

KIPP NEW ORLEANS, INC.
AND SUBSIDIARY
NEW ORLEANS, LOUISIANA
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 3
<u>FINANCIAL STATEMENTS:</u>	
Exhibit “A” Consolidated Statements of Financial Position.....	4
Exhibit “B” Consolidated Statements of Activities	5 – 6
Exhibit “C” Consolidated Statements of Functional Expenses	7 – 8
Exhibit “D” Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements	10 – 22
<u>SUPPLEMENTARY INFORMATION:</u>	
Schedule “1” Consolidating Statement of Financial Position.....	23
Schedule “2” Consolidating Statement of Activities	24
Schedule “3” Combining Statement of Financial Position by School.....	25
Schedule “4” Combining Statement of Activities by School.....	26
Schedule “5” Schedule of Compensation, Benefits, and Other Payments to Agency Head...	27
<u>OTHER REPORTS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>:</u>	
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>	28 – 29
<u>SINGLE AUDIT SECTION</u>	
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	30 – 32
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards.....	34
Schedule of Findings and Questioned Costs	35
Summary Schedule of Prior Year Findings and Questioned Costs.....	36
<u>SCHEDULES REQUIRED BY STATE LAW (PERFORMANCE STATISTICAL DATA)</u>	
Independent Accountants’ Report on Applying Agreed-Upon Procedures	37 – 39
Schedules Required by State Law (Performance Statistical Data).....	40 – 41
Management’s Corrective Action Plan - BESE Agreed-Upon Procedures	42

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KIPP New Orleans, Inc. and Subsidiary as of June 30, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KIPP New Orleans, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP New Orleans, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the *Louisiana Governmental Audit Guide*, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KIPP New Orleans, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP New Orleans, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 on our consideration of KIPP New Orleans, Inc. and Subsidiary’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KIPP New Orleans, Inc. and Subsidiary’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP New Orleans, Inc. and Subsidiary’s internal control over financial reporting and compliance.

December 12, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 42,659,238	\$ 36,049,075
Grant receivables	3,664,770	4,409,189
Other receivables	146,205	77,227
Prepaid expenses	<u>417,390</u>	<u>165,796</u>
 Total current assets	 <u>46,887,603</u>	 <u>40,701,287</u>
 <u>PROPERTY AND EQUIPMENT, NET</u>	 2,831,860	 3,103,774
<u>OTHER ASSETS:</u>		
Right of use assets - operating leases, net	3,996,558	5,748,135
Note receivable	15,063,960	15,063,960
Deposits	<u>185,259</u>	<u>221,947</u>
 Total other assets	 <u>19,245,777</u>	 <u>21,034,042</u>
 Total assets	 <u>\$ 68,965,240</u>	 <u>\$ 64,839,103</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 9,048,313	\$ 3,830,948
Accrued expenses	137,096	170,116
Student activity funds	489,872	488,901
Current portion of operating leases	1,657,449	2,043,267
Current portion of long-term debt, net of unamortized issuance costs	<u>6,997,095</u>	<u>585,908</u>
 Total current liabilities	 <u>18,329,825</u>	 <u>7,119,140</u>
<u>NON-CURRENT LIABILITIES:</u>		
Operating leases, net of current portion	2,339,110	3,704,865
Long-term debt, net of unamortized issuance costs	<u>-</u>	<u>6,970,922</u>
 Total non-current liabilities	 <u>2,339,110</u>	 <u>10,675,787</u>
 Total liabilities	 <u>20,668,935</u>	 <u>17,794,927</u>
<u>NET ASSETS:</u>		
Without donor restrictions	48,221,968	46,797,924
With donor restrictions	<u>74,337</u>	<u>246,252</u>
 Total net assets	 <u>48,296,305</u>	 <u>47,044,176</u>
 Total liabilities and net assets	 <u>\$ 68,965,240</u>	 <u>\$ 64,839,103</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUE:</u>			
State/Local Minimum Foundation Program funding	\$ 82,447,854	\$ -	\$ 82,447,854
Federal grants	27,374,940	-	27,374,940
Other state funds	4,237,902	-	4,237,902
Private grants and contributions of financial assets	768,772	634,490	1,403,262
Contributions of nonfinancial assets	334,982	-	334,982
Other income	3,179,665	-	3,179,665
Net assets released from restrictions	<u>806,405</u>	<u>(806,405)</u>	<u>-</u>
 Total revenue	 <u>119,150,520</u>	 <u>(171,915)</u>	 <u>118,978,605</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	52,358,058	-	52,358,058
General non-instructional	34,962,901	-	34,962,901
Special education	21,424,631	-	21,424,631
Special programs	1,301,230	-	1,301,230
Administration	<u>7,679,656</u>	<u>-</u>	<u>7,679,656</u>
 Total expenses	 <u>117,726,476</u>	 <u>-</u>	 <u>117,726,476</u>
 Change in net assets	 1,424,044	 (171,915)	 1,252,129
 Net assets, beginning of year	 <u>46,797,924</u>	 <u>246,252</u>	 <u>47,044,176</u>
 Net assets, end of year	 <u>\$ 48,221,968</u>	 <u>\$ 74,337</u>	 <u>\$ 48,296,305</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>REVENUE:</u>			
State/Local Minimum Foundation Program funding	\$ 79,618,115	\$ -	\$ 79,618,115
Federal grants	33,757,872	-	33,757,872
Other state funds	1,352,890	-	1,352,890
Private grants and contributions of financial assets	352,116	614,242	966,358
Contributions of nonfinancial assets	1,118,177		1,118,177
Other income	1,878,165	-	1,878,165
Net assets released from restrictions	<u>936,995</u>	<u>(936,995)</u>	<u>-</u>
 Total revenue	 <u>119,014,330</u>	 <u>(322,753)</u>	 <u>118,691,577</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	52,895,400	-	52,895,400
General non-instructional	30,226,059	-	30,226,059
Special education	17,229,810	-	17,229,810
Special programs	1,597,746	-	1,597,746
Administration	<u>7,222,614</u>	<u>-</u>	<u>7,222,614</u>
 Total expenses	 <u>109,171,629</u>	 <u>-</u>	 <u>109,171,629</u>
 Change in net assets	 9,842,701	 (322,753)	 9,519,948
 Net assets, beginning of year	 <u>36,955,223</u>	 <u>569,005</u>	 <u>37,524,228</u>
 Net assets, end of year	 <u>\$ 46,797,924</u>	 <u>\$ 246,252</u>	 <u>\$ 47,044,176</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services				Support Services	
	General	General	Special	Special	Administration	Total
	Instructional	Non-Instructional	Education	Program		
Salaries and stipend pay	\$ 35,565,945	\$ 2,751,049	\$ 14,715,294	\$ 922,508	\$ 4,675,718	\$ 58,630,514
Benefits	3,435,781	244,684	1,408,594	88,650	393,227	5,570,936
Retirement	807,835	62,643	287,815	24,514	137,469	1,320,276
Payroll taxes	2,624,312	207,762	1,090,261	67,725	337,465	4,327,525
Purchased education services	2,193,559	592,202	315,027	12,367	89,861	3,203,016
Other purchased professional services	245,541	1,338,162	1,672,755	88,251	623,852	3,968,561
Utilities	-	2,115,968	-	-	-	2,115,968
Repairs and maintenance	12,183	5,679,776	-	-	39,030	5,730,989
Rentals	679,933	1,945,929	1,721	1,139	364,766	2,993,488
Student transportation	1,638,009	7,954,483	1,773,014	-	45	11,365,551
Insurance	4,275	2,392,532	-	-	-	2,396,807
Communciations	378	68,567	-	10,594	6,099	85,638
Advertising, printing, and binding	8,099	76,891	-	-	23,424	108,414
Tuition	1,138,451	-	-	39,743	12,631	1,190,825
Food service	579,272	5,547,618	10,291	5,854	176,160	6,319,195
Travel	171,229	-	-	9,017	19,876	200,122
Miscellaneous purchased services	1,195,677	354,434	91,696	22,965	114,014	1,778,786
Materials and supplies	1,693,035	1,411,065	53,808	6,448	131,487	3,295,843
Books and periodicals	362,879	2,796	4,355	1,443	2,614	374,087
Dues and fees	-	1,508,275	-	12	45,945	1,554,232
Miscellaneous	-	107,050	-	-	28,970	136,020
Depreciation	-	601,015	-	-	61,160	662,175
Interest	1,665	-	-	-	395,843	397,508
Total expenses	\$ 52,358,058	\$ 34,962,901	\$ 21,424,631	\$ 1,301,230	\$ 7,679,656	\$ 117,726,476

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Support Services	
	General Instructional	General Non-Instructional	Special Education	Special Program	Administration	Total
Salaries and stipend pay	\$ 34,270,343	\$ 3,135,604	\$ 11,923,708	\$ 1,175,304	\$ 4,266,917	\$ 54,771,876
Benefits	3,531,843	342,735	1,067,075	94,818	364,432	5,400,903
Retirement	866,552	70,019	263,001	18,818	133,273	1,351,663
Payroll taxes	2,527,214	232,760	885,007	87,460	310,168	4,042,609
Purchased education services	1,741,579	477,604	354,681	2,592	78,853	2,655,309
Other purchased professional services	228,382	1,448,598	1,199,541	120,345	430,333	3,427,199
Utilities	-	2,032,438	-	-	-	2,032,438
Repairs and maintenance	15,060	4,704,210	-	-	50,651	4,769,921
Rentals	676,366	1,988,278	790	-	202,030	2,867,464
Student transportation	1,399,651	7,225,573	1,417,007	1,893	18,228	10,062,352
Insurance	-	1,640,743	-	-	-	1,640,743
Communciations	950	24,104	5	577	44,409	70,045
Advertising, printing, and binding	9,044	821	-	-	43,556	53,421
Tuition	1,106,617	33,300	-	22,476	4,188	1,166,581
Food service	-	5,209,410	-	-	-	5,209,410
Travel	283,919	6,108	319	17,874	17,523	325,743
Miscellaneous purchased services	1,084,892	92,905	51,788	19,841	109,929	1,359,355
Materials and supplies	3,180,186	1,106,583	46,340	31,913	635,587	5,000,609
Books and periodicals	483,394	1,381	20,148	3,803	781	509,507
Dues and fees	1,489,408	15,911	400	32	19,774	1,525,525
Miscellaneous	-	1,000	-	-	8,746	9,746
Depreciation	-	435,974	-	-	36,976	472,950
Interest	-	-	-	-	446,260	446,260
Total expenses	\$ 52,895,400	\$ 30,226,059	\$ 17,229,810	\$ 1,597,746	\$ 7,222,614	\$ 109,171,629

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,252,129	\$ 9,519,948
Adjustments to reconcile change in net assets to cash and cash equivalents from (used for) operating activities:		
Depreciation expense	662,171	472,950
Amortization expense	26,461	26,454
(Increase) decrease in:		
Grant receivables	744,419	4,004,747
Other receivables	(68,978)	205,342
Prepaid expenses	(251,594)	54,499
Deposits	36,688	-
Increase (decrease) in:		
Accounts payable	5,217,365	(2,193,350)
Accrued expenses	(33,020)	5,583
Student activity funds	971	9,134
Deferred revenue	-	(123,431)
	<u>7,586,612</u>	<u>11,981,876</u>
Net cash from (used for) operating activities		
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Capital expenditures	<u>(390,257)</u>	<u>(2,383,244)</u>
Net cash (used for) investing activities	<u>(390,257)</u>	<u>(2,383,244)</u>
<u>CASH FLOWS (USED FOR) FINANCING ACTIVITIES:</u>		
Payments on long-term debt	<u>(586,192)</u>	<u>(839,583)</u>
Net cash (used for) financing activities	<u>(586,192)</u>	<u>(839,583)</u>
Net increase in cash and cash equivalents	6,610,163	8,759,049
Cash and cash equivalents, beginning of year	<u>36,049,075</u>	<u>27,290,026</u>
Cash and cash equivalents, end of year	<u>\$ 42,659,238</u>	<u>\$ 36,049,075</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Nature of Activities

KIPP New Orleans, Inc. and Subsidiary (KIPP) is a nonprofit corporation organized under the laws of the State of Louisiana. KIPP New Orleans, Inc. was incorporated in the Spring of 2005 for the purpose of operating charter schools in New Orleans, Louisiana to provide students with knowledge, skills, and character traits necessary to succeed in competitive high schools, college, and life.

The Board of Elementary and Secondary Education (BESE) approved the granting of eight Type 5 charter schools. As a result of Orleans Parish city wide school reunification, effective July 1, 2018, BESE approved the transfer of all of KIPP's Type 5 charter schools to a Type 3B charter to operate under the jurisdiction of OPSB. In addition, the School Support Center (the SSC) provides support to each of the schools in the areas of development, operations, finance, academics, recruitment, and planning. All KIPP schools and the SSC are governed by the KIPP Board of Directors. As of June 30, 2024 and 2023, KIPP operates eight charter schools as listed below as authorized by the operating agreements between Orleans Parish School Board (OPSB) and KIPP:

<u>School</u>	<u>Type</u>	<u>Term Date</u>
KIPP Believe	Type 3B	June 30, 2026
KIPP Central City	Type 3B	June 30, 2026
KIPP East	Type 3B	June 30, 2029
KIPP Leadership	Type 3B	June 30, 2029
KIPP Morial	Type 3B	June 30, 2026
Frederick A. Douglass High School	Type 3B	June 30, 2030
Booker T. Washington High School	Type 3B	June 30, 2026
John F. Kennedy High School	Type 3B	June 30, 2025

Principles of Consolidation

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

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

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

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

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

Method of Accounting and Financial Reporting Framework

Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

Basis of Presentation

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

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

Receivables

Grants, notes, and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for credit losses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2024 and 2023, no allowance has been recorded as management considers all receivables to be fully collectible.

Property and Equipment

Excluding KIPP Believe, the land, building and building improvements used to operate KIPP are owned by OPSB and, as such, are recorded on the financial statements of OPSB. The building and building improvements used to operate KIPP Believe are owned by BDF Elementary. KIPP's authorizers, OPSB and RSD, also provided KIPP with furniture and equipment that is also recorded on the authorizer's financial statements and not reported by KIPP. KIPP only reports its direct purchases of leasehold improvements and furniture and equipment. KIPP has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$5,000. Property is recorded at cost or at fair value for donated assets.

Depreciation of these assets is provided on the straight-line basis over the lesser of their estimated useful lives of 5 years for classroom furniture and equipment, 15 years for playground equipment, 5 years for musical instruments, 5-15 years for building improvements, and 5 years for software, or the remaining number of years on the lease.

Debt Issuance Costs

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

Compensated Absences

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

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

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

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. KIPP reports contributions of cash or other assets as restricted support if they are received with donor-imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the consolidated statement of activities.

Revenues from federal and state grants are recorded when KIPP has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by KIPP, or when otherwise earned under the terms of the grants. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the consolidated statements of financial position.

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

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

Leases

KIPP applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. KIPP defines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that KIPP will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate.

KIPP also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether KIPP can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

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

Leases (continued)

KIPP is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. KIPP generally uses the incremental borrowing rate when initially recording real estate leases. Information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

KIPP determines the incremental borrowing rate of each lease by estimating the credit rating of KIPP at the time the lease is recognized, referencing market yields corresponding to the credit rating and weighted average life of the lease, and factoring in other lease-specific factors such as assumed collateral.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. The financial statements of KIPP report certain categories of expenses that are attributable to more than one program or supporting function. The majority of expenses are allocated based on actual time and effort. However, several expenses (e.g., utilities, supplies, repairs and maintenance, etc.) require allocation based on usage (e.g., building square footage, estimated consumption, etc.) by each function.

Income Tax Status

KIPP has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to income tax unless it has unrelated trade or business income. Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination.

As of June 30, 2024, KIPP believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2021 and later remain subject to examination by the taxing authorities.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

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

New Accounting Standards Adopted

KIPP has adopted the Current Expected Credit Losses (CECL) accounting standard, as per Accounting Standards Update (ASU) No. 2016-13, "*Financial Instruments – Credit Losses (Topic 326)*." The standard introduces a new model for estimating credit losses on financial instruments. After a thorough evaluation, management has determined that the impact of adopting the CECL standard on the financial statements is immaterial. KIPP has considered factors such as historical loss experience, current economic conditions, and other relevant factors in its credit loss estimation process. As a result, the adoption of the CECL standard has not had a material impact on KIPP's financial position, results of operations, or cash flows. KIPP will continue to monitor developments related to the CECL standard and will provide updates as necessary in future financial statement disclosures.

Date of Management Review

Subsequent events have been evaluated through December 12, 2024, which is the date the financial statements were available to be issued.

(2) STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES

Supplemental disclosures of cash flow information at June 30th:

Cash paid during the year for:	<u>2024</u>	<u>2023</u>
Interest	<u>\$ 371,052</u>	<u>\$ 419,803</u>

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects KIPP's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include restricted contributions, investments, long-term note receivable, deferred revenue, and debt service. However, amounts already appropriated from the restricted deposits and funded reserves for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

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

	<u>2024</u>	<u>2023</u>
Financial assets at year-end	\$ 61,534,173	\$ 55,599,451
Less those unavailable for general expenditure within one year due to:		
Note receivable (Note 6)	(15,063,960)	(15,063,960)
Debt service (Note 8)	<u>(6,997,095)</u>	<u>(585,908)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 39,473,118</u>	<u>\$ 39,949,583</u>

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

(4) GRANT RECEIVABLES

Grant receivables consists of the following at June 30th:

	<u>2024</u>	<u>2023</u>
Due from State of Louisiana	\$ 2,766,614	\$ 4,303,433
Due from NOLA PS	318,930	-
Due from foundations and others	<u>579,226</u>	<u>105,756</u>
	<u>\$ 3,664,770</u>	<u>\$ 4,409,189</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30th:

	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 1,696,065	\$ 1,625,379
Land	44,877	44,877
Leasehold improvements	3,598,714	3,279,138
Software	<u>32,579</u>	<u>32,579</u>
	5,372,235	4,981,973
Less accumulated depreciation	<u>(2,540,375)</u>	<u>(1,878,199)</u>
Total property and equipment, net	<u>\$ 2,831,860</u>	<u>\$ 3,103,774</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$662,175 and \$472,950, respectively.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(6) NOTE RECEIVABLE

FKNO has a note receivable from COCFR Investor 90, LLC bearing interest at 6.28% annually until maturity on October 25, 2040. Interest is paid quarterly. A principal payment of \$8,123,597 is due October 25, 2024 followed by quarterly payments starting in March of 2025. The balance of the note receivable was \$15,063,960 at June 30, 2024 and 2023.

Annual maturities of note receivable for each of the five years following June 30, 2024, in total thereafter follow:

2025 – 2029	\$	9,437,032
2030 – 2034		1,963,685
2035 – 2039		2,681,708
2040 – 2044		<u>981,535</u>
	\$	<u>15,063,960</u>

(7) LINE OF CREDIT

KIPP has a line of credit in the amount of \$2,000,000. The interest rate on the line of credit is 3.25%. There was no outstanding balance due on the line of credit as of June 30, 2024 and 2023. The line of credit expires on March 31, 2025.

(8) LONG-TERM DEBT

FKNO has long-term notes payable as follows at June 30th:

	2024	2023
Notes payable to Capital One, bearing interest at 4.75% with quarterly interest payments starting December 2017 and quarterly principal payments starting March 2019. Balloon payment of \$3,913,426 due at maturity, October 25, 2024.	\$ 3,297,730	\$ 3,488,812
Notes payable to Low Income Investment Fund (“LIIF”), bearing interest at 5.49% with quarterly interest payments starting March 2019, and balloon payment of \$3,685,716 due at maturity, October 25, 2024.	3,712,594	3,816,515
Non-interest-bearing note to unrelated party with quarterly principal payments of \$145,594 starting March 2019. The note matures on December 1, 2023.	<u>-</u>	<u>291,189</u>
	7,010,324	7,596,516
Less: current portion of long-term debt	<u>(7,010,324)</u>	<u>(585,908)</u>
Total long-term notes payable	<u>\$ -</u>	<u>\$ 7,010,608</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(8) LONG-TERM DEBT (CONTINUED)

The Organization has unamortized debt issuance cost at June 30, 2024 and 2023 as follows:

	2024	2023
Debt issuance cost	\$ 185,200	\$ 185,200
less accumulated amortization	(171,971)	(145,514)
Total unamortized debt issuance	\$ 13,229	\$ 39,686

The proceeds of these notes payable, were used by FKNO to make a leverage loan to COCRF Investor 90 (as further described in Note 6). The proceeds of the leverage loan were combined with Capital One's equity investment in COCRF Investor 90 to make qualified equity investment in COCFR Investor 90's subsidiary CDEs which in turn made qualified low-income community investments in BDF Elementary for the construction of a K-8 school building to be leased to KIPP.

KIPP serves as guarantor for both notes payable, and KIPP and FKNO are subject to certain financial covenants under FKNO's notes payable. KIPP and FKNO were in compliance with its financial covenants at June 30, 2024 and 2023.

(9) RESTRICTIONS ON NET ASSETS

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

	2024	2023
KIPP Foundation	\$ 50,376	\$ 196,216
Other	23,961	50,036
Net assets with donor restrictions	\$ 74,337	\$ 246,252

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

	2024	2023
FKNO	\$ 100,000	\$ -
KIPP Foundation	280,839	586,923
Other	425,566	350,072
Net assets released from restrictions	\$ 806,405	\$ 936,995

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(10) RETIREMENT PLAN

KIPP has a 403(b) deferred compensation plan covering substantially all employees. Covered employees may elect to contribute a portion of their salaries as allowable. KIPP has elected to match 5% of covered employees' salaries. KIPP's contributions were \$1,320,276 and \$1,351,663 for the years ended June 30, 2024 and 2023, respectively.

(11) CONCENTRATIONS OF CREDIT RISK

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

(12) LEASE COMMITMENTS

Operating leases with OPSB

KIPP entered into agreements with the OPSB whereby each school has its own separate agreement which allows KIPP to use the facilities and contents at each location except for those described below. Lease terms range from July 1, 2023 through June 30, 2026 corresponding with each school's charter agreement.

All of the aforementioned leases call for payments based on the Use Fee and participation in OPSB's Per Pupil Unit Cost Program. The Use Fee is calculated annually and withheld from MFP funds by OPSB. The calculation is based on each charter schools per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB-controlled school facilities participating in the Per Pupil Unit Cost Program, and includes any insurance brokerage fee, unrelated to recovery of capital costs or depreciation that would be recovered in a traditional lease relationship.

In lieu of a security/damage deposit, KIPP pays a non-reimbursable Damage Fee to OPSB in the amount of \$12.50 per pupil payable over three years, beginning in FY22, or by the end of the term of the lease agreements, whichever occurs first. OPSB deposits the Damage Fee into a Damage Fund, as described in OPSB Policy HD, which is the repository for all Damage Fees remitted by all school operators leasing OPSB-owned facilities. The Damage Fund is a communal fund to be utilized to finance the cost of any incomplete maintenance or facility repair needs noted to facilities after any school operator exits its lease with OPSB. KIPP remains liable for any deferred maintenance or facility repair costs in excess of its contribution to the Damage Fund.

Use of the properties in the aforementioned leases is not recorded as an in-kind contribution from, or related rent expense to, the OPSB as the value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(12) LEASE COMMITMENTS (CONTINUED)

Operating leases with Other Parties

KIPP entered into a sublease agreement on October 25, 2017 (effective date) with BDF Elementary for a new facility to be constructed to house KIPP Believe. During the year ended June 30, 2019, KIPP Believe was relocated to the newly constructed facility and rent payments commenced on March 1, 2019 (rent commencement date).

The sublease will remain in effect until the earlier of the ten-year anniversary of the rent commencement date or the revocation or non-renewal of KIPP Believe's charter. The sublease contains two renewal options for an additional ten years each and a third renewal option of five years. Base rent under the sublease agreement is \$175,000 per quarter. An additional rent payment is also due each quarter in the amount of \$160,625.

KIPP entered into a sublease agreement on June 14, 2017 (effective date) with BTW School Facility, LLC for a new facility to house Booker T. Washington High School. During the year ended June 30, 2019, Booker T. Washington High School was relocated to the new facility and rent payments commenced on July 1, 2019 (rent commencement date). The sublease will remain in effect until the earlier of June 30, 2024 or the revocation or non-renewal of Booker T. Washington High School's charter. Base rent under the sublease agreement is \$45,938 and \$43,750 per month for the years ended June 30, 2024 and 2023, respectively. Total rent expense under the terms of this lease for the year ended June 30, 2023 was \$551,256.

In July 2022, KIPP signed a lease agreement for office space commencing October 1, 2022 and ending 63 months thereafter. Minimum monthly rent payments for the first year shall be \$16,627 with annual increases of approximately 2.5%. Minimum monthly payments for parking shall be \$6,300, with a fifty percent discount for the first twelve months.

Additional information about KIPP's leases is as follows for the year ended June 30th: 2024:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ <u>2,240,528</u>	\$ <u>2,021,067</u>
Cash paid for amounts in lease liabilities	\$ 2,240,528	2,021,067
Operating cash flows from operating leases	2,240,528	2,021,067
Right-of-use assets obtained in exchange for new operating lease liabilities	7,874,163	7,582,471
Weighted-average remaining lease term- operating leases	2.54 years	3.01 years
Weighted-average discount rate- operating leases	3.04%	3.04%

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(12) LEASE COMMITMENTS (CONTINUED)

The maturities of lease liabilities as of June 30, 2024 are as follows:

2025		\$ 1,657,448
2026		1,860,129
2027		283,066
2028		<u>195,915</u>
		<u>\$ 3,996,558</u>

(13) ECONOMIC DEPENDENCY

KIPP receives the majority of its revenue from the State of Louisiana. Minimum Foundation Program (MFP) funding for the years ended June 30, 2024 and 2023 totaled \$82,447,854 and \$79,618,115, respectively. Funding was received from various federal grants passed through the State of Louisiana totaled \$27,709,922 and \$34,876,049 for the years ended June 30, 2024 and 2023, respectively. Other State funding received from the State of Louisiana totaled \$4,237,902 and \$1,352,890 for the years ended June 30, 2024 and 2023, respectively. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds KIPP receives could be reduced significantly and have an adverse impact on its operations. In October of 2024, NOLA-PS notified KIPP and all the charter school operators authorized by the Orleans Parish School Board that NOLA-PS had made an error in forecasting tax revenues that would be distributed to charter schools in fiscal year 2025. NOLA-PS indicated that there could be up to \$36 million less to distribute to schools, compared to forecasts that they had provided to schools in March 2024. As of the report date, NOLA-PS officials are working to formalize a plan to mitigate the impact of their forecasting error as well as determining what the exact amount of the shortfall will be. KIPP is presently determining what the potential impact, if any, will be on its operations

(14) GRANT PROGRAM CONTINGENCIES

KIPP participates in a number of state and federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that KIPP has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2024 and 2023 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and KIPP.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2024 AND 2023

(15) RECLASSIFICATIONS

Certain reclassifications have been made to prior year's financial statements to conform to the presentation of the current year financial statements. The reclassifications have no effect on net assets.

(16) SUBSEQUENT EVENTS

On November 13, 2024, upon the conclusion of the seven-year compliance period for the six qualified low-income community loans that COCRF Investor 90's subsidiary CDEs made in BDF Elementary, a subsidiary of the Bayou District Foundation, for the construction of the K-8 school building that had been leased to KIPP New Orleans (as described in Notes 6 and 8), the subsidiary CDEs' Managing Members executed plans to dissolve and liquidate, effectively moving COCRF Investor 90's qualified equity investments totaling \$22,266,000 back into the fund. Capital One, National Association, the holder of a 100% interest in the fund, had entered into an investment fund put/call agreement with Friends of KIPP New Orleans dated October 25, 2017 which both parties executed via a Membership Interest Purchase Agreement dated November 13, 2024 for the pre-determined price of \$1,000. Friends of KIPP New Orleans, on behalf of COCRF Investor 90 in which it now held a 100% stake, executed an act of sale with BDF Elementary to purchase the building improvements in exchange for the acquittance and discharge of the six promissory notes (as described in Note 8). Concurrently, the facility lease agreement between KIPP New Orleans and BDF Elementary, that was to remain in effect until the earlier of October 24, 2027 or the revocation or non-renewal of KIPP Believe's charter, was dissolved (as described in Note 12). Subsequently, Friends of KIPP New Orleans liquidated COCRF Investor 90, which acquitted and discharged the note receivable that Friends of KIPP New Orleans had from COCRF Investor 90 totaling \$15,063,960 (as described in Note 6). Concurrent to the act of sale, Friends of KIPP New Orleans, Bayou District Foundation, and the Housing Authority of New Orleans – which owns the land parcel that is leased to St. Bernard Redevelopment, LLC and subleased to Bayou District Foundation - executed an assignment and assumption of the sub-sublease for the land parcel, amending the assignment and assumption of the sub-sublease from BDF Elementary to Friends of KIPP New Orleans. Also concurrent to the assignment and assumption of the sub-sublease, Bayou District Foundation and Friends of KIPP New Orleans entered into the first amendment to the sub-sublease agreement, which among other amendments extended the term until October 1, 2108. Subsequently, Friends of KIPP New Orleans and KIPP New Orleans entered into a facility lease agreement dated November 13, 2024 with a term extending through September 30, 2108 requiring a one-time immediate lease payment of \$6,740,140 and subsequent annual payments to fund specific building-related operating expenses, mainly an annual contribution in a Capital Account for capital planning and repair. Concurrently, Friends of KIPP New Orleans made balloon payments to acquit and discharge its remaining long-term debt obligations to Capital One, National Association and the Low Income Investment Fund (as described in Note 8), the original funding sources for Friends of KIPP New Orleans' leverage loan to COCRF Investor 90 (as described in Note 6), in the amounts of \$3,266,864.85 and \$3,709,885.53 respectively.

SUPPLEMENTARY INFORMATION

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2023

	KIPP New Orleans, Inc.	Friends of KIPP New Orleans, Inc.	Eliminating Entries	2024 Total	2023 Total
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 41,746,636	\$ 912,602	\$ -	\$ 42,659,238	\$ 36,049,075
Grant receivables	3,664,770	-	-	3,664,770	4,409,189
Other receivables	146,205	-	-	146,205	77,227
Prepaid expenses	417,390	-	-	417,390	165,796
	<u>45,975,001</u>	<u>912,602</u>	<u>-</u>	<u>46,887,603</u>	<u>40,701,287</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	2,831,860	-	-	2,831,860	3,103,774
<u>OTHER ASSETS:</u>					
Right of use assets - operating leases, net	3,996,558	-	-	3,996,558	5,748,135
Notes receivable	-	15,063,960	-	15,063,960	15,063,960
Deposits	185,259	-	-	185,259	221,947
	<u>4,181,817</u>	<u>15,063,960</u>	<u>-</u>	<u>19,245,777</u>	<u>21,034,042</u>
Total assets	<u>\$ 52,988,678</u>	<u>\$ 15,976,562</u>	<u>\$ -</u>	<u>\$ 68,965,240</u>	<u>\$ 64,839,103</u>
<u>CURRENT LIABILITIES:</u>					
Accounts payable	\$ 9,048,313	\$ -	\$ -	\$ 9,048,313	\$ 3,830,948
Accrued expenses	137,096	-	-	137,096	170,116
Student activity funds	489,872	-	-	489,872	488,901
Current portion - operating leases	1,657,449	-	-	1,657,449	2,043,267
Current portion - long-term debt, net of unamortized issuance costs	-	6,997,095	-	6,997,095	585,908
	<u>11,332,730</u>	<u>6,997,095</u>	<u>-</u>	<u>18,329,825</u>	<u>7,119,140</u>
<u>NON-CURRENT LIABILITIES:</u>					
Operating leases, net of current portion	2,339,110	-	-	2,339,110	3,704,865
Long-term debt, net of unamortized issuance costs	-	-	-	-	6,970,922
	<u>2,339,110</u>	<u>-</u>	<u>-</u>	<u>2,339,110</u>	<u>10,675,787</u>
Total liabilities	<u>13,671,840</u>	<u>6,997,095</u>	<u>-</u>	<u>20,668,935</u>	<u>17,794,927</u>
<u>NET ASSETS:</u>					
Without donor restrictions	39,242,501	8,979,467	-	48,221,968	46,797,924
With donor restrictions	74,337	-	-	74,337	246,252
	<u>39,316,838</u>	<u>8,979,467</u>	<u>-</u>	<u>48,296,305</u>	<u>47,044,176</u>
Total liabilities and net assets	<u>\$ 52,988,678</u>	<u>\$ 15,976,562</u>	<u>\$ -</u>	<u>\$ 68,965,240</u>	<u>\$ 64,839,103</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED INFORMATION AT JUNE 30, 2023

	KIPP New Orleans, Inc.			Friends of KIPP New Orleans, Inc.			Eliminating Entries	2024 Total	2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE:									
State/Local Minimum Foundation Program funding	\$ 82,447,854	\$ -	\$ 82,447,854	\$ -	\$ -	\$ -	\$ -	\$ 82,447,854	\$ 79,618,115
Federal grants	27,374,940	-	27,374,940	-	-	-	-	27,374,940	33,757,872
Other state funds	4,237,902	-	4,237,902	-	-	-	-	4,237,902	1,352,890
Private grants and contributions of financial assets	717,933	534,490	1,252,423	150,839	100,000	250,839	(100,000)	1,403,262	966,358
Contributions of nonfinancial assets	334,982	-	334,982	-	-	-	-	334,982	1,118,177
Other income	2,227,124	-	2,227,124	952,541	-	952,541	-	3,179,665	1,878,165
Net assets released from restrictions	706,405	(706,405)	-	100,000	(100,000)	-	-	-	-
Total revenue	<u>118,047,140</u>	<u>(171,915)</u>	<u>117,875,225</u>	<u>1,203,380</u>	<u>-</u>	<u>1,203,380</u>	<u>(100,000)</u>	<u>118,978,605</u>	<u>118,691,577</u>
EXPENSES:									
Program services:									
General instructional	52,358,058	-	52,358,058	-	-	-	-	52,358,058	52,895,400
General non-instructional	34,962,901	-	34,962,901	-	-	-	-	34,962,901	30,226,059
Special education	21,424,631	-	21,424,631	-	-	-	-	21,424,631	17,229,810
Special programs	1,301,230	-	1,301,230	-	-	-	-	1,301,230	1,597,746
Administration	<u>7,267,298</u>	<u>-</u>	<u>7,267,298</u>	<u>512,358</u>	<u>-</u>	<u>512,358</u>	<u>(100,000)</u>	<u>7,679,656</u>	<u>7,222,616</u>
Total expenses	<u>117,314,118</u>	<u>-</u>	<u>117,314,118</u>	<u>512,358</u>	<u>-</u>	<u>512,358</u>	<u>(100,000)</u>	<u>117,726,476</u>	<u>109,171,631</u>
Change in net assets	<u>733,022</u>	<u>(171,915)</u>	<u>561,107</u>	<u>691,022</u>	<u>-</u>	<u>691,022</u>	<u>-</u>	<u>1,252,129</u>	<u>9,519,946</u>
Net assets, beginning of year	<u>38,509,479</u>	<u>246,252</u>	<u>38,755,731</u>	<u>8,288,445</u>	<u>-</u>	<u>8,288,445</u>	<u>-</u>	<u>47,044,176</u>	<u>37,524,230</u>
Net assets, end of year	<u>\$ 39,242,501</u>	<u>\$ 74,337</u>	<u>\$ 39,316,838</u>	<u>\$ 8,979,467</u>	<u>\$ -</u>	<u>\$ 8,979,467</u>	<u>\$ -</u>	<u>\$ 48,296,305</u>	<u>\$ 47,044,176</u>

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
COMBINING STATEMENT OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2024
WITH SUMMARIZED INFORMATION AT JUNE 30, 2023

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Frederick A. Douglass High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	John F. Kennedy	School Support Center	Interfund Eliminations	2024 Total	2023 Final
ASSETS:												
Cash and cash equivalents	\$ 731,774	\$ 521,431	\$ 545,472	\$ 559,074	\$ 600,399	\$ 642,453	\$ 606,761	\$ 429,698	\$ 37,109,574	\$ -	\$ 41,746,636	\$ 35,263,325
Grant receivables	363,277	311,882	621,692	792,113	415,650	357,796	247,670	186,535	368,155	-	3,664,770	4,409,189
Other receivables	1,455,553	956,696	1,733,086	141,002	941,958	987,014	1,528,904	(124,326)	(7,473,682)	-	146,205	77,227
Prepaid expenses	-	-	-	-	-	-	-	-	417,390	-	417,390	165,796
Total current assets	2,550,604	1,790,009	2,900,250	1,492,189	1,958,007	1,987,263	2,383,335	491,907	30,421,437	-	45,975,001	39,915,537
PROPERTY AND EQUIPMENT, NET	452,019	664,794	267,583	277,827	240,621	479,389	121,133	84,573	243,921	-	2,831,860	3,103,774
OTHER ASSETS:												
Right of use assets - operating leases, net	-	2,992,108	-	-	-	-	-	-	1,004,450	-	3,996,558	5,748,135
Deposits	27,720	10,134	21,158	26,626	10,679	23,484	17,648	45,310	2,500	-	185,259	221,947
Total other assets	27,720	3,002,242	21,158	26,626	10,679	23,484	17,648	45,310	1,006,950	-	4,181,817	5,970,082
Total assets	\$ 3,030,343	\$ 5,457,045	\$ 3,188,991	\$ 1,796,642	\$ 2,209,307	\$ 2,490,136	\$ 2,522,116	\$ 621,790	\$ 31,672,308	\$ -	\$ 52,988,678	\$ 48,989,393
CURRENT LIABILITIES:												
Accounts payable	\$ 447,559	\$ 405,193	\$ 625,519	\$ 373,216	\$ 652,545	\$ 440,754	\$ 773,951	\$ 192,265	\$ 5,137,311	\$ -	\$ 9,048,313	\$ 3,826,513
Accrued expenses	31	5,221	(10,694)	(7,163)	(17,779)	(17,292)	(4,032)	(2,123)	190,927	-	137,096	170,116
Student activity funds	93,922	52,615	34,737	89,280	45,944	5,333	112,120	55,921	-	-	489,872	488,901
Current portion of operating leases	-	1,401,403	-	-	-	-	-	-	256,046	-	1,657,449	2,043,267
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	541,512	1,864,432	649,562	455,333	680,710	428,795	882,039	246,063	5,584,284	-	11,332,730	6,528,797
NON-CURRENT LIABILITIES:												
Operating leases, net of current portion	-	1,590,706	-	-	-	-	-	-	748,404	-	2,339,110	3,704,865
Long-term debt, net of unamortized issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	1,590,706	-	-	-	-	-	-	748,404	-	2,339,110	3,704,865
Total liabilities	541,512	3,455,138	649,562	455,333	680,710	428,795	882,039	246,063	6,332,688	-	13,671,840	10,233,662
NET ASSETS:												
Without donor restrictions	2,488,831	2,001,907	2,539,429	1,341,309	1,528,597	2,061,341	1,640,077	375,727	25,265,283	-	39,242,501	38,509,479
With donor restrictions	-	-	-	-	-	-	-	-	74,337	-	74,337	246,252
Total net assets	2,488,831	2,001,907	2,539,429	1,341,309	1,528,597	2,061,341	1,640,077	375,727	25,339,620	-	39,316,838	38,755,731
Total liabilities and net assets	\$ 3,030,343	\$ 5,457,045	\$ 3,188,991	\$ 1,796,642	\$ 2,209,307	\$ 2,490,136	\$ 2,522,116	\$ 621,790	\$ 31,672,308	\$ -	\$ 52,988,678	\$ 48,989,393

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
COMBINING STATEMENT OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED INFORMATION AT JUNE 30, 2023

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Frederick A. Douglass High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	John F. Kennedy	School Support Center	Interfund Eliminations	2024 Total	2023 Total
NET ASSETS WITHOUT DONOR RESTRICTIONS:												
REVENUE:												
State/Local Minimum Foundation Program funding	\$ 12,408,926	\$ 10,191,879	\$ 10,751,277	\$ 8,656,066	\$ 11,527,807	\$ 11,477,027	\$ 9,296,702	\$ 8,138,170	\$ -	\$ -	\$ 82,447,854	\$ 79,618,115
Federal grants	4,103,753	3,707,595	4,397,421	2,851,224	4,357,443	2,792,266	2,224,624	2,056,548	884,066	-	27,374,940	33,757,872
Other state funds	718,912	456,795	717,432	497,017	592,797	714,990	283,171	256,788	-	-	4,237,902	1,352,890
Private grants and contributions of financial assets	10,253	101,031	147,256	5,600	31,876	(2,344)	14,781	9,615	399,865	-	717,933	-
Contributions of nonfinancial assets	74,289	45,523	61,043	19,029	42,427	68,404	8,816	10,451	5,000	-	334,982	1,118,177
Other income	311,879	227,820	288,022	208,078	267,927	254,821	389,525	182,585	12,481,914	(12,385,447)	2,227,124	926,682
Net assets released from restrictions	65,433	52,602	58,196	28,932	62,026	62,915	26,641	17,307	332,353	-	706,405	936,995
Total revenue	17,693,445	14,783,245	16,420,647	12,265,946	16,882,303	15,368,079	12,244,260	10,671,464	14,103,198	(12,385,447)	118,047,140	117,710,731
EXPENSES:												
Program services:												
General instructional	7,392,039	5,799,397	6,292,856	6,349,902	6,108,671	6,839,054	4,925,529	5,129,524	3,521,086	-	52,358,058	52,895,400
General non-instructional	4,700,885	4,853,636	4,880,353	3,720,879	4,382,488	4,596,712	4,229,283	3,598,665	-	-	34,962,901	30,226,059
Special education	2,800,671	2,865,938	2,504,086	1,562,523	3,408,430	2,726,062	1,776,877	1,721,228	2,058,816	-	21,424,631	17,229,810
Special programs	43,851	63,217	86,315	232,280	25	56,597	179,490	107,467	531,988	-	1,301,230	1,597,746
Administration	3,174,633	1,044,260	2,323,797	334,352	3,462,907	1,070,369	973,091	2,037	7,267,299	(12,385,447)	7,267,298	6,761,584
Total expenses	18,112,079	14,626,448	16,087,407	12,199,936	17,362,521	15,288,794	12,084,270	10,558,921	13,379,189	(12,385,447)	117,314,118	108,710,599
TRANSFERS IN (OUT):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total transfers in (out)	-	-	-	-	-	-	-	-	-	-	-	-
Change in net assets without donor restrictions	(418,634)	156,797	333,240	66,010	(480,218)	79,285	159,990	112,543	724,009	-	733,022	9,000,132
NET ASSETS WITH DONOR RESTRICTIONS:												
Grants and contributions	65,433	52,602	58,196	21,109	62,026	62,915	12,481	12,474	187,254	-	534,490	614,242
Net assets released from restrictions	(65,433)	(52,602)	(58,196)	(28,932)	(62,026)	(62,915)	(26,641)	(17,307)	(332,353)	-	(706,405)	(936,997)
Change in net assets with donor restrictions	-	-	-	(7,823)	-	-	(14,160)	(4,833)	(145,099)	-	(171,915)	(322,755)
Net assets, beginning of year	2,907,465	1,845,110	2,206,189	1,283,122	2,008,815	1,982,056	1,494,247	268,017	24,760,710	-	38,755,731	30,078,354
Net assets, end of year	\$ 2,488,831	\$ 2,001,907	\$ 2,539,429	\$ 1,341,309	\$ 1,528,597	\$ 2,061,341	\$ 1,640,077	\$ 375,727	\$ 25,339,620	\$ -	\$ 39,316,838	\$ 38,755,731

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2024

	Rhonda Kalifey-Aluise, CEO
Time served	07/01/23 through 06/30/24
Salary	\$ 220,573
Retention bonus	2,000
LDOE certificated and support staff stipend	2,000
Benefits - insurance	10,696
Benefits - retirement	11,029
Gas stipend	1,200
Total compensation, benefits, and other payments	<u>\$ 247,498</u>

(See Independent Auditors' Report)

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary (a non-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered KIPP New Orleans, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPP New Orleans, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the KIPP New Orleans, Inc. and Subsidiary's internal control.

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

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



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the KIPP New Orleans, Inc. and Subsidiary's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the KIPP New Orleans, Inc. and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 12, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

SINGLE AUDIT SECTION



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP New Orleans, Inc. and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of KIPP New Orleans, Inc. and Subsidiary's major federal programs for the year ended June 30, 2024. KIPP New Orleans, Inc. and Subsidiary's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, KIPP New Orleans, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of KIPP New Orleans, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of KIPP New Orleans, Inc. and Subsidiary's compliance with the compliance requirements referred to above.



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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to KIPP New Orleans, Inc. and Subsidiary's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on KIPP New Orleans, Inc. and Subsidiary's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about KIPP New Orleans, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KIPP New Orleans, Inc. and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of KIPP New Orleans, Inc. and Subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of KIPP New Orleans, Inc. and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.



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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 12, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal AL Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	\$ 4,186,400
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027A	\$ 2,325,450
Special Education - COVID-19 IDEA 611 ARP	84.027X	332,991
Special Education - Preschool Grants	84.173A	33,770
Special Education - COVID-19 IDEA 619 ARP	84.173X	<u>19,168</u>
Total Special Education Cluster		2,711,379
Career and Technical Education - Basic Grants to States	84.048	80,773
McKinney-Vento Education for Homeless Children and Youth Program	84.196	2,502
English Language Acquisition State Grants	84.365	69,445
Supporting Effective Instruction State Grants	84.367	471,714
Comprehensive Literacy Development	84.371	66,882
Student Support and Academic Enrichment Program	84.424	697,579
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	204,495
COVID-19 Governor's American Rescue Plan - Emergency Education Relief Fund - ARP ESSER	84.425U	<u>10,511,759</u>
Total Education Stabilization Fund		10,716,254
<i>Pass-through KIPP Foundation</i>		
Charter Schools	84.282	389,068
<i>Pass-through New Schools for New Orleans</i>		
Teacher and School Leader Incentive Grants	84.374	2,196,062
Supporting Effective Educator Development Program	84.423	<u>515,310</u>
 Total U.S. Department of Education		 <u>22,103,368</u>
<u>U.S. Department of Agriculture</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Child Nutrition Cluster		
National School Lunch Program	10.555	6,441,508
Summer Food Service Program	10.559	86,649
Fresh Fruit and Vegetable Program	10.582	<u>153,026</u>
Total Child Nutrition Cluster		6,681,183
Child and Adult Care Food Program	10.558	<u>2,345</u>
 Total U.S. Department of Agriculture		 <u>6,683,528</u>
 Total expenditures of federal awards		 <u>\$ 28,786,896</u>

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of KIPP New Orleans, Inc. and Subsidiary (KIPP) under programs of the federal government for the year ended June 30, 2024. The information in the schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of KIPP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KIPP.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expense Recognition

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Payments to Subrecipients

There were no payments to subrecipients for the fiscal year ended June 30, 2024.

Non-Cash Assistance

Nonmonetary assistance in the amount of \$329,982 is reported in the schedule as AL No. 10.555 at the fair market value of the commodities received and disbursed.

(3) INDIRECT COST RATE

KIPP has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for KIPP New Orleans, Inc. and Subsidiary expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were Special Education Cluster (IDEA) (AL No. 84.027 & 84.173), Education Stabilization Fund (AL No. 84.425), and Teacher and School Leader Incentive Grants (AL No. 84.374).
8. The threshold for distinguishing Types A and B programs was \$863,607.
9. KIPP New Orleans, Inc. and Subsidiary was determined to be a low-risk auditee.
10. A management letter was not issued for the year ended June 30, 2024.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit for the year ended June 30, 2024.

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

There were no findings related to major federal awards programs for the year ended June 30, 2024.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

I. FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit for the year ended June 30, 2023.

II. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs related to major federal award programs audit for the year ended June 30, 2023.

III. MANAGEMENT LETTER

There was no management letter for the year ended June 30, 2023.

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



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

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

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of KIPP New Orleans, Inc. and Subsidiary for the fiscal year ended June 30, 2024; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514.I. Management of KIPP New Orleans, Inc. and Subsidiary is responsible for its performance and statistical data.

KIPP New Orleans, Inc. and Subsidiary has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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

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

Exceptions: No exceptions were found as a result of applying the procedure.



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

Class Size Characteristics (Schedule 2)

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

Exceptions: No exceptions were found as a result of applying the procedure.

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

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

Exceptions: One of twenty-five employees education level did not match and twenty-four out of twenty-five employees years of experience did not match the roll books.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

Exceptions: Three out of twenty-five employees salary information did not match the roll books.

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



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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

We are required to be independent of KIPP New Orleans, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

December 12, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2024

GENERAL FUND INSTRUCTIONAL AND EQUIPMENT EXPENDITURES

	Column A	Column B
General Fund instructional expenditures:		
Teacher and student interaction activities:		
Classroom teacher salaries	\$ 15,229,341	
Other instructional staff salaries	-	
Instructional staff employee benefits	4,961,288	
Purchased professional and technical services	1,618,284	
Instructional materials and supplies	2,301,290	
Instructional equipment	-	
Total teacher and students interaction activities		\$ 24,110,203
Other instructional activities		3,696,723
Pupil support services	4,979,866	
Less: Equipment for pupil support services	-	
Net pupil support services		4,979,866
Instructional staff services	2,274,402	
Less: Equipment for instructional staff services	-	
Net instructional staff services		2,274,402
School administration	6,771,987	
Less: equipment for school administration	-	
Net school administration		6,771,987
Total General Fund instructional expenditures (total of column B)		\$ 41,833,181
Total General Fund equipment expenditures		\$ -
<u>CERTAIN LOCAL REVENUE SOURCES</u>		
Total local taxation revenue		\$ -
Total local earnings on investment in real property		\$ -
Total state revenue in lieu of taxes		\$ -
Nonpublic textbook revenue		\$ -
Nonpublic transportation revenue		\$ -

(See Independent Accountants' Report on Applying Agreed-Upon Procedures)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE 30, 2024
AS OF OCTOBER 1, 2023

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	15%	43	49%	137	36%	101	0%	1
Elementary/Activity Classes	0%	-	73%	8	27%	3	0%	-
Middle/Jr. High	19%	102	60%	327	21%	113	1%	4
Middle/Jr. High Activity Classes	5%	5	71%	70	24%	24	0%	-
High	52%	331	23%	145	24%	154	2%	12
High Activity Classes	53%	28	21%	11	25%	13	2%	1
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

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



December 12, 2024

Louisiana Legislative Auditor

KIPP New Orleans, Inc. respectfully submits the following corrective action plan for items identified pursuant to the Statewide Agreed-Upon Procedures Engagement prescribed by you.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, LA 70119

Engagement Period: July 1, 2023 – June 30, 2024

The exceptions from the Agreed-Upon Procedures Report are discussed below:

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

Exceptions: One of twenty-five employees education level did not match and twenty-four out of twenty-five employees years of experience did not match the roll books.

Management's Response to Exceptions: Management has noted and agrees with the above exceptions. Management will consider the effects of such exceptions and the need to enhance key controls or compensating controls in the identified areas.

Public School Staff Data: Average Salaries (NO SCHEDULE)

Exceptions: Three out of twenty-five employees salary information did not match the roll books.

Management's Response to Exceptions: Management has noted and agrees with the above exceptions. Management will consider the effects of such exceptions and the need to enhance key controls or compensating controls in the identified areas.

If there are any questions regarding this plan, please call Diana Archuleta at (504) 239-7099.

Sincerely,

A handwritten signature in black ink that reads "Katie Walmsley".

Signature

Katie Walmsley, CFO

Title

LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES
KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
FOR THE YEAR ENDED
JUNE 30, 2024



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2024. KIPP New Orleans, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

KIPP New Orleans, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the year ended June 30, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are attached in Schedule "1."

We were engaged by KIPP New Orleans, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of KIPP New Orleans, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

December 12, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2024

WRITTEN POLICIES AND PROCEDURES

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - h) ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions were found as a result of applying the procedures.

BOARD AND FINANCE COMMITTEE

- 2. **Procedures:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

BOARD AND FINANCE COMMITTEE (Continued)

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of applying the procedures.

BANK RECONCILIATIONS

3. **Procedures:** Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedures.

COLLECTIONS (EXCLUDING FUNDS AND TRANSFERS)

4. **Procedures:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. **Procedures:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

COLLECTIONS (CONTINUED)

- a) Employees responsible for cash collections do not share cash drawers/registers;
 - b) Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - c) Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. **Procedures:** Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
7. **Procedures:** Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3 (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedures.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES)

8. **Procedures:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. **Procedures:** For each location selected under procedure #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - b) At least two employees are involved in processing and approving payments to vendors;
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

10. **Procedures:** For each location selected under procedure #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
 - a) Observe whether the disbursement, whether by paper or electronic means matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #9 above, as applicable.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

**NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS,
TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES; CONTINUED)**

11. **Procedures:** Using the entity's main operating account and the month selected in Bank Reconciliations procedures, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was;
- a) Approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and
 - b) Approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected, the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of applying the procedures.

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/PURCHASE CARDS(CARDS)

12. **Procedures:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
13. **Procedures:** Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder. (those instances requiring such approval that may constrain the legal authority of certain public officials such as the mayor of a Lawrason Act municipality should not be reported); and
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
14. **Procedure:** Using the monthly statements or combined statements selected under procedure #13 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by:

(1)an original itemized receipt that identifies precisely what was purchased,

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

CREDIT CARDS/DEBIT CARDS/P-CARDS (CONTINUED)

- (2) written documentation of the business/public purpose, and
- (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were found as a result of applying the procedures.

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

15. **Procedures:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures #1A(vii); and
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of applying the procedures.

CONTRACTS

16. **Procedures:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

CONTRACTS (CONTINUED)

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval);and
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of applying the procedures.

PAYROLL AND PERSONNEL

17. **Procedures:** Obtain a listing of employees and officials employed during the fiscal period, and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
18. **Procedures:** Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #17 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory),
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials,
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records, and
 - d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

PAYROLL AND PERSONNEL (CONTINUED)

19. **Procedures:** Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
20. **Procedures:** Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedures.

ETHICS

21. **Procedures:** Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" obtain ethics documentation from management, and
- a) Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170, and
 - b) Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
22. **Procedures:** Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: No exceptions were found as a result of applying the procedures.

DEBT SERVICE

23. **Procedures:** Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

DEBT SERVICE (CONTINUED)

24. **Procedures:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Not applicable. The organization did not issue or have any outstanding bonds/notes/other debt instruments during the year ended June 30, 2024.

FRAUD

25. **Procedures:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
26. **Procedures:** Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of applying the procedures.

INFORMATION TECHNOLOGY/DISASTER RECOVERY/ BUSINESS CONTINUITY

27. **Procedures:** Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

INFORMATION TECHNOLOGY/DISASTER RECOVERY/ BUSINESS CONTINUITY(CONTINUED)

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
28. **Procedures:** Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.
29. **Procedures:** Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 – completed the training, and
 - Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

Results: We performed the procedures and discussed the results with management.

SEXUAL HARASSMENT

30. **Procedures:** Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
31. **Procedures:** Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
32. **Procedures:** Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344.
- a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

SEXUAL HARASSMENT(CONTINUED)

- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: The Organization is a non-profit charter school that is not subject to the sexual harassment law or training requirements.