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November 26, 2018

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, 2017 to June 30, 2018. 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, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on page 27. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

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

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KIPP INDIANAPOLIS, INC.  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2018 AND 2017

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GREENWALT<sup>CPAs</sup>  
We Deliver Peace of Mind

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KIPP INDIANAPOLIS, INC.  
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JUNE 30, 2018 AND 2017

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## 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, 2018 and 2017, 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 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 the School as of June 30, 2018 and 2017, 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 November 6, 2018, 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.

### Restatement

As discussed in Note 8 to the financial statements, certain errors resulting in an understatement of previously reported personnel costs and related liabilities were discovered during the current year. Accordingly, amounts have been restated in the fiscal year 2017 financial statements now presented and an adjustment has been made to personnel costs and related liabilities as of and for the year ended June 30, 2017 and net assets as of June 30, 2016, to correct the error. Our opinion is not modified with respect to that matter.

*Greenwald CPAs, Inc.*

November 6, 2018

KIPP INDIANAPOLIS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2018 AND 2017

**ASSETS**

	2018	RESTATED 2017
<b>CURRENT ASSETS</b>		
Cash	\$ 1,867,871	\$ 1,004,976
Grants receivable	363,006	392,929
Uniform inventory	32,790	45,138
Prepaid expenses	76,697	63,573
	<u>2,340,364</u>	<u>1,506,616</u>
<i>Total current assets</i>		
	-	225,000
<b>LAND AND BUILDING AVAILABLE FOR SALE</b>		
	-	225,000
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	24,655	7,974
Books and education materials	254,649	193,257
Furniture and equipment	383,366	302,199
Computer equipment	637,626	591,841
Software	74,332	74,332
Accumulated depreciation and amortization	(894,246)	(696,995)
	<u>480,382</u>	<u>472,608</u>
<i>Total property and equipment, net</i>		
	480,382	472,608
<i>Total assets</i>	<u>\$ 2,820,746</u>	<u>\$ 2,204,224</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 210,833	\$ 118,232
Related party payable	-	30,579
Accrued personnel costs	271,347	225,019
Other accrued expenses	-	9,072
Current portion of notes payable	32,500	32,500
	<u>514,680</u>	<u>415,402</u>
<i>Total current liabilities</i>		
	514,680	415,402
<b>LONG TERM LIABILITIES</b>		
Notes payable, net of current portion	243,750	276,250
	<u>243,750</u>	<u>276,250</u>
<i>Total liabilities</i>		
	758,430	691,652
<b>COMMITMENTS (NOTE 5 AND 9)</b>		
<b>NET ASSETS</b>		
Unrestricted	1,898,801	1,402,579
Unrestricted board designated	60,000	60,000
	<u>1,958,801</u>	<u>1,462,579</u>
<i>Total unrestricted net assets</i>		
	1,958,801	1,462,579
Temporarily restricted	103,515	49,993
	<u>103,515</u>	<u>49,993</u>
<i>Total net assets</i>		
	2,062,316	1,512,572
<i>Total liabilities and net assets</i>	<u>\$ 2,820,746</u>	<u>\$ 2,204,224</u>

KIPP INDIANAPOLIS, INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

				RESTATED		
	UNRESTRICTED	TEMPORARILY RESTRICTED	2018	UNRESTRICTED	TEMPORARILY RESTRICTED	2017
<b>REVENUE AND SUPPORT</b>						
Private funding	\$ 517,986	\$ 118,180	\$ 636,166	\$ 565,987	\$ 43,994	\$ 609,981
State funding	6,001,032	-	6,001,032	5,040,467	-	5,040,467
Federal funding	1,757,462	-	1,757,462	1,320,593	-	1,320,593
Other income	12,877	-	12,877	164,021	-	164,021
<i>Total</i>	<u>8,289,357</u>	<u>118,180</u>	<u>8,407,537</u>	<u>7,091,068</u>	<u>43,994</u>	<u>7,135,062</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>64,658</u>	<u>(64,658)</u>	<u>-</u>	<u>59,100</u>	<u>(59,100)</u>	<u>-</u>
<i>Total revenue and support</i>	<u>8,354,015</u>	<u>53,522</u>	<u>8,407,537</u>	<u>7,150,168</u>	<u>(15,106)</u>	<u>7,135,062</u>
<b>EXPENSES</b>						
Instructional expenses						
Personnel costs	2,959,218	-	2,959,218	2,530,979	-	2,530,979
Professional services	126,633	-	126,633	115,926	-	115,926
Supplies and materials	212,420	-	212,420	177,937	-	177,937
Other	13,500	-	13,500	8,577	-	8,577
<i>Total instructional expenses</i>	<u>3,311,771</u>	<u>-</u>	<u>3,311,771</u>	<u>2,833,419</u>	<u>-</u>	<u>2,833,419</u>
Administration expenses						
Personnel costs	2,447,250	-	2,447,250	1,990,326	-	1,990,326
Professional services	312,234	-	312,234	291,354	-	291,354
Staff training	113,680	-	113,680	82,967	-	82,967
Community relations	34,802	-	34,802	35,429	-	35,429
Supplies and materials	91,346	-	91,346	80,066	-	80,066
Other	12,445	-	12,445	18,854	-	18,854
<i>Total administration expenses</i>	<u>3,011,757</u>	<u>-</u>	<u>3,011,757</u>	<u>2,498,996</u>	<u>-</u>	<u>2,498,996</u>
Other expenses:						
Facilities	280,492	-	280,492	297,558	-	297,558
Technology	90,603	-	90,603	80,280	-	80,280
Interest	3,006	-	3,006	3,083	-	3,083
Depreciation and amortization	195,672	-	195,672	181,935	-	181,935
Student transportation and other	962,642	-	962,642	942,495	-	942,495
Loss on disposal of property and equipment	1,850	-	1,850	-	-	-
<i>Total other expenses</i>	<u>1,534,265</u>	<u>-</u>	<u>1,534,265</u>	<u>1,505,351</u>	<u>-</u>	<u>1,505,351</u>
<i>Total expenses</i>	<u>7,857,793</u>	<u>-</u>	<u>7,857,793</u>	<u>6,837,766</u>	<u>-</u>	<u>6,837,766</u>
<b>CHANGE IN NET ASSETS, BEFORE IMPAIRMENT LOSS</b>	496,222	53,522	549,744	312,402	(15,106)	297,296
<b>IMPAIRMENT LOSS ON LAND AND BUILDING AVAILABLE FOR SALE (NOTE 2)</b>	-	-	-	(101,942)	-	(101,942)
<b>CHANGE IN NET ASSETS</b>	496,222	53,522	549,744	210,460	(15,106)	195,354
<b>NET ASSETS, BEGINNING OF YEAR, RESTATED</b>	<u>1,462,579</u>	<u>49,993</u>	<u>1,512,572</u>	<u>1,252,119</u>	<u>65,099</u>	<u>1,317,218</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,958,801</u>	<u>\$ 103,515</u>	<u>\$ 2,062,316</u>	<u>\$ 1,462,579</u>	<u>\$ 49,993</u>	<u>\$ 1,512,572</u>

See accompanying notes to financial statements.

**NET CHANGE IN CASH**

	<b>2018</b>	<b>RESTATED 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from private funding	\$ 604,266	\$ 609,981
Cash received from state and federal funding	7,709,641	6,396,016
Cash received from other income sources	12,870	164,014
Cash paid to suppliers and employees	(7,502,221)	(6,907,887)
Interest income received	7	7
Interest paid	(3,006)	(3,083)
	<u>821,557</u>	<u>259,048</u>
<i>Net cash provided by operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(151,162)	(274,249)
Proceeds from sale of building	225,000	-
	<u>73,838</u>	<u>(274,249)</u>
<i>Net cash provided by (used in) investing activities</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	(32,500)	(16,250)
	<u>862,895</u>	<u>(31,451)</u>
<b>NET CHANGE IN CASH</b>	<u>862,895</u>	<u>(31,451)</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>1,004,976</u>	<u>1,036,427</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 1,867,871</u></u>	<u><u>\$ 1,004,976</u></u>
<b>NON-CASH OPERATING AND INVESTING ACTIVITIES:</b>		
In-kind services	<u><u>\$ 78,776</u></u>	<u><u>\$ 53,000</u></u>
Donated computers	<u><u>\$ 31,900</u></u>	<u><u>\$ -</u></u>
Classroom furniture in accounts payable	<u><u>\$ 22,234</u></u>	<u><u>\$ -</u></u>

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

	<b>2018</b>	<b>RESTATED 2017</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 549,744</b>	<b>\$ 195,354</b>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation and amortization	195,672	181,935
Donated computers	(31,900)	-
Loss on disposal of property and equipment	1,850	-
Impairment loss on land and building available for sale	-	101,942
<i>(Increase) decrease in operating assets:</i>		
Grants receivable	29,923	87,956
Uniform inventory	12,348	(18,137)
Prepaid expenses	(13,124)	(11,454)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	70,367	10,557
Related party payable	(30,579)	(11,601)
Accrued personnel costs	46,328	43,360
Other accrued expenses	(9,072)	(320,864)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 821,557</b>	<b>\$ 259,048</b>

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 third grade as well as sixth through eighth grade are currently being served. The School plans to add fourth and fifth grades over the next few years. 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.

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, 2018 and 2017.

At June 30, 2018 and 2017, the School maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) by approximately \$1.7 million and \$814,000, respectively.

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, 2018 and 2017.

UNIFORM 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, 2018 AND 2017

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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>2018</u>	<u>2017</u>
KIPP Indy College Prep Middle School	\$ 30,000	\$ 30,000
KIPP Indy Unite Elementary School	<u>30,000</u>	<u>30,000</u>
	<u>\$ 60,000</u>	<u>\$ 60,000</u>

Temporarily Restricted

These include donations and grant revenues 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>2018</u>	<u>2017</u>
Instructional technology	\$ 6,000	\$ 6,000
Administrative salaries	18,180	13,993
Comprehensive counseling initiative	<u>79,335</u>	<u>30,000</u>
Total temporary restricted	<u>\$ 103,515</u>	<u>\$ 49,993</u>

Permanently Restricted

As of June 30, 2018 and 2017, the School had no permanently restricted net assets.

KIPP INDIANAPOLIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED GOODS AND 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 \$78,776 and \$53,000 of in-kind contributions, during the years ended June 30, 2018 and 2017, respectively, for School nursing services. In addition, the school received donated computers valued at \$31,900 during the year ended June 30, 2018. 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 \$34,802 and \$35,429 for fiscal years 2018 and 2017, 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>2018</u>	Restated <u>2017</u>
Program services	\$ 4,846,036	\$ 4,338,770
General and administrative	<u>3,011,757</u>	<u>2,498,996</u>
Total functional expenses	<u>\$ 7,857,793</u>	<u>\$ 6,837,766</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.

KIPP INDIANAPOLIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONCENTRATION OF CREDIT RISK

Operating Funds from the Indiana Department of Education amounted to 71.4% and 70.6% of the School's total revenue and support during fiscal years 2018 and 2017, 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 19.3% and 17.5% of the School's total revenue and support during the fiscal years 2018 and 2017, 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 November 6, 2018, which was the date the financial statements were available to be issued. See Note 9.

2. LAND AND BUILDING AVAILABLE FOR SALE AND IMPAIRMENT LOSS

After the 2014 school year, the School vacated its property at 3202 E. 42<sup>nd</sup> Street. 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 for fiscal year 2017. The School sold the building in September 2017.

3. NOTES PAYABLE

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, 2018 and 2017 was \$276,250 and \$308,750, respectively.

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

2019	\$	32,500
2020		32,500
2021		32,500
2022		32,500
2023		32,500
Thereafter		<u>113,750</u>
Total	\$	<u>276,250</u>

Total interest expense during fiscal years 2018 and 2017 was \$3,006 and \$3,083, respectively.

KIPP INDIANAPOLIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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4. RELATED PARTY PAYABLE

The School had an agreement with the KIPP Foundation for licensing fees. At June 30, 2017, the School had an outstanding payable to the KIPP Foundation in the amount of \$30,579. There was no balance outstanding as of June 30, 2018.

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 as 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 30<sup>th</sup> 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 2018 and 2017, the School paid \$175,000 in service fees to IPS each year. The School paid transportation services to IPS of \$175,367 and \$207,741 in fiscal years 2018 and 2017, respectively.

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

2019	\$	175,000
2020		175,000
2021		175,000
2022		<u>175,000</u>
Total	\$	<u>700,000</u>

The School leases office equipment under operating leases that expire on various dates through February 2023. These leases require minimum monthly payments of \$3,971 plus charges for usage overages. Lease expense on equipment was \$60,394 and \$45,298, respectively, for the fiscal years 2018 and 2017.

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

2019	\$	28,659
2020		28,659
2021		24,511
2022		14,372
2023		<u>1,240</u>
	\$	<u>97,441</u>

The School contracted with a company to renovate the existing schools. The renovations were completed in July 2018. The total commitment related to these renovation services was approximately \$43,000 at June 30, 2018; however, IPS paid for half of the renovation costs for this commitment.

KIPP INDIANAPOLIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

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 contribution to the Plan during fiscal years 2018 and 2017, for which the School contributed \$175,057 and \$245,167, respectively.

The School is 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 \$17,862 and \$8,844 for fiscal years 2018 and 2017, 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, 2017 (the last year reported), TRF was more than 85% funded. A copy of the complete annual report for the year ended June 30, 2017 can be obtained at [www.in.gov/inprs/files/2017-INPRSCAFRBookWeb.pdf](http://www.in.gov/inprs/files/2017-INPRSCAFRBookWeb.pdf)

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 Education	10.555	\$572,890	\$492,547	Federal grant passed through state or local government
Title I, Part A	Indiana Department of Education	84.010	\$873,072	\$873,071	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$95,108	\$95,108	Federal grant passed through state or local government
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	\$54,974	\$54,974	Federal grant passed through state or local government
Supporting Effective Instruction State Grants	KIPP International	84.367D	\$131,653	\$131,653	Federal grant passed through state or local government
Expanding Opportunities through Quality Charter Schools Program	Indiana Department of Education	84.282A	\$29,765	\$29,765	Federal grant passed through state or local government

KIPP INDIANAPOLIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

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

Basic Tuition Support	Indiana Department of Education	N/A	\$5,284,397	\$5,284,397	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	\$352,500	\$352,500	State or Local Government
Medicaid Reimbursement	Indiana Department of Education	N/A	\$25,692	\$25,692	State or Local Government
State Special Education	Indiana Department of Education	N/A	\$263,860	\$263,860	State or Local Government
Textbook Reimbursement	Indiana Department of Education	N/A	\$50,523	\$50,523	State or Local Government
State Technology Grant	Indiana Department of Education	N/A	\$2,910	\$2,910	State or Local Government
Teacher Appreciation Grant	Indiana Department of Education	N/A	\$21,150	\$21,150	State or Local Government
		Total	\$7,758,494	\$7,678,150	

8. RESTATEMENT

As of June 30, 2017, the School did not accrue for teacher pay earned but not paid for the 2016 – 2017 school year. In addition, the policy for personal time off changed during fiscal year 2017 to allow carry over of a certain amount of days of personal time to the next school year. The days carried over for personal time were not accrued as of June 30, 2017.

The School made the following restatement to the fiscal year 2017 financial statements.

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Adjustment</u>
Current liabilities	<u>\$ 273,099</u>	<u>\$ 415,402</u>	<u>\$ 142,303</u>
Net assets, beginning of year	<u>1,428,389</u>	<u>1,317,218</u>	<u>(111,171)</u>
Total expenses	<u>\$ 6,806,634</u>	<u>\$ 6,837,766</u>	<u>\$ (31,132)</u>

9. SUBSEQUENT EVENTS

In September 2018, the School entered into a contract with various professional service providers not to exceed approximately \$9.4 million to build a new high school. The School will be sharing a parking lot, athletic fields, and their high school facilities with a local community center. The School will receive future common fees revenue for the use of these common spaces.

9. SUBSEQUENT EVENTS, CONTINUED

In October 2018, KIPP Indy obtained a loan of \$8.72 million with interest of 5.4% and principal repayment based on a twenty-five year amortization schedule commencing after an 11-month interest only period. KIPP Indy also obtained a subordinate loan of \$1.98 million with interest of 6.0% and principal repayment based on a twenty-five year amortization schedule commencing after a 12-month interest only period. Both loans mature in October 2023. KIPP Indy plans to contribute \$565,000 from its cash reserves to the high school project.

10. RECLASSIFICATIONS

Certain items in the fiscal year 2017 financial statements have been retroactively reclassified to conform to the fiscal year 2018 presentation. These reclassifications had no effect on net assets at June 30, 2017.



## 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, 2018 and 2017, and our report thereon dated November 6, 2018, 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, 2018 and 2017, are 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 accompanying 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* (Uniform Guidance) 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.

November 6, 2018

*Greenwalt CPAs, Inc.*

## KIPP INDIANAPOLIS, INC.

STATEMENTS OF FINANCIAL POSITION OF KIPP INDY COLLEGE PREP MIDDLE, KIPP INDY UNITE ELEMENTARY, AND ADMINISTRATION  
JUNE 30, 2018

Exhibit I

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	TOTAL
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 814,428	\$ 857,865	\$ 195,578	\$ 1,867,871
Grants receivable	203,968	113,298	45,740	363,006
Uniform inventory	13,086	19,704	-	32,790
Prepaid expenses	29,932	42,644	4,121	76,697
<i>Total current assets</i>	<u>1,061,414</u>	<u>1,033,511</u>	<u>245,439</u>	<u>2,340,364</u>
<b>PROPERTY AND EQUIPMENT</b>				
Leasehold improvements	-	3,174	21,481	24,655
Books and education materials	96,824	157,825	-	254,649
Furniture and equipment	162,798	211,168	9,400	383,366
Computer equipment	397,748	210,816	29,062	637,626
Software	74,332	-	-	74,332
Accumulated depreciation and amortization	<u>(589,355)</u>	<u>(284,444)</u>	<u>(20,447)</u>	<u>(894,246)</u>
<i>Total property and equipment, net</i>	<u>142,347</u>	<u>298,539</u>	<u>39,496</u>	<u>480,382</u>
<i>Total assets</i>	<u>\$ 1,203,761</u>	<u>\$ 1,332,050</u>	<u>\$ 284,935</u>	<u>\$ 2,820,746</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 45,595	\$ 127,277	\$ 37,961	\$ 210,833
Accrued personnel costs	96,133	127,328	47,886	271,347
Current portion of notes payable	20,000	12,500	-	32,500
<i>Total current liabilities</i>	<u>161,728</u>	<u>267,105</u>	<u>85,847</u>	<u>514,680</u>
<b>LONG TERM LIABILITIES</b>				
Notes payable, net of current portion	<u>150,000</u>	<u>93,750</u>	<u>-</u>	<u>243,750</u>
<i>Total liabilities</i>	<u>311,728</u>	<u>360,855</u>	<u>85,847</u>	<u>758,430</u>
<b>COMMITMENTS (NOTE 5 AND 9)</b>				
<b>NET ASSETS</b>				
Unrestricted	852,943	926,106	119,752	1,898,801
Unrestricted board designated	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>60,000</u>
<i>Total unrestricted net assets</i>	<u>882,943</u>	<u>956,106</u>	<u>119,752</u>	<u>1,958,801</u>
Temporarily restricted	<u>9,090</u>	<u>15,089</u>	<u>79,336</u>	<u>103,515</u>
<i>Total net assets</i>	<u>892,033</u>	<u>971,195</u>	<u>199,088</u>	<u>2,062,316</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,203,761</u>	<u>\$ 1,332,050</u>	<u>\$ 284,935</u>	<u>\$ 2,820,746</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, 2018

Exhibit II

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	ELIMINATIONS	TOTAL
<b>UNRESTRICTED REVENUE AND SUPPORT</b>					
Private funding	\$ 32,143	\$ 77,156	\$ 473,345	\$ -	\$ 582,644
State funding	2,635,444	3,365,588	-	-	6,001,032
Federal funding	833,716	823,746	100,000	-	1,757,462
Other Income	9,480	1,777	943,791	(942,171)	12,877
<i>Total</i>	3,510,783	4,268,267	1,517,136	(942,171)	8,354,015
<b>TEMPORARILY RESTRICTED REVENUE, NET OF RELEASES</b>	9,090	(4,023)	48,455	-	53,522
<i>Total revenue and support</i>	3,519,873	4,264,244	1,565,591	(942,171)	8,407,537
<b>EXPENSES</b>					
Instructional expenses:					
Personnel costs	1,241,466	1,717,752	-	-	2,959,218
Professional services	40,051	86,582	-	-	126,633
Supplies and materials	108,331	104,089	-	-	212,420
Other	9,772	3,728	-	-	13,500
<i>Total instructional expenses</i>	1,399,620	1,912,151	-	-	3,311,771
Administration expenses:					
Personnel costs	514,483	485,015	1,447,752	-	2,447,250
Professional services	557,125	676,250	21,030	(942,171)	312,234
Staff training	28,567	39,363	45,750	-	113,680
Community relations	-	-	34,802	-	34,802
Supplies and materials	37,212	46,938	7,196	-	91,346
Other	1,083	1,944	9,418	-	12,445
<i>Total administration expenses</i>	1,138,470	1,249,510	1,565,948	(942,171)	3,011,757
Other expenses:					
Facilities	111,163	147,108	22,221	-	280,492
Technology	33,963	48,159	8,481	-	90,603
Interest	1,850	1,156	-	-	3,006
Depreciation and amortization	70,515	114,915	10,242	-	195,672
Student transportation and other	402,649	551,007	8,986	-	962,642
Loss on disposal of property and equipment	-	-	1,850	-	1,850
<i>Total other expenses</i>	620,140	862,345	51,780	-	1,534,265
<i>Total expenses</i>	3,158,230	4,024,006	1,617,728	(942,171)	7,857,793
<b>CHANGE IN NET ASSETS, BEFORE TRANSFER</b>	361,643	240,238	(52,137)	-	549,744
<b>TRANSFER OF NET ASSETS</b>	(225,000)	-	225,000	-	-
<b>CHANGE IN NET ASSETS</b>	136,643	240,238	172,863	-	549,744
<b>NET ASSETS, BEGINNING OF YEAR</b>	755,390	730,957	26,225	-	1,512,572
<b>NET ASSETS, END OF YEAR</b>	\$ 892,033	\$ 971,195	\$ 199,088	\$ -	\$ 2,062,316

## KIPP INDIANAPOLIS, INC.

## STATEMENTS OF FINANCIAL POSITION OF KIPP INDY COLLEGE PREP MIDDLE, KIPP INDY UNITE ELEMENTARY, AND ADMINISTRATION

JUNE 30, 2017

Exhibit III

	RESTATED			
	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	TOTAL
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
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>
<b>LAND AND BUILDING AVAILABLE FOR SALE</b>	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
<b>PROPERTY AND EQUIPMENT</b>				
Leasehold 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	<u>(517,263)</u>	<u>(169,527)</u>	<u>(10,205)</u>	<u>(696,995)</u>
<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>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 46,762	\$ 57,925	\$ 13,545	\$ 118,232
Related party payable	15,468	15,111	-	30,579
Accrued personnel costs	96,125	91,822	37,072	225,019
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>181,454</u>	<u>182,731</u>	<u>51,217</u>	<u>415,402</u>
<b>LONG TERM LIABILITIES</b>				
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>351,454</u>	<u>288,981</u>	<u>51,217</u>	<u>691,652</u>
<b>COMMITMENTS (NOTE 5)</b>				
<b>NET ASSETS</b>				
Unrestricted	725,390	681,845	(4,656)	1,402,579
Unrestricted board designated	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>60,000</u>
<i>Total unrestricted net assets</i>	<u>755,390</u>	<u>711,845</u>	<u>(4,656)</u>	<u>1,462,579</u>
Temporarily restricted	<u>-</u>	<u>19,112</u>	<u>30,881</u>	<u>49,993</u>
<i>Total net assets</i>	<u>755,390</u>	<u>730,957</u>	<u>26,225</u>	<u>1,512,572</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>

See independent auditors' report on supplementary information.

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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 IV

	RESTATED				
	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	ELIMINATIONS	TOTAL
<b>UNRESTRICTED REVENUE AND SUPPORT</b>					
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 revenue</i>	<u>3,443,773</u>	<u>3,157,587</u>	<u>1,209,680</u>	<u>(660,872)</u>	<u>7,150,168</u>
<b>TEMPORARILY RESTRICTED REVENUE, NET OF RELEASES</b>					
	-	(33,569)	18,463	-	(15,106)
<i>Total revenue and support</i>	<u>3,443,773</u>	<u>3,124,018</u>	<u>1,228,143</u>	<u>(660,872)</u>	<u>7,135,062</u>
<b>EXPENSES</b>					
Instructional expenses:					
Personnel costs	1,355,856	1,175,123	-	-	2,530,979
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>	<u>1,496,392</u>	<u>1,337,027</u>	<u>-</u>	<u>-</u>	<u>2,833,419</u>
Administration expenses:					
Personnel costs	495,232	339,837	1,155,257	-	1,990,326
Professional services	419,603	494,874	37,749	(660,872)	291,354
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	9,319	-	18,854
<i>Total administration expenses</i>	<u>964,250</u>	<u>911,952</u>	<u>1,283,666</u>	<u>(660,872)</u>	<u>2,498,996</u>
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	490,003	436,332	16,160	-	942,495
<i>Total other expenses</i>	<u>736,609</u>	<u>689,123</u>	<u>79,619</u>	<u>-</u>	<u>1,505,351</u>
<i>Total expenses</i>	<u>3,197,251</u>	<u>2,938,102</u>	<u>1,363,285</u>	<u>(660,872)</u>	<u>6,837,766</u>
<b>CHANGE IN NET ASSETS, BEFORE IMPAIRMENT LOSS</b>	246,522	185,916	(135,142)	-	297,296
<b>IMPAIRMENT LOSS ON LAND AND BUILDING AVAILABLE FOR SALE</b>	(101,942)	-	-	-	(101,942)
<b>CHANGE IN NET ASSETS</b>	144,580	185,916	(135,142)	-	195,354
<b>NET ASSETS, BEGINNING OF YEAR</b>	610,810	545,041	161,367	-	1,317,218
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 755,390</u>	<u>\$ 730,957</u>	<u>\$ 26,225</u>	<u>\$ -</u>	<u>\$ 1,512,572</u>

KIPP INDIANAPOLIS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the Indiana Department of Education			
Child Nutrition Cluster	10.555	FY2017-2018C	\$ 176,808
National School Lunch Program	10.555	FY2017-2018U	<u>315,739</u>
<i>Total for Child Nutrition Cluster, National School Lunch Program, and U.S. Department of Agriculture Programs</i>			<u>492,547</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	17-9400	115,504
		17-9410	41,876
	84.010A	S010A160014	30,897
		18-9400	335,400
		18-9410	<u>349,394</u>
<i>Total for Title I, Part A</i>			873,071
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	14216-579-PN01	3,462
		14217-541-PN01	21,376
	84.027A	14216-541-PN01	6
		18611-541-PN01	40,303
		14217-579-PN01	<u>29,961</u>
<i>Total for Special Education Cluster (IDEA)</i>			95,108
Supporting Effective Instruction State Grants	84.367	FY2015-2017C	828
		FY2016-2018C	39,138
		FY2016-2018U	<u>15,008</u>
<i>Total for Supporting Effective Instruction State Grants passed through the Indiana Department of Education</i>			54,974
Passed through KIPP International, Inc.			
Supporting Effective Instruction State Grants	84.367D	FY2018C	31,653
		FY2017-2018R	50,000
		FY2017-2018R	<u>50,000</u>
<i>Total for Supporting Effective Instruction State Grants passed through KIPP International, Inc.</i>			131,653
Expanding Opportunities Through Quality Charter Schools Program			
CSP Quality Counts Innovation Grant	84.282A	FY2018-2020C	11,610
		FY2018-2020U	<u>18,155</u>
<i>Total for Expanding Opportunities Through Quality Charter Schools Program</i>			<u>29,765</u>
<i>Total U.S. Department of Education Programs</i>			<u>1,184,571</u>
<i>Total expenditures of federal awards</i>			<u>\$ 1,677,118</u>

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## 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, 2018. 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, 2018, 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 November 6, 2018.

#### 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. Material weaknesses or significant deficiencies may exist that have not been identified and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

## 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*.

## The School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.*

November 6, 2018



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, 2018. 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, 2018.

## 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.*

November 6, 2018

**KIPP INDIANAPOLIS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

- 1. Type of report the auditor issued on whether the financial statements audited 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 2 CFR 200.516(a)? yes no
- 7. Identification of major federal program: CFDA Number Name of Federal Program or Cluster  
 10.555 Child Nutrition Cluster
- 8. Dollar threshold used to distinguish between Type A and B programs: \$750,000.
- 9. Auditee qualified as low-risk auditee? yes no

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

Finding 2018-001

Criteria: Pursuant to FASB ASC 958-720, compensation should be recorded when services are performed and payment is probable. According to FASB ASC 710-10-25, compensated absences shall be accrued for future absences when the future absences are attributable to employees' services already rendered, can be carried forward, payment is probable, and amount is reasonably estimated.

Condition: During our testing of accrued expenses, we noted teacher pay earned but not paid for the 2016 - 2017 school year was not recorded in the previous period. In addition, the policy for personal time off was updated in fiscal year 2017 to allow carry over of a certain amount of days to the next school year. The days carried over for personal time were not accrued as of June 30, 2017 or 2018.

Context: During the completion of the the fiscal year 2018 financial statements, management appropriately tracked and recorded the teacher pay as of June 30, 2018. Personal time off is tracked throughout the year, however; was not properly recorded for the fiscal year 2018 financial statements.

Cause: This control does not appear to be operating effectively as of June 30, 2018.

Effect: This resulted in audit adjustments to adjust personnel expenses and related liabilities and decreased net assets by \$142,303 at June 30, 2017.

Recommendation: We recommend that management consider establishing a checklist or standard agenda to be covered at the annual financial statement close which could help reduce the likelihood of similar issues in the future.

Views of responsible officials and planned corrective actions: We have updated our year-end checklist to include accruing for paid time off and summer pay.

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

None

KIPP INDIANAPOLIS, INC.  
OTHER REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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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.