	6	1	2	1	19	5	2	4
	Mastery	33	25	6	14	32	20	8	9
	Basic	78	76	22	22	65	72	27	22
	Approaching Basic	32	35	9	11	30	41	3	9
	Unsatisfactory	10	18	10		13	17	9	4
<b>3 Total</b>		<b>159</b>	<b>155</b>	<b>49</b>	<b>48</b>	<b>159</b>	<b>155</b>	<b>49</b>	<b>48</b>
<b>5</b>	Advanced	4	2	8	3	10	19	13	19
	Mastery	38	30	24	36	45	36	25	37
	Basic	150	133	138	86	159	117	142	81
	Approaching Basic	68	62	80	47	47	48	54	26
	Unsatisfactory	34	28	17	15	33	33	33	24
<b>5 Total</b>		<b>294</b>	<b>255</b>	<b>267</b>	<b>187</b>	<b>294</b>	<b>253</b>	<b>267</b>	<b>187</b>
<b>6</b>	Advanced	5	8	6	4	18	13	18	3
	Mastery	37	45	46	34	41	34	36	31
	Basic	204	185	149	135	208	212	139	132
	Approaching Basic	94	73	39	43	61	44	30	32
	Unsatisfactory	40	24	3	12	50	34	20	29
<b>6 Total</b>		<b>380</b>	<b>335</b>	<b>243</b>	<b>228</b>	<b>378</b>	<b>337</b>	<b>243</b>	<b>227</b>
<b>7</b>	Advanced	12	10	7	9	12	25	9	12
	Mastery	49	41	28	27	45	38	25	25
	Basic	192	146	125	112	225	128	127	128
	Approaching Basic	90	36	51	50	51	34	36	25
	Unsatisfactory	25	11	5	5	35	15	19	13
<b>7 Total</b>		<b>368</b>	<b>244</b>	<b>216</b>	<b>203</b>	<b>368</b>	<b>240</b>	<b>216</b>	<b>203</b>

Integrated Louisiana Education  
For the Years Ended June 30

LEAP_Gra	LEAP_Achievementl	Science				Social			
		2013	2012	2011	2010	2013	2012	2011	2010
<b>3</b>	Advanced	5	2	2	3	3		1	1
	Mastery	23	13	6	3	11	23	4	5
	Basic	84	67	20	21	75	62	19	21
	Approaching Basic	40	59	15	19	50	39	17	17
	Unsatisfactory	7	13	6	2	20	30	8	3
<b>3 Total</b>		<b>159</b>	<b>154</b>	<b>49</b>	<b>48</b>	<b>159</b>	<b>154</b>	<b>49</b>	<b>47</b>
<b>5</b>	Advanced	4	4	8	2	31	10	13	20
	Mastery	35	25	34	23	60	45	60	60
	Basic	142	107	115	99	155	130	131	81
	Approaching Basic	88	86	88	51	27	47	40	18
	Unsatisfactory	26	31	22	12	22	24	23	8
<b>5 Total</b>		<b>295</b>	<b>253</b>	<b>267</b>	<b>187</b>	<b>295</b>	<b>256</b>	<b>267</b>	<b>187</b>
<b>6</b>	Advanced	19	11	13	4	81	47	53	34
	Mastery	61	53	52	35	79	76	51	55
	Basic	187	170	133	104	167	147	110	96
	Approaching Basic	82	76	38	73	33	39	17	33
	Unsatisfactory	31	26	6	12	20	27	10	10
<b>6 Total</b>		<b>380</b>	<b>336</b>	<b>242</b>	<b>228</b>	<b>380</b>	<b>336</b>	<b>241</b>	<b>228</b>
<b>7</b>	Advanced	4	10	3	5	19	21	12	13
	Mastery	61	64	28	44	86	69	40	66
	Basic	191	105	115	88	188	123	118	100
	Approaching Basic	92	50	53	57	45	23	32	16
	Unsatisfactory	21	14	16	9	31	8	13	7
<b>7 Total</b>		<b>369</b>	<b>243</b>	<b>215</b>	<b>203</b>	<b>369</b>	<b>244</b>	<b>215</b>	<b>202</b>





Accessible  
Approachable  
Accountable

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*

Board of Directors  
KIPP New Orleans, Inc.  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KIPP New Orleans, Inc., (the School) which comprise the statement of financial position as of June 30, 2013, 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 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered KIPP New Orleans, Inc.'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 New Orleans, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-002 that we consider to be a significant deficiency.

---

**Macpage LLC**

30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com  
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax

[macpage.com](http://macpage.com)

An Independently Owned Member, McGladrey Alliance

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether KIPP New Orleans, Inc.'s financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-002.

### **KIPP New Orleans, Inc.'s Response to Findings**

KIPP New Orleans, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KIPP New Orleans, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



South Portland, Maine  
December 20, 2013



Accessible  
Approachable  
Accountable

Independent Auditors' Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the  
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Directors  
KIPP New Orleans, Inc.  
New Orleans, Louisiana

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

We have audited KIPP New Orleans, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of KIPP New Orleans, Inc.'s major federal programs for the year ended June 30, 2013. KIPP New Orleans, Inc.'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of KIPP New Orleans, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP New Orleans, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of KIPP New Orleans, Inc.'s compliance.

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

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

---

**Macpage LLC**

30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | [cpa@macpage.com](mailto:cpa@macpage.com)  
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax

[macpage.com](http://macpage.com)

An Independently Owned Member, McGladrey Alliance

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

KIPP New Orleans, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KIPP New Orleans, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of KIPP New Orleans, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KIPP New Orleans, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KIPP New Orleans, Inc.'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001 that we considered to be significant deficiencies.

KIPP New Orleans, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KIPP New Orleans, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of KIPP New Orleans, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013, 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



South Portland, Maine  
December 20, 2013

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Education</b>		
<u>Passed-Through State of Louisiana Department of Education</u>		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	<u>\$ 2,127,088</u>
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	1,087,816
Special Education - Preschool Grants	84.173	<u>5,896</u>
Total Special Education Cluster (IDEA)		<u>1,093,712</u>
School Improvements Grants, Recovery Act	84.388	286,155
Teacher Incentive Fund	84.374	821,289
Improving Teacher Quality State Grants	84.367	241,411
Race to the Top - Early Learning Challenge	84.412	109,514
Hurricane Education Recovery	84.938	19,627
<u>Passed-Through Foundations</u>		
Investment in Innovation (i3) Fund	84.396	423,845
Charter Schools	84.282	<u>442,307</u>
<b>Total U.S. Department of Education</b>		<u>5,564,948</u>
<b>U.S. Department of Agriculture</b>		
<u>Passed-Through State of Louisiana Department of Education</u>		
Child Nutrition Cluster		
National School Lunch Program	10.555	6,088,225
Child and Adult Care Food Program	10.558	<u>514,538</u>
<b>Total U.S. Department of Agriculture</b>		<u>6,602,763</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 12,167,711</u>

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of KIPP New Orleans, Inc. under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of KIPP New Orleans, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of KIPP New Orleans, Inc.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available and applicable.

### NOTE 3 – SUBRECIPIENTS

The School operated as a School Food Authority for the year ended June 30, 2013. Total claims submitted to participating schools during the year ended June 30, 2013 under the Child Nutrition Cluster and Child and Adult Care Food Program was \$3,812,766 and \$445,186, respectively.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

### Section I Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<u>        </u> Yes	<u>  √  </u> No
Significant deficiency(ies) identified?	<u>  √  </u> Yes	<u>        </u> None reported
Noncompliance material to financial statements noted?	<u>        </u> Yes	<u>  √  </u> No

#### Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u>        </u> Yes	<u>  √  </u> No
Significant deficiency(ies) identified?	<u>  √  </u> Yes	<u>        </u> None reported
Type of auditors' report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	<u>  √  </u> Yes	<u>        </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
84.388	School Improvement Grants, Recovery Act
84.396	Investment in Innovation (i3) Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$364,344
--	-----------

Auditee qualified as low-risk auditee?	<u>  √  </u> Yes	<u>        </u> No
--	------------------	--------------------



## Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

### Section II Financial Statement Findings

#### Finding 2013-002

Condition: Two checks totaling \$69,840 were misappropriated by an employee of KIPP New Orleans, Inc.

Criteria: Internal controls over transaction cycles should be designed and implemented to reduce the risk of error or fraud.

Cause: One check was misappropriated when the employee removed a single check from a group of payments that were waiting to be picked up by the vendor using a courier service. The second check was misappropriated when the employee accessed another employee's computer to create a new check with a similar vendor name and then removed the prepared payment from the batch of payments to be mailed. Both incidents resulted from a lack of segregation of duties whereby signed checks were returned to an employee within accounts payable.

Effect: Two checks totaling \$69,840 were misappropriated by an employee. These misappropriated checks were subsequently identified by KIPP New Orleans, Inc. when the vendors contacted KIPP New Orleans, Inc. to inquire regarding payment for the outstanding invoices. Subsequently, the misappropriated funds have been recovered from the bank and through an insurance claim.

Recommendation: The procedures and internal controls of the accounts payable and cash disbursement transaction cycle need to be reviewed to determine if there are incompatible duties assigned to employees. Signed checks should be given to an employee outside of the accounts payable function for mailing.

Grantee's Response and Corrective Action: Management at KIPP New Orleans, Inc. immediately investigated and upon determining that these checks were misappropriated, filed an incident report with the police, bank, and insurance company. The employee admitted to the misappropriation of the checks and was immediately terminated. The internal controls of the accounts payable and cash disbursement transaction cycle were reviewed to ensure that the design and implementation of the controls reduces the risk of fraud. Management identified this lack of segregation of duties whereby signed checks were returned to an employee within accounts payable, and will reassign this responsibility to another employee who is not involved in the accounts payable transaction cycle.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

### Section III Federal Award Findings

#### Finding 2013-001

##### **CFDA # 84.388 School Improvement Grants, Recovery Act U.S. Department of Education, passed-through State of Louisiana Department of Education**

Condition: There were two instances whereby a payroll expense charged to the federal program did not agree to the payroll register for one employee. In addition, the payroll expense charged for one employee did not agree to the allocable percentage as documented on the payroll certifications.

Criteria: OMB Circular A-122 requires that amounts charged to federal award programs be based on actual costs incurred, and be supported by documentation that provides evidence that the amount charged is allowable under the federal program.

Cause: The finance department had significant turnover in personnel during the fiscal year, which delayed the submission of grant reimbursement requests and required the requests to be prepared by a new staff member. As the payroll amount is typically the same for salaried employees throughout the fiscal year, the preparer did not observe each pay register for each pay period and the reviewer of the requests did not note that the salary of the one employee would be different earlier in the fiscal year. Also, the preparer made an error in the percentage charged for one employee, which was not identified in the review process.

Effect: Failure to perform detail review of grant reimbursement requests to supporting documentation is a significant deficiency in internal controls over compliance and could potentially result in unallowable expenses being charged to the program.

Questioned Costs: The total amount of questioned costs is \$1,499.

Context: We found two instances out of a sample of 40 transactions for which the payroll expense charged to the program did not agree to the supporting documentation of actual costs incurred. The dollar amount of the two instances was \$414 out of a total of \$40,288 expenses examined in the sample. Due to the nature of the finding, extrapolating these instances to the entire population of costs charged to the federal program is not considered appropriate. We found one employee whose percentage of payroll allocated to the program did not agree to the time certification documentation for five transactions out of a sample of 40 transactions. The dollar amount of all selected pay periods tested for this employee was \$1,242 out of a total of \$40,288. The questioned costs for this employee were extrapolated to all pay periods for this one employee charged to the federal program.

Recommendation: The School should provide specific training to new staff and other personnel involved in the grant reimbursement process to help ensure that grant reimbursement requests are completed accurately and in accordance with OMB Circular A-122. In addition, the procedure to review the grant reimbursement request prior to submission should be revised to ensure that all supporting documentation, including payroll registers and time certifications, be provided to the reviewer with the request to allow the reviewer to trace and agree the amounts for accuracy and allowability under the federal program.

Grantee's Response: The individual performing grant accounting duties at the end of the fiscal year through the audit period was a temporary employee. The School has since hired an experienced grant accountant to fulfill this role who is receiving training through the Louisiana Association of School Business Officials and other sources. This individual has contacts at the Louisiana Department of Education and is able to obtain timely feedback related to grant and other accounting matters. Additionally, the Director of Finance has begun reviewing claims prior to submission.

## Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

### Finding 2012-1

#### Condition

We found an instance of an expense charged to the program for which there was not adequate supporting documentation available to review to determine if the expense was allowable under the federal program.

#### Recommendation

The School should develop and implement a procedure to ensure appropriate documentation for expenses with missing or incomplete original invoices or receipts. The documentation should include the reason for the missing original support, steps taken to obtain the original support, and include a description of the item and other relevant information to allow the approver to determine if the cost is allowable under the federal program.

#### Status

Corrected.

# Management Letter



Accessible  
Approachable  
Accountable

Board of Directors and Management  
KIPP New Orleans, Inc.  
New Orleans, Louisiana

In planning and performing our audit of the financial statements of KIPP New Orleans, Inc. (the Organization) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered KIPP New Orleans, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in KIPP New Orleans, Inc.'s internal control to be a significant deficiency.

#### **Improve Segregation of Duties of Cash Disbursements**

We noted that signed checks are returned to the accounts payable specialist for mailing. Signed checks should be mailed without allowing them to be returned to the employee responsible for accounts payable. To improve segregation of duties and to reduce the risk of misappropriation of cash, we recommend that signed checks be given to an employee outside of the accounts payable function for mailing.

In addition, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated December 20, 2013, on the financial statements of KIPP New Orleans, Inc.

---

## **Macpage LLC**

30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com  
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax

[macpage.com](http://macpage.com)

An Independently Owned Member, McGladrey Alliance

McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.



### **Assess Accounting Department Staffing Needs**

The Organization endured complete turnover of accounting staff during the year. During the audit, we noted that the accounting department had difficulty completing their tasks and responsibilities in a timely manner. In the past two years, we also noted that there were similar difficulties. We recommend that management and the Board of Directors assess the staffing needs of the accounting department and plan for a potential increase in capacity through hiring to meet the current needs of the department.

### **Training on New Accounting Software**

During the year, the Organization performed a software conversion and implemented new accounting software. Implementing new software decreases efficiencies due to the inherent learning curve and can put a strain on the accounting staff during the year. Adequate training on the new software can improve productivity and allow the users to gain knowledge of the functionality of the software to help ensure efficient and adequate financial reporting. We recommend that a formal training program be provided to all users of the new accounting software to improve utilization and efficiency of the software.

We will review the status of these comments and suggestions during our next audit engagement. We already have discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the Organization, and federal awarding agencies, state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



South Portland, Maine  
December 20, 2013

# Corrective Action Plan



## **CORRECTIVE ACTION PLAN**

December 20, 2013

### **U.S. Department of Education**

KIPP New Orleans, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and Address of independent public accounting firm:

Macpage LLC  
(formerly Macdonald Page & Co LLC)  
30 Long Creek Drive  
South Portland, Maine 04106

Audit period:

July 1, 2012 through June 30, 2013

The findings from the June 30, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### **FEDERAL AWARD FINDINGS**

#### **DEPARTMENT OF EDUCATION**

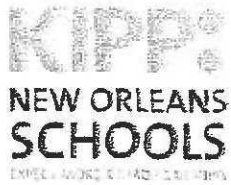
##### **2013-1 CFDA # 84.388 School Improvement Grants, Recovery Act**

**Recommendation:** The School should provide specific training to new staff and other personnel involved in the grant reimbursement process to help ensure that grant reimbursement requests are completed accurately and in accordance with OMB Circular A-122. In addition, the procedure to review the grant reimbursement request prior to submission should be revised to ensure that all supporting documentation, including payroll registers and time certifications, be provided to the reviewer with the request to allow the reviewer to trace and agree the amounts for accuracy and allowability under the federal program.

##### **Action Taken:**

The individual performing grant accounting duties at the end of the fiscal year through the audit period was a temporary employee. KNOS has since hired an experienced grant accountant to fulfill this role who is receiving training through the Louisiana Association of School Business Officials and other sources. This individual has contacts at the Louisiana Department of Education and is able to obtain timely feedback related to grant and other accounting matters. Additionally, the Director of Finance has begun reviewing claims prior to submission.





**Finding 2013-002**

Condition: Two checks totaling \$69,840 were misappropriated by an employee of KIPP New Orleans, Inc.

Criteria: Internal controls over transaction cycles should be designed and implemented to reduce the risk of error or fraud.

Cause: One check was misappropriated when the employee removed a single check from a group of payments that were waiting to be picked up by the vendor using a courier service. The second check was misappropriated when the employee accessed another employee's computer to create a new check with a similar vendor name and then removed the prepared payment from the batch of payments to be mailed. Both incidents resulted from a lack of segregation of duties whereby signed checks were returned to an employee within accounts payable.

Effect: Two checks totaling \$69,840 were misappropriated by an employee. These misappropriated checks were subsequently identified by KIPP New Orleans, Inc. when the vendors contacted KIPP New Orleans, Inc. to inquire regarding payment for the outstanding invoices. Subsequently, the misappropriated funds have been recovered from the bank and through an insurance claim.

Recommendation: The procedures and internal controls of the accounts payable and cash disbursement transaction cycle need to be reviewed to determine if there are incompatible duties assigned to employees. Signed checks should be assigned to an employee outside of the accounts payable function.

Grantee's Response and Corrective Action: Management at KIPP New Orleans, Inc. immediately investigated and upon determining that these checks were misappropriated, filed an incident report with the police, bank, and insurance company. The employee admitted to the misappropriation of the checks and was immediately terminated. The internal controls of the accounts payable and cash disbursement transaction cycle were reviewed to ensure that the design and implementation of the controls reduces the risk of fraud. Management identified this lack of segregation of duties whereby signed checks were returned to an employee within accounts payable, and will reassign this responsibility to another employee who is not involved in the accounts payable transaction cycle.

If the Department of Education has questions regarding this plan, please call Renae' Montegut at (504) 309-0615.

Sincerely yours,

  
Renae Montegut  
Director of Finance and Accounting



## CORRECTIVE ACTION PLAN

December 20, 2013

### Louisiana Legislative Auditor

KIPP New Orleans, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and Address of independent public accounting firm:

Macpage LLC  
(formerly Macdonald Page & Co LLC)  
30 Long Creek Drive  
South Portland, Maine 04106

Audit period:

July 1, 2012 through June 30, 2013

The finding from the June 30, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule. In addition, the corrective action for the other comments within the management letter as well as the results of the agreed upon procedures on performance and statistical data are discussed below.

## FEDERAL AWARD FINDINGS

### DEPARTMENT OF EDUCATION

#### 2013-1 CFDA # 84.388 School Improvement Grants, Recovery Act

**Recommendation:** The School should provide specific training to new staff and other personnel involved in the grant reimbursement process to help ensure that grant reimbursement requests are completed accurately and in accordance with OMB Circular A-122. In addition, the procedure to review the grant reimbursement request prior to submission should be revised to ensure that all supporting documentation, including payroll registers and time certifications, be provided to the reviewer with the request to allow the reviewer to trace and agree the amounts for accuracy and allowability under the federal program.

#### Action Taken:

The individual performing grant accounting duties at the end of the fiscal year through the audit period was a temporary employee. KNOS has since hired an experienced grant accountant to fulfill this role who is receiving training through the Louisiana Association of School Business Officials and other sources. This individual has contacts at the Louisiana Department of Education and is able to obtain timely feedback related to grant and other accounting matters. Additionally, the Director of Finance has begun reviewing claims prior to submission.



**Finding 2013-002**

Condition: Two checks totaling \$69,840 were misappropriated by an employee of KIPP New Orleans, Inc.

Criteria: Internal controls over transaction cycles should be designed and implemented to reduce the risk of error or fraud.

Cause: One check was misappropriated when the employee removed a single check from a group of payments that were waiting to be picked up by the vendor using a courier service. The second check was misappropriated when the employee accessed another employee's computer to create a new check with a similar vendor name and then removed the prepared payment from the batch of payments to be mailed. Both incidents resulted from a lack of segregation of duties whereby signed checks were returned to an employee within accounts payable.

Effect: Two checks totaling \$69,840 were misappropriated by an employee. These misappropriated checks were subsequently identified by KIPP New Orleans, Inc. when the vendors contacted KIPP New Orleans, Inc. to inquire regarding payment for the outstanding invoices. Subsequently, the misappropriated funds have been recovered from the bank and through an insurance claim.

Recommendation: The procedures and internal controls of the accounts payable and cash disbursement transaction cycle need to be reviewed to determine if there are incompatible duties assigned to employees. Signed checks should be assigned to an employee outside of the accounts payable function.

Grantee's Response and Corrective Action: Management at KIPP New Orleans, Inc. immediately investigated and upon determining that these checks were misappropriated, filed an incident report with the police, bank, and insurance company. The employee admitted to the misappropriation of the checks and was immediately terminated. The internal controls of the accounts payable and cash disbursement transaction cycle were reviewed to ensure that the design and implementation of the controls reduces the risk of fraud. Management identified this lack of segregation of duties whereby signed checks were returned to an employee within accounts payable, and will reassign this responsibility to another employee who is not involved in the accounts payable transaction cycle.

If the Department of Education has questions regarding this plan, please call Renae' Montegut at (504) 309-0615.

Sincerely yours,

A handwritten signature in black ink that reads "Renae Montegut". The signature is written in a cursive, flowing style.

Renae Montegut  
Director of Finance and Accounting



## MANAGEMENT LETTER COMMENTS

### Assess Accounting Department Staffing Needs

**Recommendation:** Management and the Board of Directors should assess the staffing needs of the accounting department and plan for a potential increase in capacity through hiring to meet the current needs of the department.

**Action Taken:**

Members of the organization's leadership team and board have begun discussions regarding the staffing and capacity of the finance department. One step that will be implemented in early 2014 is to contract with an outside consulting firm to provide an opinion on the specific staffing needs and capacity of the department. The intention of this is to provide additional specificity on the types of additional roles needed based on the goals of the department and the goals of the organization. The findings from this work will be taken into consideration with other needs across the organization as we continue to grow each year and hiring decisions will be made in the spring time. Further, the organization's senior team is working closely with the head of the department on team management, coaching and development so that all current team members are receiving improved oversight, support, and development as they work through their responsibilities on a daily basis.

### Training on New Accounting Software

**Recommendation:** A formal training program should be provided to all users of the new accounting software to improve utilization and efficiency of the software.

**Action Taken:**

Members of the accounting department have begun taking classes related to Sage/MIP through Abila. Each member selects classes that are deemed to be useful in their jobs. Additional classes may be added for team members by the Director of Finance.

## AGREED UPON PROCEDURES

**Schedule 5 Finding:** One employee's salary was not updated to the salary earned as of June 30, 2013 per the payroll records.

**Action Taken:**

We have hired two new members to our team to manage the payroll and the HR functions, both of which work closely together to verify this payroll and salary data for the annual PEP reporting. These members bring additional skills and capacity in organization and data management, which will help ensure that these types of errors are caught and corrected on this annual report.

**Schedule 6 Finding:** Schedule 6 is reporting class size by school type based on grade level, not based on school type classification as reported in Schedule 3.



**Action Taken:** The Assurance Information Packet that is provided by the Louisiana Department of Education will be reviewed and the procedure for accumulating the data for Schedule 6 will be updated to ensure the schedule is prepared in accordance with the requirements.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Renae Montegut at (504) 309-0615.

Sincerely yours,

A handwritten signature in black ink that reads "Renae Montegut". The signature is written in a cursive, flowing style.

Renae' Montegut  
Director of Finance and Accounting