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December 28, 2017


Charter School Board
Kipp Indianapolis, Inc.
1740 E 30th St
Indianapolis, IN 46218

We have reviewed the report prepared by Kipp Indianapolis, Inc. and opined upon by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Kipp Indianapolis, Inc. as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Greenwalt CPAs, Inc. prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Kipp Indianapolis, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

KIPP INDIANAPOLIS, INC.
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
JUNE 30, 2017 AND 2016

GREENWALT CPAs
We Deliver Peace of Mind

KIPP INDIANAPOLIS, INC.
TABLE OF CONTENTS
JUNE 30, 2017 AND 2016

Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	7
Independent Auditors' Report on Supplementary Information	14
Statements of Financial Position of KIPP Indy College Prep Middle, KIPP Indy Unite Elementary and Administration June 30, 2017.....	16
Statements of Activities of KIPP Indy College Prep Middle, KIPP Indy Unite Elementary and Administration for the year ended June 30, 2017	17
Statements of Financial Position of KIPP Indy College Prep Middle, KIPP Indy Unite Elementary and Administration June 30, 2016.....	18
Statements of Activities of KIPP Indy College Prep Middle, KIPP Indy Unite Elementary and Administration for the year ended June 30, 2016	19
Schedule of Expenditures of Federal Awards.....	20
Notes to the Schedule of Expenditures of Federal Awards	21
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Report on Compliance for Each Major Program and on Internal Control over Compliance.....	24
Schedule of Findings and Questioned Costs	26
Other Report.....	27



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KIPP Indianapolis, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP Indianapolis, Inc. (an Indiana public charter school, "the School"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines of Audits of Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. 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 School'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 the School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Greenwald CPAs, Inc.

December 12, 2017

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

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 1,004,976	\$ 1,036,427
Grants receivable	392,929	480,885
Uniform inventory	45,138	27,001
Prepaid expenses	<u>63,573</u>	<u>52,119</u>
<i>Total current assets</i>	<u>1,506,616</u>	<u>1,596,432</u>
LAND AND BUILDING AVAILABLE FOR SALE	<u>225,000</u>	<u>352,636</u>
PROPERTY AND EQUIPMENT		
Leaschold improvements	7,974	-
Books and education materials	193,257	118,088
Furniture and equipment	302,199	205,220
Computer equipment	591,841	497,713
Software	74,332	74,332
Accumulated depreciation and amortization	<u>(696,995)</u>	<u>(540,753)</u>
<i>Total property and equipment, net</i>	<u>472,608</u>	<u>354,600</u>
<i>Total assets</i>	<u>\$ 2,204,224</u>	<u>\$ 2,303,668</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 118,232	\$ 107,675
Related party payable	30,579	42,180
Accrued personnel costs	82,716	70,488
Other accrued expenses	9,072	329,936
Current portion of notes payable	<u>32,500</u>	<u>16,250</u>
<i>Total current liabilities</i>	<u>273,099</u>	<u>566,529</u>
LONG TERM LIABILITIES		
Notes payable, net of current portion	<u>276,250</u>	<u>308,750</u>
<i>Total liabilities</i>	<u>549,349</u>	<u>875,279</u>
COMMITMENTS (NOTE 5)		
NET ASSETS		
Unrestricted	1,544,882	1,313,290
Unrestricted board designated	<u>60,000</u>	<u>50,000</u>
<i>Total unrestricted net assets</i>	1,604,882	1,363,290
Temporarily restricted	<u>49,993</u>	<u>65,099</u>
<i>Total net assets</i>	<u>1,654,875</u>	<u>1,428,389</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,204,224</u>	<u>\$ 2,303,668</u>

See accompanying notes to financial statements.

KIPP INDIANAPOLIS, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	2017	UNRESTRICTED	TEMPORARILY RESTRICTED	2016
REVENUE AND SUPPORT						
Private funding	\$ 565,987	\$ 43,994	\$ 609,981	\$ 664,397	\$ 59,101	\$ 723,498
State funding	5,040,467	-	5,040,467	4,540,156	-	4,540,156
Federal funding	1,320,593	-	1,320,593	1,192,436	-	1,192,436
Other income	164,021	-	164,021	73,735	-	73,735
<i>Total</i>	<u>7,091,068</u>	<u>43,994</u>	<u>7,135,062</u>	<u>6,470,724</u>	<u>59,101</u>	<u>6,529,825</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>59,100</u>	<u>(59,100)</u>	<u>-</u>	<u>22,732</u>	<u>(22,732)</u>	<u>-</u>
<i>Total revenue and support</i>	<u>7,150,168</u>	<u>(15,106)</u>	<u>7,135,062</u>	<u>6,493,456</u>	<u>36,369</u>	<u>6,529,825</u>
EXPENSES						
Instructional expenses						
Personnel costs	2,523,992	-	2,523,992	2,526,412	-	2,526,412
Professional services	115,926	-	115,926	94,047	-	94,047
Supplies and materials	177,937	-	177,937	148,681	-	148,681
Other	8,577	-	8,577	8,270	-	8,270
<i>Total instructional expenses</i>	<u>2,826,432</u>	<u>-</u>	<u>2,826,432</u>	<u>2,777,410</u>	<u>-</u>	<u>2,777,410</u>
Administration expenses						
Personnel costs	1,966,181	-	1,966,181	1,450,530	-	1,450,530
Professional services	292,684	-	292,684	263,543	-	263,543
Staff training	82,967	-	82,967	85,319	-	85,319
Community relations	35,429	-	35,429	27,611	-	27,611
Supplies and materials	80,066	-	80,066	74,013	-	74,013
Other	17,524	-	17,524	5,892	-	5,892
<i>Total administration expenses</i>	<u>2,474,851</u>	<u>-</u>	<u>2,474,851</u>	<u>1,906,908</u>	<u>-</u>	<u>1,906,908</u>
Other expenses:						
Facilities	297,558	-	297,558	293,448	-	293,448
Technology	80,280	-	80,280	117,668	-	117,668
Interest	3,083	-	3,083	7,269	-	7,269
Depreciation and amortization	181,935	-	181,935	192,052	-	192,052
Student transportation and other	942,495	-	942,495	836,186	-	836,186
<i>Total other expenses</i>	<u>1,505,351</u>	<u>-</u>	<u>1,505,351</u>	<u>1,446,623</u>	<u>-</u>	<u>1,446,623</u>
<i>Total expenses</i>	<u>6,806,634</u>	<u>-</u>	<u>6,806,634</u>	<u>6,130,941</u>	<u>-</u>	<u>6,130,941</u>
CHANGE IN NET ASSETS, BEFORE IMPAIRMENT LOSS	343,534	(15,106)	328,428	362,515	36,369	398,884
IMPAIRMENT LOSS ON LAND AND BUILDING AVAILABLE FOR SALE (NOTE 2)	<u>(101,942)</u>	<u>-</u>	<u>(101,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	241,592	(15,106)	226,486	362,515	36,369	398,884
NET ASSETS, BEGINNING OF YEAR	<u>1,363,290</u>	<u>65,099</u>	<u>1,428,389</u>	<u>1,000,775</u>	<u>28,730</u>	<u>1,029,505</u>
NET ASSETS, END OF YEAR	<u>\$ 1,604,882</u>	<u>\$ 49,993</u>	<u>\$ 1,654,875</u>	<u>\$ 1,363,290</u>	<u>\$ 65,099</u>	<u>\$ 1,428,389</u>

See accompanying notes to financial statements.

NET CHANGE IN CASH

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from private funding	\$ 609,981	\$ 723,498
Cash received from state and federal funding	6,396,016	5,328,840
Cash received from other income sources	164,014	73,727
Cash paid to suppliers and employees	(6,907,887)	(5,527,577)
Interest income received	7	8
Interest paid	(3,083)	(7,269)
	<u>259,048</u>	<u>591,227</u>
<i>Net cash provided by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(274,249)	(262,733)
	<u>(274,249)</u>	<u>(262,733)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) on notes payable	(16,250)	118,985
	<u>(16,250)</u>	<u>118,985</u>
NET CHANGE IN CASH	(31,451)	447,479
CASH, BEGINNING OF YEAR	<u>1,036,427</u>	<u>588,948</u>
CASH, END OF YEAR	<u>\$ 1,004,976</u>	<u>\$ 1,036,427</u>
NON-CASH OPERATING AND INVESTING ACTIVITIES:		
In-kind services	<u>\$ 53,000</u>	<u>\$ 126,000</u>
Donated computers	<u>\$ -</u>	<u>\$ 30,000</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2017</u>	<u>2016</u>
CHANGE IN NET ASSETS	<u>\$ 226,486</u>	<u>\$ 398,884</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	181,935	192,052
Donated computers	-	(30,000)
Impairment loss on land and building available for sale	101,942	-
<i>Increase (decrease) in operating assets:</i>		
Grants receivable	87,956	(247,752)
Uniform inventory	(18,137)	(27,001)
Prepaid expenses	(11,454)	(24,798)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	10,557	27,010
Related party payable	(11,601)	42,180
Accrued personnel costs	12,228	60,391
Other accrued expenses	(320,864)	200,261
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 259,048</u></u>	<u><u>\$ 591,227</u></u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

KIPP Indianapolis, Inc. (the "School") was incorporated March 21, 2003, under the laws of the State of Indiana and commenced operations in September 2004. The School is a network of tuition-free, open-enrollment, college preparatory, public charter schools. The School currently manages the KIPP Indy College Prep Middle School and KIPP Indy Unite Elementary School. The School is dedicated to preparing students in the under-served communities of Indianapolis for success in college and life. A longer school day, academic and character development, a relentless focus on student outcomes and college completion - coupled with unparalleled professional development programs for teachers and school leaders - create "The KIPP Effect". The School's main sources of revenue are state and federal grants.

The academic program of the School is designed to challenge every student to achieve on or above grade level performance in all academic subjects. While students may enter the school below grade level in many areas, the school is prepared for the challenge of equipping students with the knowledge, skills, and habits necessary for success in an academically rigorous college preparatory high school. The school's curriculum is based upon the Indiana Academic Standards and is taught rigorously to ensure that students are prepared for a college preparatory high school upon completion of the eighth grade.

The School provides an age-appropriate curriculum for reading, language arts, math, science, and social studies at each grade level. Grade levels kindergarten through second grade as well as fifth through eighth grade are currently being served. The School plans to add third and fourth grade over the next few years. Spanish is also offered to fifth through eighth graders, and all students are enrolled in physical education. Teachers also lead an advisory role, which consists of instruction in values, life skills, and study skills.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on the accrual basis of accounting. 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.

FINANCIAL STATEMENT PRESENTATION

In accordance with the Not-for-Profit Organizations Revenue Recognition Accounting Standards, donations and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

In accordance with Accounting Standards for the Preparation of Financial Statements of Not-For-Profit Organizations, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the School is required to present a statement of cash flows.

KIPP INDIANAPOLIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2017 and 2016.

At June 30, 2017, the School maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC).

GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable represent the uncollected portion of funds from grants awarded to the School. Grants receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to thirty days from the statement of financial position date. Grants receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn.

Grants receivable are reported net of an allowance for doubtful accounts. The School reviews grants receivable and writes off any amount to be deemed uncollectible. There were no allowances as of June 30, 2017 and 2016.

INVENTORY

Inventory is carried at the lower of cost or market. Cost is measured on the average cost basis. Inventory is comprised of student uniforms.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of property and equipment in excess of \$1,000 cost, or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 5 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

IMPAIRMENT OF LONG LIVED ASSETS

The School evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. See Note 2.

KIPP INDIANAPOLIS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS

The financial statements report amounts separately by class of net assets:

Unrestricted

These include revenue and expenses from the regular operations of the School, which are at the discretion of management and the Board of Directors.

Unrestricted - Board Designated

KIPP operates two schools which received their authorization through the Office of Education Innovation (OEI). The OEI requires that each school establish an account held in escrow of \$30,000 no later than December of third year of operations. The escrow account is designated for any potential dissolution of the school. At June 30 KIPP held the following amounts in escrow which have been presented as board designated net assets in the statement of financial position:

	<u>2017</u>	<u>2016</u>
KIPP Indy College Prep Middle School	\$ 30,000	\$ 30,000
KIPP Indy Unite Elementary School	30,000	20,000
	<u>\$ 60,000</u>	<u>\$ 50,000</u>

Temporarily Restricted

These include donations and grant revenues used to meet expenses of current operations in accordance with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net Assets were restricted for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Instructional Technology	\$ 6,000	\$ 6,000
Administrative Salaries	43,993	58,182
Professional Development	-	917
Total temporary restricted	<u>\$ 49,993</u>	<u>\$ 65,099</u>

Permanently Restricted

As of June 30, 2017 and 2016, the School had no permanently restricted net assets.

KIPP INDIANAPOLIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED SERVICES

Pursuant to the Not-for-Profit Organizations Revenue Recognition Accounting Standards for contributed services, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The School received \$53,000 and \$126,000 of in-kind contributions during the years ended June 30, 2017 and 2016, respectively, for School nursing services. In addition, the school received donated computers valued at \$30,000 during the year ended June 30, 2016. These in-kind contributions have been included in private funding on the statements of activities. They have been treated as non-cash activities for the purposes of the statements of cash flows.

Volunteers provide program services throughout the year that do not meet the recognition criteria for contributed services. These services include volunteering at events, picking up donations, and various clerical tasks. The effect of these services has not been reflected in the statements of activities.

Advertising

Advertising expenses totaled \$35,429 and \$27,611 for fiscal years 2017 and 2016, respectively. The School's policy is to record advertising expenditures in the period in which they are incurred.

EXPENSE ALLOCATION

Expenses have been classified as program services and general and administrative based on the actual direct expenditures and cost allocation based on estimates of time and usage by personnel and programs.

A summary of expenses by functional classification for the years ended June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 4,331,783	\$ 4,224,671
General and administrative	<u>2,474,851</u>	<u>1,906,270</u>
Total functional expenses	<u>\$ 6,806,634</u>	<u>\$ 6,130,941</u>

INCOME TAXES

The School is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509 (a) of the Internal Revenue Code.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONCENTRATION OF CREDIT RISK

Operating Funds from the Indiana Department of Education amounted to 70.4% and 67.0% of the School's total revenue and support during fiscal years 2017 and 2016, respectively. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year. Federal funding, including Title I, Title II, breakfast and lunch reimbursement programs, and other miscellaneous federal programs, was 17.4% and 17.6% of the School's total revenue and support during the fiscal years 2017 and 2016, respectively.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

SUBSEQUENT EVENTS

Subsequent events have been considered through December 12, 2017, which was the date the financial statements were available to be issued.

2. LAND AND BUILDING AVAILABLE FOR SALE AND IMPAIRMENT LOSS

After the 2014 school year, the School vacated its property at 3202 E. 42nd Street. The School plans to sell the building. During fiscal year 2017, management determined that the property was recorded at a value higher than its potential sale value. The resulting loss has been reflected as impairment loss on land and building available for sale in the statements of activities. The land and building were sold in September 2017.

3. NOTES PAYABLE

The School had a loan from a financial institution of \$325,000, which was scheduled to mature in February 2018. The interest rate on this loan was variable and was subject to changes based on the Daily LIBOR Rate. The loan was paid off during fiscal year 2016.

The School obtained loans from the State of Indiana through the Charter and Innovation School Advance Program totaling \$325,000 in February 2016. The loans mature in January 2026 and bear interest at 1% per annum. The total outstanding balance on the loans at June 30, 2017 and 2016 was \$308,750 and \$325,000, respectively.

KIPP INDIANAPOLIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

3. NOTES PAYABLE, CONTINUED

The future aggregate minimum principal payments on the charter school loan are as follows for the years ending June 30:

2018	\$	32,500
2019		32,500
2020		32,500
2021		32,500
2022		32,500
Thereafter		<u>146,250</u>
Total	\$	<u>308,750</u>

Total interest expense during fiscal years 2017 and 2016 was \$3,083 and \$7,269, respectively.

4. RELATED PARTY PAYABLE

The School has an agreement with the KIPP Foundation for licensing fees. At June 30, 2017 and 2016, the School had an outstanding payable to the KIPP Foundation in the amount of \$30,579 and \$42,180, respectively.

5. COMMITMENTS AND OPERATING LEASES

The School has two agreements with The Board of School Commissioners of the City of Indianapolis for KIPP Indy College Prep Middle School and KIPP Indy Unite Elementary School to become Innovation Network Charter Schools through June 30, 2022. Under the agreements, the School is permitted use of the Indianapolis Public Schools (IPS) Building located at 1740 E 30th Street in Indianapolis. The agreements are not leases, as they provide no real estate interest in the building or land. In addition to use of facilities, the School also receives IPS transportation services. In exchange, the School has agreed to pay IPS \$14,584 per month plus \$48.75 per student enrolled in the School, based on 90% of the School's most recent student count. In fiscal year 2017 the School paid \$175,000 in service fees to IPS.

Future minimum payments for these agreements are as follows for the years ending June 30:

2018	\$	175,000
2019		175,000
2020		175,000
2021		175,000
2022		<u>175,000</u>
Total	\$	<u>875,000</u>

The School leases office equipment under operating leases that expire on various dates through January 2022. These leases require minimum monthly payments of \$2,264, plus charges for usage overages. Lease expense on equipment was \$45,298 and \$42,787, respectively, for the fiscal years 2017 and 2016.

5. **COMMITMENTS AND OPERATING LEASES, CONTINUED**

Future minimum rental payments for all operating leases are as follows for the years ending June 30:

2018	\$	8,951
2019		6,561
2020		6,561
2021		2,584
2022		1,507
		<hr/>
	\$	26,164

6. **RETIREMENT AND PENSION PLANS**

The School's faculty and certain administrative employees are participants in a 403(b) defined contribution retirement plan (the Plan). All participants may contribute to the Plan. There was a 7% employer match to the Plan during fiscal years 2017 and 2016, for which the School contributed \$245,167 and \$200,270, respectively.

The School elected to become a participating employer in the Teachers' Retirement Fund (TRF). The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan that is managed by the Indiana Public Retirement System (INPRS). TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Contribution requirements of plan members are determined annually by the INPRS Board. Retirement plan expense for TRF was \$8,844 and \$17,891 for fiscal years 2017 and 2016, respectively.

Should the school elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the contributions received by TRF. As of June 30, 2016 (the last year reported), TRF was more than 90% funded. A copy of the complete annual report for the year ended June 30, 2016 can be obtained at www.in.gov/inprs/files/2016INPRSCAFRBook.pdf.

KIPP INDIANAPOLIS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

7. **FEDERAL, STATE, AND LOCAL GRANT AWARDS**

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Entity Annual Report (E-1).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
National School Lunch Program	Indiana Department of Agriculture	10.555	\$525,824	\$485,494	Federal grant passed through state or local government
Title I, Part A	Indiana Department of Education	84.010	\$523,973	\$523,973	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$74,574	\$74,574	Federal grant passed through state or local government
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	\$61,118	\$61,118	Federal grant passed through state or local government
Supporting Effective Instruction State Grants	KIPP International	84.367D	\$75,000	\$75,000	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	\$4,405,081	\$4,405,081	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	\$304,000	\$304,000	State or Local Government
Medicaid Reimbursement	Indiana Department of Education	N/A	\$16,794	\$16,794	State of Local Government
State Special Education	Indiana Department of Education	N/A	\$259,703	\$259,703	State or Local Government
Textbook Reimbursement	Indiana Department of Education	N/A	\$41,300	\$41,300	State or Local Government
State Technology Grant	Indiana Department of Education	N/A	\$4,148	\$4,148	State or Local Government
Excellence in Performance	Indiana Department of Education	N/A	\$1,695	\$1,695	State or Local Government
Formative Assessment	Indiana Department of Education	N/A	\$7,746	\$7,746	State or Local Government
		Total	\$6,300,956	\$6,260,626	

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
KIPP Indianapolis, Inc.:

We have audited the financial statements of KIPP Indianapolis, Inc. (the School) as of and for the years ended June 30, 2017 and 2016, and our report thereon dated December 12, 2017, which expressed an unmodified opinion on those financial statements, appears on page two. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Exhibits I-IV as of and for the years ended June 30, 2017 and 2016, have been presented for purposes of additional analysis, rather than to present the financial position and results of operations by division, and are not a required part of the financial statements. The schedule of expenditures of federal awards, as required by the 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Greenwalt CPAs, Inc.

December 12, 2017

KIPP INDIANAPOLIS, INC.

STATEMENTS OF FINANCIAL POSITION OF KIPP INDY COLLEGE PREP MIDDLE, KIPP INDY UNITE ELEMENTARY, AND ADMINISTRATION
JUNE 30, 2017

Exhibit I

<u>ASSETS</u>	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	TOTAL
CURRENT ASSETS				
Cash	\$ 415,746	\$ 582,510	\$ 6,720	\$ 1,004,976
Grants receivable	260,869	115,860	16,200	392,929
Uniform inventory	28,395	16,743	-	45,138
Prepaid expenses	19,994	20,645	22,934	63,573
<i>Total current assets</i>	<u>725,004</u>	<u>735,758</u>	<u>45,854</u>	<u>1,506,616</u>
LAND AND BUILDING AVAILABLE FOR SALE	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
PROPERTY AND EQUIPMENT				
Leaschold improvements	-	3,174	4,800	7,974
Books and education materials	74,657	118,600	-	193,257
Furniture and equipment	134,626	158,173	9,400	302,199
Computer equipment	390,488	173,760	27,593	591,841
Software	74,332	-	-	74,332
Accumulated depreciation and amortization	(517,263)	(169,527)	(10,205)	(696,995)
<i>Total property and equipment, net</i>	<u>156,840</u>	<u>284,180</u>	<u>31,588</u>	<u>472,608</u>
<i>Total assets</i>	<u>\$ 1,106,844</u>	<u>\$ 1,019,938</u>	<u>\$ 77,442</u>	<u>\$ 2,204,224</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 53,818	\$ 51,897	\$ 12,517	\$ 118,232
Related party payable	15,468	15,111	-	30,579
Accrued personnel costs	31,369	28,045	23,302	82,716
Other accrued expenses	3,099	5,373	600	9,072
Current portion of notes payable	20,000	12,500	-	32,500
<i>Total current liabilities</i>	<u>123,754</u>	<u>112,926</u>	<u>36,419</u>	<u>273,099</u>
LONG TERM LIABILITIES				
Notes payable, net of current portion	<u>170,000</u>	<u>106,250</u>	<u>-</u>	<u>276,250</u>
<i>Total liabilities</i>	<u>293,754</u>	<u>219,176</u>	<u>36,419</u>	<u>549,349</u>
COMMITMENTS (NOTE 5)				
NET ASSETS				
Unrestricted	783,090	751,650	10,142	1,544,882
Unrestricted board designated	30,000	30,000	-	60,000
<i>Total unrestricted net assets</i>	<u>813,090</u>	<u>781,650</u>	<u>10,142</u>	<u>1,604,882</u>
Temporarily restricted	<u>-</u>	<u>19,112</u>	<u>30,881</u>	<u>49,993</u>
<i>Total net assets</i>	<u>813,090</u>	<u>800,762</u>	<u>41,023</u>	<u>1,654,875</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,106,844</u>	<u>\$ 1,019,938</u>	<u>\$ 77,442</u>	<u>\$ 2,204,224</u>

KIPP INDIANAPOLIS, INC.

**STATEMENTS OF ACTIVITIES OF KIPP INDY COLLEGE PREP MIDDLE, KIPP INDY UNITE ELEMENTARY, AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit II

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	ELIMINATIONS	TOTAL
UNRESTRICTED REVENUE AND SUPPORT					
Private funding	\$ 27,045	\$ 127,575	\$ 470,467	\$ -	\$ 625,087
State funding	2,608,121	2,432,346	-	-	5,040,467
Federal funding	685,793	559,800	75,000	-	1,320,593
Other Income	122,814	37,866	664,213	(660,872)	164,021
<i>Total</i>	3,443,773	3,157,587	1,209,680	(660,872)	7,150,168
TEMPORARILY RESTRICTED REVENUE, NET OF RELEASES					
	-	(33,569)	18,463	-	(15,106)
<i>Total revenue and support</i>	3,443,773	3,124,018	1,228,143	(660,872)	7,135,062
EXPENSES					
Instructional expenses:					
Personnel costs	1,362,693	1,161,299	-	-	2,523,992
Professional services	52,435	63,491	-	-	115,926
Supplies and materials	82,493	95,444	-	-	177,937
Other	5,608	2,969	-	-	8,577
<i>Total instructional expenses</i>	1,503,229	1,323,203	-	-	2,826,432
Administration expenses:					
Personnel costs	491,884	332,810	1,141,487	-	1,966,181
Professional services	419,603	494,874	39,079	(660,872)	292,684
Staff training	13,630	43,926	25,411	-	82,967
Community relations	-	-	35,429	-	35,429
Supplies and materials	31,443	28,122	20,501	-	80,066
Other	4,342	5,193	7,989	-	17,524
<i>Total administration expenses</i>	960,902	904,925	1,269,896	(660,872)	2,474,851
Other expenses:					
Facilities	127,647	115,494	54,417	-	297,558
Technology	36,252	41,766	2,262	-	80,280
Interest	1,830	1,253	-	-	3,083
Depreciation and amortization	80,877	94,278	6,780	-	181,935
Student transportation and other	497,059	430,304	15,132	-	942,495
<i>Total other expenses</i>	743,665	683,095	78,591	-	1,505,351
<i>Total expenses</i>	3,207,796	2,911,223	1,348,487	(660,872)	6,806,634
CHANGE IN NET ASSETS, BEFORE IMPAIRMENT LOSS	235,977	212,795	(120,344)	-	328,428
IMPAIRMENT LOSS ON LAND AND BUILDING AVAILABLE FOR SALE	(101,942)	-	-	-	(101,942)
CHANGE IN NET ASSETS	134,035	212,795	(120,344)	-	226,486
NET ASSETS, BEGINNING OF YEAR	679,055	587,967	161,367	-	1,428,389
NET ASSETS, END OF YEAR	<u>\$ 813,090</u>	<u>\$ 800,762</u>	<u>\$ 41,023</u>	<u>\$ -</u>	<u>\$ 1,654,875</u>

KIPP INDIANAPOLIS, INC.

STATEMENTS OF FINANCIAL POSITION OF KIPP INDY COLLEGE PREP MIDDLE, KIPP INDY UNITE ELEMENTARY, AND ADMINISTRATION
 JUNE 30, 2016

Exhibit III

ASSETS	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	TOTAL
CURRENT ASSETS				
Cash	\$ 481,591	\$ 390,788	\$ 164,048	\$ 1,036,427
Grants receivable	188,619	286,031	6,235	480,885
Interfund receivable	15,443	11,558	-	27,001
Prepaid expenses	16,933	16,426	18,760	52,119
<i>Total current assets</i>	<u>702,586</u>	<u>704,803</u>	<u>189,043</u>	<u>1,596,432</u>
LAND AND BUILDING AVAILABLE FOR SALE	<u>352,636</u>	<u>-</u>	<u>-</u>	<u>352,636</u>
PROPERTY AND EQUIPMENT				
Books and education materials	40,713	77,375	-	118,088
Furniture and equipment	113,325	91,895	-	205,220
Computer equipment	366,984	113,471	17,258	497,713
Software	74,332	-	-	74,332
Accumulated depreciation and amortization	(462,080)	(75,248)	(3,425)	(540,753)
<i>Total property and equipment, net</i>	<u>133,274</u>	<u>207,493</u>	<u>13,833</u>	<u>354,600</u>
<i>Total assets</i>	<u>\$ 1,188,496</u>	<u>\$ 912,296</u>	<u>\$ 202,876</u>	<u>\$ 2,303,668</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 39,536	\$ 55,815	\$ 12,324	\$ 107,675
Related party payable	27,530	14,650	-	42,180
Accrued personnel costs	26,803	15,709	27,976	70,488
Other accrued expenses	215,572	113,155	1,209	329,936
Current portion of notes payable	10,000	6,250	-	16,250
<i>Total current liabilities</i>	<u>319,441</u>	<u>205,579</u>	<u>41,509</u>	<u>566,529</u>
LONG TERM LIABILITIES				
Notes payable, net of current portion	<u>190,000</u>	<u>118,750</u>	<u>-</u>	<u>308,750</u>
<i>Total liabilities</i>	<u>509,441</u>	<u>324,329</u>	<u>41,509</u>	<u>875,279</u>
COMMITMENTS (NOTE 5)				
NET ASSETS				
Unrestricted	649,055	515,286	148,949	1,313,290
Unrestricted board designated	30,000	20,000	-	50,000
<i>Total unrestricted net assets</i>	<u>679,055</u>	<u>535,286</u>	<u>148,949</u>	<u>1,363,290</u>
Temporarily restricted	<u>-</u>	<u>52,681</u>	<u>12,418</u>	<u>65,099</u>
<i>Total net assets</i>	<u>679,055</u>	<u>587,967</u>	<u>161,367</u>	<u>1,428,389</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,188,496</u>	<u>\$ 912,296</u>	<u>\$ 202,876</u>	<u>\$ 2,303,668</u>

KIPP INDIANAPOLIS, INC.
 STATEMENTS OF ACTIVITIES OF KIPP INDY COLLEGE PREP MIDDLE, KIPP INDY UNITE ELEMENTARY, AND ADMINISTRATION
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit IV

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	ELIMINATIONS	TOTAL
UNRESTRICTED REVENUE AND SUPPORT					
Private funding	\$ 98,801	\$ 163,711	\$ 424,617	\$ -	\$ 687,129
State funding	3,038,273	1,501,883	-	-	4,540,156
Federal funding	698,661	492,563	1,212	-	1,192,436
Other Income	56,750	12,629	239,322	(234,966)	73,735
<i>Total revenue</i>	<u>3,892,485</u>	<u>2,170,786</u>	<u>665,151</u>	<u>(234,966)</u>	<u>6,493,456</u>
TEMPORARILY RESTRICTED REVENUE, NET OF RELEASES	<u>(10,081)</u>	<u>41,205</u>	<u>5,245</u>	<u>-</u>	<u>36,369</u>
<i>Total revenue and support</i>	<u>3,882,404</u>	<u>2,211,991</u>	<u>670,396</u>	<u>(234,966)</u>	<u>6,529,825</u>
EXPENSES					
Instructional expenses:					
Personnel costs	1,739,298	787,114	-	-	2,526,412
Professional services	62,341	31,706	-	-	94,047
Supplies and materials	85,396	63,285	-	-	148,681
Other	7,413	857	-	-	8,270
<i>Total instructional expenses</i>	<u>1,894,448</u>	<u>882,962</u>	<u>-</u>	<u>-</u>	<u>2,777,410</u>
Administration expenses:					
Personnel costs	347,097	259,011	844,422	-	1,450,530
Professional services	307,673	189,447	1,389	(234,966)	263,543
Staff training	23,969	28,426	32,924	-	85,319
Community relations	227	-	27,384	-	27,611
Supplies and materials	41,068	19,236	13,709	-	74,013
Other	1,971	609	3,312	-	5,892
<i>Total administration expenses</i>	<u>722,005</u>	<u>496,729</u>	<u>923,140</u>	<u>(234,966)</u>	<u>1,906,908</u>
Other expenses:					
Facilities	149,586	78,292	65,570	-	293,448
Technology	68,288	41,186	8,194	-	117,668
Interest	7,269	-	-	-	7,269
Depreciation and amortization	143,310	46,653	2,089	-	192,052
Student transportation and other	522,286	300,248	13,652	-	836,186
<i>Total other expenses</i>	<u>890,739</u>	<u>466,379</u>	<u>89,505</u>	<u>-</u>	<u>1,446,623</u>
<i>Total expenses</i>	<u>3,507,192</u>	<u>1,846,070</u>	<u>1,012,645</u>	<u>(234,966)</u>	<u>6,130,941</u>
CHANGE IN NET ASSETS	<u>375,212</u>	<u>365,921</u>	<u>(342,249)</u>	<u>-</u>	<u>398,884</u>
NET ASSETS, BEGINNING OF YEAR	<u>303,843</u>	<u>222,046</u>	<u>503,616</u>	<u>-</u>	<u>1,029,505</u>
NET ASSETS, END OF YEAR	<u>\$ 679,055</u>	<u>\$ 587,967</u>	<u>\$ 161,367</u>	<u>\$ -</u>	<u>\$ 1,428,389</u>

KIPP INDIANAPOLIS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	FY2016-2017C	\$ 223,474
	10.555	FY2016-2017U	<u>262,020</u>
<i>Total for National School Lunch Program, Child Nutrition Cluster and U.S. Department of Agriculture Programs</i>			<u>485,494</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	16-9400	52,940
		17-9400	267,917
		16-9410	13,920
		17-9410	165,743
	84.010A	S010A150014	9,350
		S010A160014	<u>14,103</u>
<i>Total for Title I, Part A</i>			<u>523,973</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	FY2017-2018C	48,843
		14216-579-PN01	12,517
	84.027A	14216-541-PN01	<u>13,214</u>
<i>Total for Special Education Cluster (IDEA)</i>			<u>74,574</u>
Supporting Effective Instruction State Grants			
	84.367	FY2014-2016C	636
		FY2014-2016U	9,384
		FY2014-2016U	10,405
		FY2015-2017C	35,706
		FY2015-2017U	<u>4,987</u>
<i>Total for Supporting Effective Instruction State Grants passed through the Indiana Department of Education</i>			61,118
<i>Total U.S. Department of Education Programs</i>			<u>659,665</u>
U.S. DEPARTMENT OF DEFENSE			
Passed through KIPP Foundation			
Supporting Effective Instruction State Grants	84.367D	FY2016-2017R	<u>75,000</u>
<i>Total for Supporting Effective Instruction State Grants passed through the U.S. Department of Defense and KIPP Foundation</i>			75,000
<i>Total expenditures of federal awards</i>			<u>\$ 1,220,159</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported in expenditures in prior years.

3. INDIRECT COST RATE

The School has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KIPP Indianapolis, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of KIPP Indianapolis, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 the 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 the 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 results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenwald CPAs, Inc.

December 12, 2017



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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KIPP Indianapolis, Inc.:

Report on Compliance for Each Major Federal Program

We have audited KIPP Indianapolis, Inc.'s (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for each of the 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 of America; 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 the 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 on the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control Over Compliance

Management of the 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order 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 the 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 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Greenwald CPAs, Inc.

December 12, 2017

KIPP INDIANAPOLIS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDIT RESULTS

Financial Statements

1. Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unmodified
2. Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none reported
3. Noncompliance material to financial statements noted? yes no

Federal Awards

4. Internal control over major federal programs:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none reported
5. Type of auditors' report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a)? yes no
7. Identification of major program: CFDA Number Name of Federal Program or Cluster
 84.010 Title I, Part A
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Auditee qualified as low-risk auditee? yes no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

KIPP INDIANAPOLIS, INC.
OTHER REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

The reports presented herein were prepared in addition to another report prepared for the School as listed below:

Supplemental Audit Report of KIPP Indianapolis, Inc.