



Board of Directors  
KIPP Academy Charter School  
Bronx, New York

We have audited the financial statements of KIPP Academy Charter School as of and for the year ended June 30, 2020, and have issued our report thereon dated October 29, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by KIPP Academy Charter School are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our audit report includes an emphasis-of-matter paragraph to highlight this change in accounting principle and our opinion is not modified with respect to this matter.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### **Accounting estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the due from New York State Education Department is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2019-2020. Due to the timing of the review and approval of the reimbursements, the actual reimbursement may differ from the estimate. Management expects any differences between estimated and actual amounts will be insignificant.

- Management's estimate of useful lives for depreciable assets and depreciation expense are based on historical information, vendor information, and other sources. The useful life of a depreciable asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation and percentage breakdown for certain programs. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### ***Corrected misstatements***

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### ***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

#### ***Management representations***

We have requested certain representations from management that are included in the management representation letter dated October 29, 2020.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other audit findings or issues***

We have provided a separate letter to you dated October 29, 2020, communicating internal control related matters identified during the audit.

***Other information in documents containing audited financial statements***

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 29, 2020.

\* \* \*

This communication is intended solely for the information and use of the board of directors and management of KIPP Academy Charter School and is not intended to be, and should not be, used by anyone other than these specified parties.

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

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020



Board of Directors and Management  
KIPP New York Charter Schools  
New York, New York

In planning and performing our audits of the financial statements of KIPP Academy Charter School and KIPP NYC Public Charter Schools (the Schools) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the entity'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of one matter that is an opportunity for strengthening internal control and operating efficiency. Our comments and suggestions regarding this matters are summarized below. This letter does not affect our communication dated October 29, 2020.

***Prior Year Comment:***

**Adjustments and Year-End Closing**

During the performance of our audit engagement procedures, client proposed adjustments were provided to adjust the initial trial balance that was provided. Proposed adjustments were subsequently provided by management relating to prepaid expenses, other receivables, accounts payable and accrued expenses. Timely and accurate account reconciliations are a necessary step in ensuring that financial statements are fairly stated.

Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements. We recommend that management work to adjust all general ledger account balances to reflect appropriate interim and year-end balances.

***Current Year Update:***

*This item has been resolved in the current year.*

\* \* \*

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

This communication is intended solely for the information and use of management, board of directors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020



**KIPP ACADEMY CHARTER SCHOOL**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2020 AND 2019**



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**KIPP ACADEMY CHARTER SCHOOL  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
KIPP Academy Charter School  
Bronx, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KIPP Academy Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Academy Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, KIPP Academy Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 October 29, 2020 on our consideration of KIPP Academy Charter School'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 result of that testing, and not to provide an opinion on the effectiveness of KIPP Academy Charter School'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 Academy Charter School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020



**KIPP ACADEMY CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,486,241	\$ 2,842,324
Grants and Contracts Receivable	525,665	3,341,145
Prepaid Expenses and Other Assets	1,087,864	721,480
Equipment and Improvements	<u>394,432</u>	<u>591,892</u>
Total Assets	<u><u>\$ 4,494,202</u></u>	<u><u>\$ 7,496,841</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 201,240	\$ 9,805,591
Loans Payable	6,877,567	-
Capital Lease Obligation	160,805	214,407
Due to Related Parties	<u>1,344,727</u>	<u>1,495,729</u>
Total Liabilities	<u>8,584,339</u>	<u>11,515,727</u>
<b>NET ASSETS (DEFICIT)</b>		
Without Donor Restrictions	(4,139,982)	(4,073,727)
With Donor Restrictions	<u>49,845</u>	<u>54,841</u>
Total Net Assets (Deficit)	<u><u>(4,090,137)</u></u>	<u><u>(4,018,886)</u></u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 4,494,202</u></u>	<u><u>\$ 7,496,841</u></u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>						
State and Local Per Pupil Operating Revenue	\$ 19,254,005	\$ -	\$ 19,254,005	\$ 17,987,850	\$ -	\$ 17,987,850
Federal Government Grants and Contracts	1,106,313	-	1,106,313	1,174,192	-	1,174,192
Nonfederal Grants and Contracts	405,862	-	405,862	519,475	-	519,475
Total Operating Revenue	<u>20,766,180</u>	<u>-</u>	<u>20,766,180</u>	<u>19,681,517</u>	<u>-</u>	<u>19,681,517</u>
<b>OPERATING EXPENSES</b>						
Program Services	18,553,877	-	18,553,877	28,610,464	-	28,610,464
Supporting Services	2,422,149	-	2,422,149	2,315,097	-	2,315,097
Total Expenses	<u>20,976,026</u>	<u>-</u>	<u>20,976,026</u>	<u>30,925,561</u>	<u>-</u>	<u>30,925,561</u>
<b>SCHOOL OPERATING REVENUE (DEFICIT)</b>	<u>(209,846)</u>	<u>-</u>	<u>(209,846)</u>	<u>(11,244,044)</u>	<u>-</u>	<u>(11,244,044)</u>
<b>OTHER REVENUE AND EXPENSES</b>						
Contributions and Other Grants	17,859	16,576	34,435	4,242,268	30,782	4,273,050
Interest and Other Income	104,160	-	104,160	152,365	-	152,365
Total Other Revenue and Expenses, Net	<u>122,019</u>	<u>16,576</u>	<u>138,595</u>	<u>4,394,633</u>	<u>30,782</u>	<u>4,425,415</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>21,572</u>	<u>(21,572)</u>	<u>-</u>	<u>28,824</u>	<u>(28,824)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>(66,255)</u>	<u>(4,996)</u>	<u>(71,251)</u>	<u>(6,820,587)</u>	<u>1,958</u>	<u>(6,818,629)</u>
Net Assets – Beginning of Year	<u>(4,073,727)</u>	<u>54,841</u>	<u>(4,018,886)</u>	<u>2,746,860</u>	<u>52,883</u>	<u>2,799,743</u>
<b>NET ASSETS (DEFICIT) – END OF YEAR</b>	<u>\$ (4,139,982)</u>	<u>\$ 49,845</u>	<u>\$ (4,090,137)</u>	<u>\$ (4,073,727)</u>	<u>\$ 54,841</u>	<u>\$ (4,018,886)</u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	Program Services			Support Services	Total Expenses
	Regular Education	Special Education	Total	Management and General	
Employee Wages	\$ 10,956,415	\$ 1,174,068	\$ 12,130,483	\$ -	\$ 12,130,483
Payroll Taxes and Employee Benefits	3,203,304	172,557	3,375,861	-	3,375,861
Licensing and Management Fee	36,399	-	36,399	2,241,999	2,278,398
Litigation and Legal Services Fees	202,329	-	202,329	-	202,329
Other Professional Fees	80,366	8,256	88,622	-	88,622
Supplies and Materials	509,244	-	509,244	-	509,244
Occupancy	811,660	-	811,660	-	811,660
Telephone and Internet	157,366	-	157,366	-	157,366
Technology Equipment and Materials	259,969	-	259,969	-	259,969
Equipment and Maintenance	142,366	-	142,366	-	142,366
Academic Programming	161,830	577	162,407	-	162,407
Professional Development	208,337	411	208,748	-	208,748
Insurance	-	-	-	172,146	172,146
Depreciation and Amortization	206,073	-	206,073	-	206,073
Field Lessons	25,927	-	25,927	-	25,927
Consultants	34,972	18,998	53,970	-	53,970
Events	28,825	-	28,825	-	28,825
Student Transportation and Other Fees	21,325	-	21,325	-	21,325
Memberships and Subscriptions	30,543	-	30,543	-	30,543
Accounting and Audit Services Fees	-	-	-	8,004	8,004
Printing and Publications	17,350	-	17,350	-	17,350
Postage and Shipping	3,264	-	3,264	-	3,264
Miscellaneous	2,119	-	2,119	-	2,119
Candidate Recruiting	982	-	982	-	982
Bank and Other Fees	671	-	671	-	671
Interest Expense	69,177	-	69,177	-	69,177
Use of Donated Materials and Services	8,197	-	8,197	-	8,197
Total Expenditures	<u>\$ 17,179,010</u>	<u>\$ 1,374,867</u>	<u>\$ 18,553,877</u>	<u>\$ 2,422,149</u>	<u>\$ 20,976,026</u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	Program Services			Support Services	Total Expenses
	Regular Education	Special Education	Total	Management and General	
Employee Wages	\$ 10,375,488	\$ 1,607,085	\$ 11,982,573	\$ -	\$ 11,982,573
Payroll Taxes and Employee Benefits	3,411,150	228,356	3,639,506	-	3,639,506
Licensing and Management Fee	36,532	-	36,532	2,118,346	2,154,878
Litigation and Legal Services Fees	9,259,379	-	9,259,379	-	9,259,379
Other Professional Fees	157,167	15,088	172,255	-	172,255
Supplies and Materials	601,372	-	601,372	-	601,372
Occupancy	953,679	-	953,679	-	953,679
Telephone and Internet	247,675	-	247,675	-	247,675
Technology Equipment and Materials	327,915	-	327,915	-	327,915
Equipment and Maintenance	288,561	-	288,561	-	288,561
Academic Programming	283,957	2,596	286,553	-	286,553
Professional Development	218,306	1,059	219,365	-	219,365
Insurance	-	-	-	173,023	173,023
Depreciation and Amortization	227,192	-	227,192	-	227,192
Field Lessons	185,301	-	185,301	-	185,301
Consultants	32,476	16,288	48,764	-	48,764
Events	46,681	-	46,681	-	46,681
Student Transportation and Other Fees	22,404	-	22,404	-	22,404
Memberships and Subscriptions	21,147	-	21,147	-	21,147
Accounting and Audit Services Fees	-	-	-	23,728	23,728
Printing and Publications	17,255	-	17,255	-	17,255
Postage and Shipping	6,081	-	6,081	-	6,081
Miscellaneous	9,702	-	9,702	-	9,702
Candidate Recruiting	-	35	35	-	35
Bank and Other Fees	667	-	667	-	667
Prior Period Adjustments	9,870	-	9,870	-	9,870
Total Expenditures	<u>\$ 26,739,957</u>	<u>\$ 1,870,507</u>	<u>\$ 28,610,464</u>	<u>\$ 2,315,097</u>	<u>\$ 30,925,561</u>

See accompanying Notes to Financial Statements.



**KIPP ACADEMY CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Local, State, and Federal Sources	\$ 23,581,660	\$ 17,933,837
Receipts from Others	138,595	4,425,415
Payments to Suppliers and Vendors	(11,883,640)	(9,628,980)
Payments to Employees	(12,130,483)	(11,982,573)
Net Cash Provided (Used) by Operating Activities	(293,868)	747,699
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Capital Assets	(8,613)	(75,582)
Net Cash Used By Investing Activities	(8,613)	(75,582)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Capital Lease Obligation	(53,602)	(53,602)
Net Cash Used By Financing Activities	(53,602)	(53,602)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(356,083)	618,515
Cash and Cash Equivalents – Beginning of Year	2,842,324	2,223,809
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 2,486,241</u>	<u>\$ 2,842,324</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (71,251)	\$ (6,818,629)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	206,073	227,192
Change in Assets and Liabilities:		
Grants and Contracts Receivable	2,815,480	(1,747,680)
Prepaid Expenses and Other Assets	(366,384)	(481,049)
Accounts Payable and Accrued Expenses	(9,604,351)	9,160,706
Refundable Advances	-	(39,068)
Loans Payable	6,877,567	-
Due to Related Parties	(151,002)	446,227
Total Adjustments	(222,617)	7,566,328
Net Cash Provided (Used) by Operating Activities	<u>\$ (293,868)</u>	<u>\$ 747,699</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital Lease Obligation	<u>\$ -</u>	<u>\$ 268,009</u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

KIPP Academy Charter School (the School) is an education corporation that operates as a charter school in the borough of the Bronx, New York City. On May 4, 2000, the Board of Regents of the City of New York for and on behalf of the State Education Department, granted the School a provisional charter valid for a term of five years from the effective date of September 1, 2000 and renewable upon expiration. The provisional charter was renewed on April 14, 2015 and is effective through June 30, 2019. In June 2019, an additional five-year renewal was granted for the School's charter through June 30, 2024.

The School's mission is to prepare students with the academic and character skills necessary to succeed in high school, college, and the competitive world beyond.

In fiscal years 2020 and 2019, the School operated classes for students in grades kindergarten through twelve.

The major source of revenue and support for the School is from state and local funding on a per pupil basis. The New York City Department of Food Services provides free and reduced-price lunches and the New York City Department of Transportation provides transportation vouchers directly to a majority of the School's students. Amounts with respect to these items are not included in these financial statements.

**Financial Statement Presentation**

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with established accounting standards for nonprofit entities. The financial statements have been prepared to focus on the School as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations will be met either by actions of the School or by the passage of time.

*Net Assets without Donor Restrictions* - Net assets not subject to donor-imposed stipulations.

Revenue is reported as an increase in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of restrictions on net assets are reported as net assets released from restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits.

**Grants and Contract Receivables**

Grants and contract receivables primarily consist of amounts due from the New York Department of Education for federal and state subsidy programs and private grants. Grants and contract receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2020 and 2019, no allowance was warranted.

**Governmental Funding**

Revenue from the state and local governments resulting from the School's charter status is based on the number of students enrolled. The revenue is recorded when services are performed in accordance with the charter agreement. Federal and state funds are recognized by the School when the conditions are met.

Revenue from other government grants to which the School is entitled is recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when conditions are met by the grant agreement.

Federal and state funds received prior to the services provided or the related expenditures being incurred are deferred and recorded as refundable advances.

**Contributions**

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. A contribution is conditional if a right of return or right of release exists as well as a barrier. The conditional contribution is recognized once the conditions have been met.

**Donated Goods and Services**

Donated goods and services are recorded at their fair value when such services are rendered or goods are donated. Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) required specialized skills and are performed by people with those skills and would otherwise be purchased by the School and (c) are measurable.

A number of volunteers have made a contribution of their time to the School. These in-kind contributions have not been reflected in the financial statements since they do not meet the criteria for recognition under accounting standards for contributions.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment, Improvements, Depreciation, and Amortization**

Equipment is recorded at cost. The School capitalizes purchases of equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Equipment acquired with certain government contract funds are recorded as expenses when the grantor retains title.

Improvements to the facility are amortized over the useful life as there is no set lease term for the school building.

**Allocation of Functional Expenses**

The costs of providing services have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Allocation of expenses to program services and supporting services is completed by direct expenses related to each function.

**Concentration of Credit Risk**

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

**Income Taxes**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable income tax regulations of the state of New York. No provision for income taxes has been established, as the School has no unrelated business activity.

**Uncertain Tax Positions**

The School recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2020, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the School had no interest or penalties related to income taxes.



**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

As of July 1, 2019, the School adopted the accounting guidance in FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The School's financial statements reflect the application of this guidance for the year ended June 30, 2020. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the School's previously reported contributions.

**Subsequent Events**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 29, 2020, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY**

The School regularly monitors liquidity required to meet its operating needs and commitments, while also striving to maximize the investment of available funds. For purposes of analyzing resources available to meet general expenditures over the next year, the School considers all expenditures related to its ongoing school activities of teaching, educating, and other school activities. In addition to financial assets available to meet general expenditures over the next year, the School operates with a balanced budget and anticipates collecting sufficient revenue from state and local per pupil subsidy, federal and state grants and contributions in the next fiscal year to cover general expenditures.

As of June 30, 2020 and 2019, the following financial assets could be readily made available within one year of the statement of financial position date to meet general expenditures:

	2020	2019
Cash and Cash Equivalents	\$ 2,486,241	\$ 2,842,324
Receivables	525,665	3,341,145
Total	<u>\$ 3,011,906</u>	<u>\$ 6,183,469</u>

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3 RELATED PARTY TRANSACTIONS**

The Knowledge is Power Program Foundation (KIPP Foundation) is a national, nonprofit organization that trains school leaders to open and run academically rigorous public schools. The School is a member of KIPP Foundation's KIPP Network of Schools and, as such, is eligible for a range of benefits and fee-based services. KIPP Foundation charges a license fee to all of the KIPP Charter Schools. See Note 11 for additional information about the license fee agreement.

KIPP NYC, LLC (LLC) is the sole member of KIPP New York, Inc. (KNYI). The School received grants from KNYI in the amounts of \$-0- and \$4,200,000 for the years ended June 30, 2020 and 2019, respectively.

LLC is considered a related party due to the usage of the LLC shared services team who handles the back-office functions for the School. In July 2009, the School entered into a shared services fee agreement with LLC for the back-office functions. The management fee is 11% of the revenue as defined in the shared services agreement. The School incurred a management fee to LLC in the amount of \$2,241,999 and \$2,118,346 for the years ended June 30, 2020 and 2019, respectively. The amount due to LLC for shared services as of June 30, 2020 and 2019 was \$65,140 and \$94,536, respectively.

KNYI is the sole member of KTC NYC, LLC (KTC). Amounts due to and from related parties represent short-term timing differences of grants received and expenses incurred on behalf of the School that have not been paid or received as of the financial statement date.

KTC is considered a related party due to the services they provide to the KIPP New York charter schools and school alumni to prepare them for college. The services KTC provides are college advisory, counseling and placement, transition programs, college scholars and career preparation. There were no transactions between KTC and the School during the year.

KIPP NYC Facilities II LLC (Facilities) is a single member limited liability company with KIPP NYC Facility Holdings, Inc. as its sole member. KIPP NYC Facility Holdings Inc. is a Delaware nonstock charitable membership corporation with a mission of securing long-term facilities for KIPP charter schools operating in New York City. KNYI, the School, and KIPP NYC Public Charter Schools are members of KIPP NYC Facility Holdings Inc. The School had no transactions with Facilities during the years ended June 30, 2020 and 2019.

The School and KIPP NYC Public Charter Schools share some common membership on their board of directors.

Amounts due to and from related parties represent short-term timing differences of expenses incurred on behalf of the School that have not been paid or received as of the financial statement date. As of June 30, 2020 and 2019, the School owed various related parties a total of \$1,344,727 and \$1,495,729, respectively.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 4 EQUIPMENT AND IMPROVEMENTS**

Equipment and improvements consist of the following:

	2020	2019
Furniture and Fixtures	\$ 98,020	\$ 98,020
Technology	1,953,823	1,951,228
Leasehold Improvements	744,635	738,616
Equipment	260,678	260,678
Total	3,057,156	3,048,542
Less: Accumulated Depreciation and Amortization	(2,662,724)	(2,456,650)
Total Equipment and Improvements	<u>\$ 394,432</u>	<u>\$ 591,892</u>

**NOTE 5 LOANS PAYABLE**

In July 2019, the School entered into a \$5,500,000 Revolver Agreement with KIPP New York, Inc. The purpose of the Agreement is to provide cash flow relief to meet operational expenses. The interest rate on funds borrowed under the Agreement is 2.12% and it expired May 31, 2020. During May 2020, an amendment to the agreement was completed with an updated interest rate of 0.9% and a maturity date as of May 30, 2023. As of June 30, 2020 and 2019, the total amount outstanding was \$5,000,000 and \$-0-, respectively.

In May 2020, the School received a loan in the amount of \$1,877,567 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). PPP funds are a form of low interest loans where some or all of the principal and interest may be eligible for forgiveness, subject to compliance and approval based off timing and use of funds in accordance with PPP guidelines. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The PPP funds are subject to review and any amount deemed not forgiven will convert to an amortizing term loan payable and is due by April 30, 2022.

Minimum loan payments for each year subsequent to June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 730,165
2022	1,147,402
2023	5,000,000
Total	<u>\$ 6,877,567</u>

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 6 RESTRICTIONS ON NET ASSET BALANCES**

Net assets with donor restrictions were available for the following purposes at June 30:

	2020	2019
Purpose Restrictions:		
Arts and Music Programs	\$ 2,365	\$ 2,365
Academic Programs	47,480	49,670
Athletic Programs	-	2,806
Total	<u>\$ 49,845</u>	<u>\$ 54,841</u>

**NOTE 7 RESTRICTION RELEASES ON NET ASSET BALANCES**

Net assets with donor restrictions were released for the following purposes at June 30:

	2020	2019
Purpose Restrictions:		
Arts and Music Programs	\$ -	\$ 4,875
Academic Programs	16,521	23,949
Student Food	1,897	-
Athletics	3,154	-
Total	<u>\$ 21,572</u>	<u>\$ 28,824</u>

**NOTE 8 PENSION PLAN**

The School is part of the KIPP NYC 403(b) Retirement Plan, a multiemployer defined contribution plan, under Section 403(b) of the IRC which employees of the School can elect to contribute. Employees, whom option for this plan, can contribute up to the level set by the Internal Revenue Service. The Employer match is a discretionary contribution. The employer contributions to this Plan amounted \$146,666 and \$142,298 for the years ended June 30, 2020 and 2019, respectively.

The School also contributes to the Teachers Retirement System of the City of New York, a multiemployer defined benefit pension plan (the Plan), on behalf of the eligible teachers. The Plan provides New York City educators with retirement, disability, and death benefit services. The School's participation in the Plan constitutes less than 1% of total Plan contributions. The funded status of the Plan was 63.8% at June 30, 2017, the date of the most recent actuarial calculation as indicated in the June 30, 2019 plan audit. The amount charged to operations for contributions to this Plan amounted to \$554,859 and \$862,854 for the years ended June 30, 2020 and 2019, respectively.



**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 CAPITAL LEASE OBLIGATIONS**

In September 2018, the School and KIPP NYC Public Charter School entered into a lease for computer equipment under a capital lease that expires in 2023. As of June 30, 2020 and 2019, the leased equipment are reflected at a cost of \$317,586 and related accumulated depreciation of \$156,781 and \$53,602, respectively. The lease requires annual payments of principal of \$53,602. The capital lease agreement states the total annual payments are equal to the cost value of the leased equipment and no interest is included in the payments.

Future minimum payments under the capital lease as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 53,602
2022	53,602
2023	53,601
Total Capital Lease Payments	<u>\$ 160,805</u>

**NOTE 10 SCHOOL FACILITY**

The School occupies three facilities to support its operations. Approximately 25,000 square feet of dedicated and shared space located at 250 East 156th St. in the South Bronx, New York is occupied through an agreement with the New York City Department of Education, which provides the space at no cost. The School is responsible for any overtime-related costs for services provided beyond regular opening hours. These costs have been included in building costs in the accompanying statements of functional expenses.

The School also jointly occupies approximately 132,500 square feet of space at 201 East 144th St. in the South Bronx where the joint high school for KIPP Academy Charter School and KIPP NYC Public Charter Schools resides. The facility was provided to the School at no cost, but the School must provide for continuing maintenance and operating expenses. The expenses are also included in building costs in the accompanying statements of functional expenses. The School also occupies the Mott Haven Facility.

**NOTE 11 TRADEMARK LICENSE AGREEMENT**

The School has entered into a trademark license agreement with KIPP Foundation subject to a license fee of 1% per pupil operating revenue not to exceed \$30,000 per elementary school, middle school, or high school. For the years ended June 30, 2020 and 2019, the School incurred licensing fees amounting to \$36,399 and \$36,532, respectively.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 12 OPERATING EXPENSES**

Operating expenses are presented in the statements of functional expenses, classified according to the significant program activity related to the purpose for which the school exists or supporting service.

The significant activities are:

**Program Services – Regular Education and Special Education**

Represents work (time and materials) that is specifically related to or necessary for the programming aspects of the School under the regular education and special education areas. The activities and related costs directly affecting students or parents fall under these program areas.

**Support Services**

**Management and General**

Time and materials relating to operating the nonprogrammatic/back-end operational functions of the School are reflected as management and general expenses. These expenses include, but are not limited to, human resources, finance, and technology activities.

**Fundraising**

Represents work (time and materials) associated with the School's fundraising program including but not limited to annual mailings, donor meeting, and events. The fundraising expenses were incurred by KIPP NYC, LLC.

**NOTE 13 CONTINGENCY**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements for such potential claims. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

**NOTE 14 LITIGATION**

In July 2019, the school reached final resolution on potential claims that resulted in the school incurring net outlays of \$7,943,076 in legal fees and payments. The school's insurers participated in the resolution. For the fiscal year ended June 30, 2019, the School has recognized all amounts related to these matters as Operating Expenses in the statements of activities and as Litigation and Legal Services Fees in the statements of functional expenses.

**KIPP ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant/ Contract Period	Grant Amount	Accrued or (Deferred) Revenue at 7/1/19	Total Received for the Year	Federal Disbursements/ Expenditures	Accrued or (Deferred) at 6/30/20
<u>U.S. Department of Education:</u>									
Pass-through New York Department of Education:									
Title I Grant – Improving Academic Achievement	I	84.010	0021-194110	9/1/18-8/31/19	\$ 717,742	\$ -	\$ 118,140	\$ 118,140	\$ -
Title I Grant – Improving Academic Achievement	I	84.010	0021-204110	9/1/19-8/31/20	685,610	-	566,260	566,260	-
Total Title I Grant – Improving Academic Achievement						-	684,400	684,400	-
Title II Grant – Teaching, Principal Training, Recruitment	I	84.367	0147-194110	9/1/18-8/31/19	99,931	(20,399)	16,655	16,655	(20,399)
Title II Grant – Teaching, Principal Training, Recruitment	I	84.367	0147-204110	9/1/19-8/31/20	78,352	(11,768)	65,293	77,061	-
Total Title II Grant – Teaching, Principal Training, Recruitment						(32,167)	81,948	93,716	(20,399)
Title IV Grant- SSAE Allocation	I	84.424	0204-194110	9/1/18-8/31/19	52,291	-	8,715	8,715	-
Title IV Grant- SSAE Allocation	I	84.424	0204-204110	9/1/19-8/31/20	53,422	-	44,518	44,518	-
Total Title IV Grant- SSAE Allocation						-	53,233	53,233	-
Total U.S. Department of Education						(32,167)	819,581	831,349	(20,399)
<u>U.S. Department of Agriculture:</u>									
Pass-through New York Department of Education:									
School Food Program- Lunch and Snack	I	10.555	n/a	7/1/19-6/30/20	126,083	-	126,083	126,083	-
School Food Program- Breakfast	I	10.553	n/a	7/1/19-6/30/20	24,698	-	24,698	24,698	-
Child Nutrition Cluster Total						-	150,781	150,781	-
Pass-through New York Department of Agriculture:									
School Food Program - Donated Commodities	I	10.555	n/a	7/1/19-6/30/20	8,197	-	8,197	8,197	-
Total U.S. Department of Agriculture						-	158,978	158,978	-
Total Federal Expenditures						\$ (32,167)	\$ 978,559	\$ 990,327	\$ (20,399)

I – Indirect Funding

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

**NOTE 1 GENERAL INFORMATION**

The accompanying schedule of expenditures of federal awards presents the activities of the federal financial assistance programs of KIPP Academy Charter School (the School). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

**NOTE 2 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

The schedule of expenditures of federal awards presents only a selected portion of the activities of the School. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in net assets. The financial activity for the aforementioned awards is reported in the School's statements of activities.

**NOTE 4 INDIRECT COST RATE**

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



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

Board of Directors  
KIPP Academy Charter School  
Bronx, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KIPP Academy Charter School, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020





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

Board of Directors  
KIPP Academy Charter School  
Bronx, New York

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

We have audited KIPP Academy Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KIPP Academy Charter School's major federal programs for the year ended June 30, 2020. KIPP Academy Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of KIPP Academy Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP Academy Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, KIPP Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

Management of KIPP Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KIPP Academy Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KIPP Academy Charter School's internal control over compliance.

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

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

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



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020



**KIPP ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Section I – Summary of Auditors' Results***

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**Financial Statements**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ yes       X       no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes       X       no

**Federal Awards**

1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_\_\_ yes       X       no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       none reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes       X       no

***Identification of Major Federal Programs***

**CFDA Number(s)**

84.010

**Name of Federal Program or Cluster**

U.S. Department of Education – Title I - Basic, Concentration, Targeted and Education Finance Incentive Grants

Dollar threshold used to distinguish between Type A or Type B programs was:

\$ 750,000

Auditee qualified as low-risk auditee?

      X       yes                      no

**KIPP ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with the Federal Single Audit Act.

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***Section IV – Prior Audit Findings***

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There were no prior year findings required to be reported under the Federal Single Audit Act.



**KIPP ACADEMY CHARTER SCHOOL**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2020 AND 2019**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
KIPP Academy Charter School  
Bronx, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KIPP Academy Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Academy Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, KIPP Academy Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 October 29, 2020 on our consideration of KIPP Academy Charter School'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 result of that testing, and not to provide an opinion on the effectiveness of KIPP Academy Charter School'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 Academy Charter School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020



**KIPP ACADEMY CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,486,241	\$ 2,842,324
Grants and Contracts Receivable	525,665	3,341,145
Prepaid Expenses and Other Assets	1,087,864	721,480
Equipment and Improvements	<u>394,432</u>	<u>591,892</u>
Total Assets	<u><u>\$ 4,494,202</u></u>	<u><u>\$ 7,496,841</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 201,240	\$ 9,805,591
Loans Payable	6,877,567	-
Capital Lease Obligation	160,805	214,407
Due to Related Parties	<u>1,344,727</u>	<u>1,495,729</u>
Total Liabilities	<u>8,584,339</u>	<u>11,515,727</u>
<b>NET ASSETS (DEFICIT)</b>		
Without Donor Restrictions	(4,139,982)	(4,073,727)
With Donor Restrictions	<u>49,845</u>	<u>54,841</u>
Total Net Assets (Deficit)	<u><u>(4,090,137)</u></u>	<u><u>(4,018,886)</u></u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 4,494,202</u></u>	<u><u>\$ 7,496,841</u></u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>						
State and Local Per Pupil Operating Revenue	\$ 19,254,005	\$ -	\$ 19,254,005	\$ 17,987,850	\$ -	\$ 17,987,850
Federal Government Grants and Contracts	1,106,313	-	1,106,313	1,174,192	-	1,174,192
Nonfederal Grants and Contracts	405,862	-	405,862	519,475	-	519,475
Total Operating Revenue	20,766,180	-	20,766,180	19,681,517	-	19,681,517
<b>OPERATING EXPENSES</b>						
Program Services	18,553,877	-	18,553,877	28,610,464	-	28,610,464
Supporting Services	2,422,149	-	2,422,149	2,315,097	-	2,315,097
Total Expenses	20,976,026	-	20,976,026	30,925,561	-	30,925,561
<b>SCHOOL OPERATING REVENUE (DEFICIT)</b>	(209,846)	-	(209,846)	(11,244,044)	-	(11,244,044)
<b>OTHER REVENUE AND EXPENSES</b>						
Contributions and Other Grants	17,859	16,576	34,435	4,242,268	30,782	4,273,050
Interest and Other Income	104,160	-	104,160	152,365	-	152,365
Total Other Revenue and Expenses, Net	122,019	16,576	138,595	4,394,633	30,782	4,425,415
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	21,572	(21,572)	-	28,824	(28,824)	-
<b>CHANGE IN NET ASSETS</b>	(66,255)	(4,996)	(71,251)	(6,820,587)	1,958	(6,818,629)
Net Assets – Beginning of Year	(4,073,727)	54,841	(4,018,886)	2,746,860	52,883	2,799,743
<b>NET ASSETS (DEFICIT) – END OF YEAR</b>	<u>\$ (4,139,982)</u>	<u>\$ 49,845</u>	<u>\$ (4,090,137)</u>	<u>\$ (4,073,727)</u>	<u>\$ 54,841</u>	<u>\$ (4,018,886)</u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	Program Services			Support Services	Total Expenses
	Regular Education	Special Education	Total	Management and General	
Employee Wages	\$ 10,956,415	\$ 1,174,068	\$ 12,130,483	\$ -	\$ 12,130,483
Payroll Taxes and Employee Benefits	3,203,304	172,557	3,375,861	-	3,375,861
Licensing and Management Fee	36,399	-	36,399	2,241,999	2,278,398
Litigation and Legal Services Fees	202,329	-	202,329	-	202,329
Other Professional Fees	80,366	8,256	88,622	-	88,622
Supplies and Materials	509,244	-	509,244	-	509,244
Occupancy	811,660	-	811,660	-	811,660
Telephone and Internet	157,366	-	157,366	-	157,366
Technology Equipment and Materials	259,969	-	259,969	-	259,969
Equipment and Maintenance	142,366	-	142,366	-	142,366
Academic Programming	161,830	577	162,407	-	162,407
Professional Development	208,337	411	208,748	-	208,748
Insurance	-	-	-	172,146	172,146
Depreciation and Amortization	206,073	-	206,073	-	206,073
Field Lessons	25,927	-	25,927	-	25,927
Consultants	34,972	18,998	53,970	-	53,970
Events	28,825	-	28,825	-	28,825
Student Transportation and Other Fees	21,325	-	21,325	-	21,325
Memberships and Subscriptions	30,543	-	30,543	-	30,543
Accounting and Audit Services Fees	-	-	-	8,004	8,004
Printing and Publications	17,350	-	17,350	-	17,350
Postage and Shipping	3,264	-	3,264	-	3,264
Miscellaneous	2,119	-	2,119	-	2,119
Candidate Recruiting	982	-	982	-	982
Bank and Other Fees	671	-	671	-	671
Interest Expense	69,177	-	69,177	-	69,177
Use of Donated Materials and Services	8,197	-	8,197	-	8,197
Total Expenditures	<u>\$ 17,179,010</u>	<u>\$ 1,374,867</u>	<u>\$ 18,553,877</u>	<u>\$ 2,422,149</u>	<u>\$ 20,976,026</u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	Program Services			Support Services	
	Regular Education	Special Education	Total	Management and General	Total Expenses
Employee Wages	\$ 10,375,488	\$ 1,607,085	\$ 11,982,573	\$ -	\$ 11,982,573
Payroll Taxes and Employee Benefits	3,411,150	228,356	3,639,506	-	3,639,506
Licensing and Management Fee	36,532	-	36,532	2,118,346	2,154,878
Litigation and Legal Services Fees	9,259,379	-	9,259,379	-	9,259,379
Other Professional Fees	157,167	15,088	172,255	-	172,255
Supplies and Materials	601,372	-	601,372	-	601,372
Occupancy	953,679	-	953,679	-	953,679
Telephone and Internet	247,675	-	247,675	-	247,675
Technology Equipment and Materials	327,915	-	327,915	-	327,915
Equipment and Maintenance	288,561	-	288,561	-	288,561
Academic Programming	283,957	2,596	286,553	-	286,553
Professional Development	218,306	1,059	219,365	-	219,365
Insurance	-	-	-	173,023	173,023
Depreciation and Amortization	227,192	-	227,192	-	227,192
Field Lessons	185,301	-	185,301	-	185,301
Consultants	32,476	16,288	48,764	-	48,764
Events	46,681	-	46,681	-	46,681
Student Transportation and Other Fees	22,404	-	22,404	-	22,404
Memberships and Subscriptions	21,147	-	21,147	-	21,147
Accounting and Audit Services Fees	-	-	-	23,728	23,728
Printing and Publications	17,255	-	17,255	-	17,255
Postage and Shipping	6,081	-	6,081	-	6,081
Miscellaneous	9,702	-	9,702	-	9,702
Candidate Recruiting	-	35	35	-	35
Bank and Other Fees	667	-	667	-	667
Prior Period Adjustments	9,870	-	9,870	-	9,870
Total Expenditures	<u>\$ 26,739,957</u>	<u>\$ 1,870,507</u>	<u>\$ 28,610,464</u>	<u>\$ 2,315,097</u>	<u>\$ 30,925,561</u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Local, State, and Federal Sources	\$ 23,581,660	\$ 17,933,837
Receipts from Others	138,595	4,425,415
Payments to Suppliers and Vendors	(11,883,640)	(9,628,980)
Payments to Employees	(12,130,483)	(11,982,573)
Net Cash Provided (Used) by Operating Activities	(293,868)	747,699
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Capital Assets	(8,613)	(75,582)
Net Cash Used By Investing Activities	(8,613)	(75,582)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Capital Lease Obligation	(53,602)	(53,602)
Net Cash Used By Financing Activities	(53,602)	(53,602)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(356,083)	618,515
Cash and Cash Equivalents – Beginning of Year	2,842,324	2,223,809
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 2,486,241</u>	<u>\$ 2,842,324</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (71,251)	\$ (6,818,629)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	206,073	227,192
Change in Assets and Liabilities:		
Grants and Contracts Receivable	2,815,480	(1,747,680)
Prepaid Expenses and Other Assets	(366,384)	(481,049)
Accounts Payable and Accrued Expenses	(9,604,351)	9,160,706
Refundable Advances	-	(39,068)
Loans Payable	6,877,567	-
Due to Related Parties	(151,002)	446,227
Total Adjustments	(222,617)	7,566,328
Net Cash Provided (Used) by Operating Activities	<u>\$ (293,868)</u>	<u>\$ 747,699</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital Lease Obligation	<u>\$ -</u>	<u>\$ 268,009</u>

See accompanying Notes to Financial Statements.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

KIPP Academy Charter School (the School) is an education corporation that operates as a charter school in the borough of the Bronx, New York City. On May 4, 2000, the Board of Regents of the City of New York for and on behalf of the State Education Department, granted the School a provisional charter valid for a term of five years from the effective date of September 1, 2000 and renewable upon expiration. The provisional charter was renewed on April 14, 2015 and is effective through June 30, 2019. In June 2019, an additional five-year renewal was granted for the School's charter through June 30, 2024.

The School's mission is to prepare students with the academic and character skills necessary to succeed in high school, college, and the competitive world beyond.

In fiscal years 2020 and 2019, the School operated classes for students in grades kindergarten through twelve.

The major source of revenue and support for the School is from state and local funding on a per pupil basis. The New York City Department of Food Services provides free and reduced-price lunches and the New York City Department of Transportation provides transportation vouchers directly to a majority of the School's students. Amounts with respect to these items are not included in these financial statements.

**Financial Statement Presentation**

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with established accounting standards for nonprofit entities. The financial statements have been prepared to focus on the School as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations will be met either by actions of the School or by the passage of time.

*Net Assets without Donor Restrictions* - Net assets not subject to donor-imposed stipulations.

Revenue is reported as an increase in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of restrictions on net assets are reported as net assets released from restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits.

**Grants and Contract Receivables**

Grants and contract receivables primarily consist of amounts due from the New York Department of Education for federal and state subsidy programs and private grants. Grants and contract receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2020 and 2019, no allowance was warranted.

**Governmental Funding**

Revenue from the state and local governments resulting from the School's charter status is based on the number of students enrolled. The revenue is recorded when services are performed in accordance with the charter agreement. Federal and state funds are recognized by the School when the conditions are met.

Revenue from other government grants to which the School is entitled is recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when conditions are met by the grant agreement.

Federal and state funds received prior to the services provided or the related expenditures being incurred are deferred and recorded as refundable advances.

**Contributions**

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. A contribution is conditional if a right of return or right of release exists as well as a barrier. The conditional contribution is recognized once the conditions have been met.

**Donated Goods and Services**

Donated goods and services are recorded at their fair value when such services are rendered or goods are donated. Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) required specialized skills and are performed by people with those skills and would otherwise be purchased by the School and (c) are measurable.

A number of volunteers have made a contribution of their time to the School. These in-kind contributions have not been reflected in the financial statements since they do not meet the criteria for recognition under accounting standards for contributions.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment, Improvements, Depreciation, and Amortization**

Equipment is recorded at cost. The School capitalizes purchases of equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Equipment acquired with certain government contract funds are recorded as expenses when the grantor retains title.

Improvements to the facility are amortized over the useful life as there is no set lease term for the school building.

**Allocation of Functional Expenses**

The costs of providing services have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Allocation of expenses to program services and supporting services is completed by direct expenses related to each function.

**Concentration of Credit Risk**

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

**Income Taxes**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable income tax regulations of the state of New York. No provision for income taxes has been established, as the School has no unrelated business activity.

**Uncertain Tax Positions**

The School recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2020, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the School had no interest or penalties related to income taxes.



**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

As of July 1, 2019, the School adopted the accounting guidance in FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The School's financial statements reflect the application of this guidance for the year ended June 30, 2020. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the School's previously reported contributions.

**Subsequent Events**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 29, 2020, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY**

The School regularly monitors liquidity required to meet its operating needs and commitments, while also striving to maximize the investment of available funds. For purposes of analyzing resources available to meet general expenditures over the next year, the School considers all expenditures related to its ongoing school activities of teaching, educating, and other school activities. In addition to financial assets available to meet general expenditures over the next year, the School operates with a balanced budget and anticipates collecting sufficient revenue from state and local per pupil subsidy, federal and state grants and contributions in the next fiscal year to cover general expenditures.

As of June 30, 2020 and 2019, the following financial assets could be readily made available within one year of the statement of financial position date to meet general expenditures:

	2020	2019
Cash and Cash Equivalents	\$ 2,486,241	\$ 2,842,324
Receivables	525,665	3,341,145
Total	<u>\$ 3,011,906</u>	<u>\$ 6,183,469</u>

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3 RELATED PARTY TRANSACTIONS**

The Knowledge is Power Program Foundation (KIPP Foundation) is a national, nonprofit organization that trains school leaders to open and run academically rigorous public schools. The School is a member of KIPP Foundation's KIPP Network of Schools and, as such, is eligible for a range of benefits and fee-based services. KIPP Foundation charges a license fee to all of the KIPP Charter Schools. See Note 11 for additional information about the license fee agreement.

KIPP NYC, LLC (LLC) is the sole member of KIPP New York, Inc. (KNYI). The School received grants from KNYI in the amounts of \$-0- and \$4,200,000 for the years ended June 30, 2020 and 2019, respectively.

LLC is considered a related party due to the usage of the LLC shared services team who handles the back-office functions for the School. In July 2009, the School entered into a shared services fee agreement with LLC for the back-office functions. The management fee is 11% of the revenue as defined in the shared services agreement. The School incurred a management fee to LLC in the amount of \$2,241,999 and \$2,118,346 for the years ended June 30, 2020 and 2019, respectively. The amount due to LLC for shared services as of June 30, 2020 and 2019 was \$65,140 and \$94,536, respectively.

KNYI is the sole member of KTC NYC, LLC (KTC). Amounts due to and from related parties represent short-term timing differences of grants received and expenses incurred on behalf of the School that have not been paid or received as of the financial statement date.

KTC is considered a related party due to the services they provide to the KIPP New York charter schools and school alumni to prepare them for college. The services KTC provides are college advisory, counseling and placement, transition programs, college scholars and career preparation. There were no transactions between KTC and the School during the year.

KIPP NYC Facilities II LLC (Facilities) is a single member limited liability company with KIPP NYC Facility Holdings, Inc. as its sole member. KIPP NYC Facility Holdings Inc. is a Delaware nonstock charitable membership corporation with a mission of securing long-term facilities for KIPP charter schools operating in New York City. KNYI, the School, and KIPP NYC Public Charter Schools are members of KIPP NYC Facility Holdings Inc. The School had no transactions with Facilities during the years ended June 30, 2020 and 2019.

The School and KIPP NYC Public Charter Schools share some common membership on their board of directors.

Amounts due to and from related parties represent short-term timing differences of expenses incurred on behalf of the School that have not been paid or received as of the financial statement date. As of June 30, 2020 and 2019, the School owed various related parties a total of \$1,344,727 and \$1,495,729, respectively.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 4 EQUIPMENT AND IMPROVEMENTS**

Equipment and improvements consist of the following:

	2020	2019
Furniture and Fixtures	\$ 98,020	\$ 98,020
Technology	1,953,823	1,951,228
Leasehold Improvements	744,635	738,616
Equipment	260,678	260,678
Total	3,057,156	3,048,542
Less: Accumulated Depreciation and Amortization	(2,662,724)	(2,456,650)
Total Equipment and Improvements	<u>\$ 394,432</u>	<u>\$ 591,892</u>

**NOTE 5 LOANS PAYABLE**

In July 2019, the School entered into a \$5,500,000 Revolver Agreement with KIPP New York, Inc. The purpose of the Agreement is to provide cash flow relief to meet operational expenses. The interest rate on funds borrowed under the Agreement is 2.12% and it expired May 31, 2020. During May 2020, an amendment to the agreement was completed with an updated interest rate of 0.9% and a maturity date as of May 30, 2023. As of June 30, 2020 and 2019, the total amount outstanding was \$5,000,000 and \$-0-, respectively.

In May 2020, the School received a loan in the amount of \$1,877,567 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). PPP funds are a form of low interest loans where some or all of the principal and interest may be eligible for forgiveness, subject to compliance and approval based off timing and use of funds in accordance with PPP guidelines. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The PPP funds are subject to review and any amount deemed not forgiven will convert to an amortizing term loan payable and is due by April 30, 2022.

Minimum loan payments for each year subsequent to June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 730,165
2022	1,147,402
2023	5,000,000
Total	<u>\$ 6,877,567</u>

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 6 RESTRICTIONS ON NET ASSET BALANCES**

Net assets with donor restrictions were available for the following purposes at June 30:

	2020	2019
Purpose Restrictions:		
Arts and Music Programs	\$ 2,365	\$ 2,365
Academic Programs	47,480	49,670
Athletic Programs	-	2,806
Total	<u>\$ 49,845</u>	<u>\$ 54,841</u>

**NOTE 7 RESTRICTION RELEASES ON NET ASSET BALANCES**

Net assets with donor restrictions were released for the following purposes at June 30:

	2020	2019
Purpose Restrictions:		
Arts and Music Programs	\$ -	\$ 4,875
Academic Programs	16,521	23,949
Student Food	1,897	-
Athletics	3,154	-
Total	<u>\$ 21,572</u>	<u>\$ 28,824</u>

**NOTE 8 PENSION PLAN**

The School is part of the KIPP NYC 403(b) Retirement Plan, a multiemployer defined contribution plan, under Section 403(b) of the IRC which employees of the School can elect to contribute. Employees, whom option for this plan, can contribute up to the level set by the Internal Revenue Service. The Employer match is a discretionary contribution. The employer contributions to this Plan amounted \$146,666 and \$142,298 for the years ended June 30, 2020 and 2019, respectively.

The School also contributes to the Teachers Retirement System of the City of New York, a multiemployer defined benefit pension plan (the Plan), on behalf of the eligible teachers. The Plan provides New York City educators with retirement, disability, and death benefit services. The School's participation in the Plan constitutes less than 1% of total Plan contributions. The funded status of the Plan was 63.8% at June 30, 2017, the date of the most recent actuarial calculation as indicated in the June 30, 2019 plan audit. The amount charged to operations for contributions to this Plan amounted to \$554,859 and \$862,854 for the years ended June 30, 2020 and 2019, respectively.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 CAPITAL LEASE OBLIGATIONS**

In September 2018, the School and KIPP NYC Public Charter School entered into a lease for computer equipment under a capital lease that expires in 2023. As of June 30, 2020 and 2019, the leased equipment are reflected at a cost of \$317,586 and related accumulated depreciation of \$156,781 and \$53,602, respectively. The lease requires annual payments of principal of \$53,602. The capital lease agreement states the total annual payments are equal to the cost value of the leased equipment and no interest is included in the payments.

Future minimum payments under the capital lease as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 53,602
2022	53,602
2023	53,601
Total Capital Lease Payments	<u>\$ 160,805</u>

**NOTE 10 SCHOOL FACILITY**

The School occupies three facilities to support its operations. Approximately 25,000 square feet of dedicated and shared space located at 250 East 156th St. in the South Bronx, New York is occupied through an agreement with the New York City Department of Education, which provides the space at no cost. The School is responsible for any overtime-related costs for services provided beyond regular opening hours. These costs have been included in building costs in the accompanying statements of functional expenses.

The School also jointly occupies approximately 132,500 square feet of space at 201 East 144th St. in the South Bronx where the joint high school for KIPP Academy Charter School and KIPP NYC Public Charter Schools resides. The facility was provided to the School at no cost, but the School must provide for continuing maintenance and operating expenses. The expenses are also included in building costs in the accompanying statements of functional expenses. The School also occupies the Mott Haven Facility.

**NOTE 11 TRADEMARK LICENSE AGREEMENT**

The School has entered into a trademark license agreement with KIPP Foundation subject to a license fee of 1% per pupil operating revenue not to exceed \$30,000 per elementary school, middle school, or high school. For the years ended June 30, 2020 and 2019, the School incurred licensing fees amounting to \$36,399 and \$36,532, respectively.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 12 OPERATING EXPENSES**

Operating expenses are presented in the statements of functional expenses, classified according to the significant program activity related to the purpose for which the school exists or supporting service.

The significant activities are:

**Program Services – Regular Education and Special Education**

Represents work (time and materials) that is specifically related to or necessary for the programming aspects of the School under the regular education and special education areas. The activities and related costs directly affecting students or parents fall under these program areas.

**Support Services**

Management and General

Time and materials relating to operating the nonprogrammatic/back-end operational functions of the School are reflected as management and general expenses. These expenses include, but are not limited to, human resources, finance, and technology activities.

Fundraising

Represents work (time and materials) associated with the School's fundraising program including but not limited to annual mailings, donor meeting, and events. The fundraising expenses were incurred by KIPP NYC, LLC.

**NOTE 13 CONTINGENCY**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements for such potential claims. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

**NOTE 14 LITIGATION**

In July 2019, the school reached final resolution on potential claims that resulted in the school incurring net outlays of \$7,943,076 in legal fees and payments. The school's insurers participated in the resolution. For the fiscal year ended June 30, 2019, the School has recognized all amounts related to these matters as Operating Expenses in the statements of activities and as Litigation and Legal Services Fees in the statements of functional expenses.

**KIPP ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant/ Contract Period	Grant Amount	Accrued or (Deferred) Revenue at 7/1/19	Total Received for the Year	Federal Disbursements/ Expenditures	Accrued or (Deferred) at 6/30/20
<u>U.S. Department of Education:</u>									
Pass-through New York Department of Education:									
Title I Grant – Improving Academic Achievement	I	84.010	0021-194110	9/1/18-8/31/19	\$ 717,742	\$ -	\$ 118,140	\$ 118,140	\$ -
Title I Grant – Improving Academic Achievement	I	84.010	0021-204110	9/1/19-8/31/20	685,610	-	566,260	566,260	-
Total Title I Grant – Improving Academic Achievement						-	684,400	684,400	-
Title II Grant – Teaching, Principal Training, Recruitment	I	84.367	0147-194110	9/1/18-8/31/19	99,931	(20,399)	16,655	16,655	(20,399)
Title II Grant – Teaching, Principal Training, Recruitment	I	84.367	0147-204110	9/1/19-8/31/20	78,352	(11,768)	65,293	77,061	-
Total Title II Grant – Teaching, Principal Training, Recruitment						(32,167)	81,948	93,716	(20,399)
Title IV Grant- SSAE Allocation	I	84.424	0204-194110	9/1/18-8/31/19	52,291	-	8,715	8,715	-
Title IV Grant- SSAE Allocation	I	84.424	0204-204110	9/1/19-8/31/20	53,422	-	44,518	44,518	-
Total Title IV Grant- SSAE Allocation						-	53,233	53,233	-
Total U.S. Department of Education						(32,167)	819,581	831,349	(20,399)
<u>U.S. Department of Agriculture:</u>									
Pass-through New York Department of Education:									
School Food Program- Lunch and Snack	I	10.555	n/a	7/1/19-6/30/20	126,083	-	126,083	126,083	-
School Food Program- Breakfast	I	10.553	n/a	7/1/19-6/30/20	24,698	-	24,698	24,698	-
Child Nutrition Cluster Total						-	150,781	150,781	-
Pass-through New York Department of Agriculture:									
School Food Program - Donated Commodities	I	10.555	n/a	7/1/19-6/30/20	8,197	-	8,197	8,197	-
Total U.S. Department of Agriculture						-	158,978	158,978	-
Total Federal Expenditures						\$ (32,167)	\$ 978,559	\$ 990,327	\$ (20,399)

I – Indirect Funding

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**KIPP ACADEMY CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

**NOTE 1 GENERAL INFORMATION**

The accompanying schedule of expenditures of federal awards presents the activities of the federal financial assistance programs of KIPP Academy Charter School (the School). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

**NOTE 2 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

The schedule of expenditures of federal awards presents only a selected portion of the activities of the School. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in net assets. The financial activity for the aforementioned awards is reported in the School's statements of activities.

**NOTE 4 INDIRECT COST RATE**

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





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

Board of Directors  
KIPP Academy Charter School  
Bronx, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KIPP Academy Charter School, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020



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

Board of Directors  
KIPP Academy Charter School  
Bronx, New York

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

We have audited KIPP Academy Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KIPP Academy Charter School's major federal programs for the year ended June 30, 2020. KIPP Academy Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of KIPP Academy Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP Academy Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, KIPP Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

Management of KIPP Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KIPP Academy Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KIPP Academy Charter School's internal control over compliance.

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

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

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



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 29, 2020

**KIPP ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Section I – Summary of Auditors' Results***

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**Financial Statements**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ yes       X       no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes       X       no

**Federal Awards**

1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_\_\_ yes       X       no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       none reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes       X       no

***Identification of Major Federal Programs***

**CFDA Number(s)**

84.010

**Name of Federal Program or Cluster**

U.S. Department of Education – Title I - Basic, Concentration, Targeted and Education Finance Incentive Grants

Dollar threshold used to distinguish between Type A or Type B programs was:

\$ 750,000

Auditee qualified as low-risk auditee?

      X       yes                      no



**KIPP ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with the Federal Single Audit Act.

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***Section IV – Prior Audit Findings***

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There were no prior year findings required to be reported under the Federal Single Audit Act.



# KIPP ACADEMY CHARTER SCHOOL

## FY 2021 Proposed Budget

	ACA n
Student Enrollment	1,116 n
FT Employees	124

### Revenue

Private Funding	69,827
State - General	18,008,892 n
State - SPED	1,843,000
Federal	946,305
Other Revenue	377,787 n
Governments Growth	-
Revenue Eliminations	-

<b>Total Revenue</b>	<b>21,245,811 n</b>
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### EXPENSES

#### Personnel Costs

Salaries	11,954,008 n
Other Compensation	134,500
Taxes and Benefits	3,850,584

<b>Total Personnel Costs</b>	<b>15,939,092 n</b>
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#### OTPS

SST Fee	2,511,622 n
Professional Services	629,092 n
Classroom Instructional	440,510
Student Supplies / Services	459,129nn
Office Supplies	240,215 n
Facilities	136,332
Technology	759,109 n
Staff Development	245,632
Other Expenses	421,182 n
Depreciation	332,713 n
Expense Eliminations	-

<b>Total Base Expenses</b>	<b>6,175,535 n</b>
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#### Net Capital Expenditures

Depreciation	32,713 n
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Facilities apex e	- e
Technology apex e	(114,544) e

<b>Total Net Capital Expenditures e</b>	<b>218,160 e</b>
---	------------------

<b>Bas Surplus / (Dficit) e</b>	<b>(650,647) e</b>
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#### PRIVATE REAL ESTATE: e

##### Real Estate Revenue

Per Pupil: Real Estate	- e
RE Internal Revenue e	- e

##### Real Estate Revenue

##### Real Estate Expenses

Sec / learing / Util e	945,541 e
Rent	-
Financing	-
Capital Investments: Real Estate e	-
General Real Estate	

<b>Real Estate Expenses</b>	<b>945,541 e</b>
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<b>Real Estate Surplus / (Dficit) e</b>	<b>(945,541) e</b>
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<b>Total Surplus / (Dficit) e</b>	<b>(1,596,188) e</b>
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JPMorgan Chase Bank, N.A.  
P O Box 182051  
Columbus, OH 43218-2051

August 01, 2019 through August 30, 2019

Account Number: [REDACTED]

## CUSTOMER SERVICE INFORMATION

Web site: [www.Chase.com](http://www.Chase.com)  
Service Center: 1-877-425-8100  
Deaf and Hard of Hearing: 1-800-242-7383  
Para Espanol: 1-888-622-4273  
International Calls: 1-713-262-1679

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KIPP ACADEMY CHARTER SCHOOL  
1501 BORADWAY10TH FLOOR  
NY NY 10036-5510

## CHECKING SUMMARY

Chase Analysis Business Checking

	INSTANCES	AMOUNT
<b>Beginning Balance</b>		<b>\$1,423,267.59</b>
Deposits and Additions	6	4,354,895.44
Checks Paid	31	-438,174.87
Electronic Withdrawals	16	-1,418,317.31
<b>Ending Balance</b>	<b>53</b>	<b>\$3,921,670.85</b>

## DEPOSITS AND ADDITIONS

DATE	DESCRIPTION	AMOUNT
08/20	Chips Credit Via: Hsbc Bank USA, N.A./0108 B/O: Kipp New York Inc New York NY/US Ref: Nbnf=Kipp Academy Charter School NY NY 10036-/Ac-000000003996 Org=/134 736834 New York NY/US Obi=Kipp Inc To Academy Loan Ssn: 0390819 Trn:	\$1,000,000.00
08/20	The City of New Payments 201908163844888 CTX ID: 7136400434	48,533.37
08/22	The City of New Payments 201908213850012 CTX ID: 7136400434	3,161,434.16
08/23	JPMorgan Access Transfer From Account [REDACTED]	102,275.43
08/23	JPMorgan Access Transfer From Account [REDACTED]	27,591.19
08/23	JPMorgan Access Transfer From Account [REDACTED]	15,061.29
<b>Total Deposits and Additions</b>		<b>\$4,354,895.44</b>

## CHECKS PAID

CHECK NO.	DESCRIPTION	DATE PAID	AMOUNT
3008 ^		08/09	\$5,109.00
3010 * ^		08/21	43,809.81
3012 * ^		08/12	39,125.39
3013 ^		08/12	5,900.42
3014 ^		08/12	5,127.74
3015 ^		08/12	687.48
3016 ^		08/13	623.10
3017 ^		08/12	2,073.80
3018 ^		08/12	80,016.00
3019 ^		08/09	25,385.91
3020 ^		08/21	1,243.74



August 01, 2019 through August 30, 2019

Account Number: [REDACTED]

**CHECKS PAID** (continued)

CHECK NO.	DESCRIPTION	DATE PAID	AMOUNT
3021 ^		08/13	2,544.34
3022 ^		08/12	755.50
3023 ^		08/16	20,503.50
3024 ^		08/15	441.11
3025 ^		08/13	1,386.00
3026 ^		08/12	1,811.94
3027 ^		08/12	5,819.94
3028 ^		08/19	47,319.94
3029 ^		08/19	35,584.00
3030 ^		08/19	1,676.25
3031 ^		08/19	1,026.00
3032 ^		08/28	6,019.00
3033 ^		08/27	701.29
3034 ^		08/27	356.06
3037 * ^		08/26	4,687.86
3038 ^		08/28	1,049.32
3039 ^		08/27	5,250.00
3040 ^		08/29	2,200.00
3041 ^		08/27	140.55
3043 * ^		08/30	89,799.88

**Total Checks Paid****\$438,174.87**

If you see a description in the Checks Paid section, it means that we received only electronic information about the check, not the original or an image of the check. As a result, we're not able to return the check to you or show you an image.

\* All of your recent checks may not be on this statement, either because they haven't cleared yet or they were listed on one of your previous statements.

^ An image of this check may be available for you to view on Chase.com.

**ELECTRONIC WITHDRAWALS**

DATE	DESCRIPTION	AMOUNT
08/02	08/02 Fedwire Debit Via: Hsbc USA/021001088 A/C: Kipp Nyc LLC New York, NY 10018 US Ref: Fy20 Sst Fee#1 Aca Imad: 0802B1Qgc08C008806 Trn: [REDACTED]	\$347,757.76
08/02	08/02 Book Transfer Debit A/C: Nyc Retirement Systems Trust New York NY 10041-0004 Ref: Fy20 Aca Trs Er 0819 Trn: [REDACTED]	39,631.00
08/02	08/02 Book Transfer Debit A/C: Nyc Retirement Systems Trust New York NY 10041-0004 Ref: Fy20 Trs Er 0719 Trn: [REDACTED]	39,631.00
08/05	08/05 Online Transfer To Chk ...2279 Transaction#: [REDACTED]	60,463.68
08/06	08/06 Online Transfer To Chk ...2279 Transaction#: [REDACTED]	60,463.68
08/14	ADP Wage Pay Wage Pay 698079264887Bx3 CCD ID: [REDACTED]	254,127.90
08/14	ADP Tax ADP Tax 94Bx3 081533A01 CCD ID: [REDACTED]	170,113.28
08/14	ADP Wage Garn Wage Garn 698079264888Bx3 CCD ID: [REDACTED]	974.78
08/16	ADP Payroll Fees ADP - Fees 10Bx3 8839020 CCD ID: [REDACTED]	523.95
08/23	08/23 JPMorgan Access Transfer To Account [REDACTED]	25,234.61
08/23	08/23 JPMorgan Access Transfer To Account [REDACTED]	9,433.01
08/26	08/26 JPMorgan Access Transfer To Account [REDACTED]	34,693.07
08/28	08/28 JPMorgan Access Transfer To Account [REDACTED]	60,463.68
08/29	ADP Wage Pay Wage Pay 657071150829Bx3 CCD ID: [REDACTED]	197,472.16
08/29	ADP Tax ADP Tax 94Bx3 083035A01 CCD ID: [REDACTED]	116,358.96
08/29	ADP Wage Garn Wage Garn 657071150830Bx3 CCD ID: [REDACTED]	974.79

**Total Electronic Withdrawals****\$1,418,317.31**



August 01, 2019 through August 30, 2019

Account Number: [REDACTED]

Your service charges, fees and earnings credit have been calculated through account analysis.

## DAILY ENDING BALANCE

DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT
08/02	\$996,247.83	08/15	273,296.84	08/23	4,441,837.47
08/05	935,784.15	08/16	252,269.39	08/26	4,402,456.54
08/06	875,320.47	08/19	166,663.20	08/27	4,396,008.64
08/09	844,825.56	08/20	1,215,196.57	08/28	4,328,476.64
08/12	703,507.35	08/21	1,170,143.02	08/29	4,011,470.73
08/13	698,953.91	08/22	4,331,577.18	08/30	3,921,670.85
08/14	273,737.95				

**IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS:** Call us at 1-866-564-2262 or write us at the address on the front of this statement (non-personal accounts contact Customer Service) immediately if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt.

For personal accounts only: We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

**IN CASE OF ERRORS OR QUESTIONS ABOUT NON-ELECTRONIC TRANSACTIONS:** Contact the bank immediately if your statement is incorrect or if you need more information about any non-electronic transactions (checks or deposits) on this statement. If any such error appears, you must notify the bank in writing no later than 30 days after the statement was made available to you. For more complete details, see the Account Rules and Regulations or other applicable account agreement that governs your account. Deposit products and services are offered by JPMorgan Chase Bank, N.A. Member FDIC



JPMorgan Chase Bank, N.A. Member FDIC



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