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January 27, 2020

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


We have reviewed the audit report of KIPP Indianapolis, Inc., which was opined upon by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 2019 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 30. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

In our opinion, Greenwalt CPAs, Inc. prepared the audit report in accordance with 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, 2019 AND 2018

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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, 2019 AND 2018

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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, 2019 and 2018, 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 for 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, 2019 and 2018, 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 19, 2019, 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 in-kind revenues and expenses were discovered during the current year. Accordingly, amounts have been restated in the fiscal year 2018 financial statements now presented and an adjustment has been made to private funding and facilities expense as of and for the year ended June 30, 2018 to correct the error. Our opinion is not modified with respect to that matter.

*Greenwald CPAs, Inc.*

December 19, 2019

KIPP INDIANAPOLIS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2019 AND 2018

**ASSETS**

	<b>2019</b>	<b>RESTATED 2018</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,756,724	\$ 1,867,871
Accounts receivable	77,617	-
Grants receivable	402,839	363,006
Uniform inventory	-	32,790
Prepaid expenses	111,191	76,697
	<u>2,348,371</u>	<u>2,340,364</u>
<i>Total current assets</i>		
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	84,781	24,655
Books and education materials	266,249	254,649
Furniture and equipment	427,761	391,866
Computer equipment	424,937	629,126
Software	-	74,332
Construction in progress	10,478,355	-
Accumulated depreciation and amortization	(549,020)	(894,246)
	<u>11,133,063</u>	<u>480,382</u>
<i>Total property and equipment, net</i>		
<i>Total assets</i>	<u>\$ 13,481,434</u>	<u>\$ 2,820,746</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 304,420	\$ 210,833
Related party payable	42,648	-
Accrued personnel costs	286,213	271,347
Other accrued expenses	3,699,840	-
Deferred revenues	41,032	-
Current portion of notes payable	160,586	32,500
	<u>4,534,739</u>	<u>514,680</u>
<i>Total current liabilities</i>		
<b>LONG TERM LIABILITIES</b>		
Notes payable, net of current portion	6,233,485	243,750
	<u>10,768,224</u>	<u>758,430</u>
<i>Total liabilities</i>		
<b>COMMITMENTS (NOTES 5 AND 9)</b>		
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	2,598,874	1,898,801
Board designated	60,000	60,000
	<u>2,658,874</u>	<u>1,958,801</u>
<i>Total net assets without donor restrictions</i>		
With donor restrictions	54,336	103,515
	<u>2,713,210</u>	<u>2,062,316</u>
<i>Total net assets</i>		
<i>Total liabilities and net assets</i>	<u>\$ 13,481,434</u>	<u>\$ 2,820,746</u>

See accompanying notes to financial statements.

KIPP INDIANAPOLIS, INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2019 TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	RESTATE 2018 TOTAL
<b>REVENUE AND SUPPORT</b>						
Private funding	\$ 2,628,983	\$ 119,168	\$ 2,748,151	\$ 1,981,076	\$ 118,180	\$ 2,099,256
State funding	6,876,598	-	6,876,598	6,001,032	-	6,001,032
Federal funding	1,975,104	-	1,975,104	1,757,462	-	1,757,462
Other income	155,237	-	155,237	12,877	-	12,877
<i>Total</i>	<u>11,635,922</u>	<u>119,168</u>	<u>11,755,090</u>	<u>9,752,447</u>	<u>118,180</u>	<u>9,870,627</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>168,347</u>	<u>(168,347)</u>	<u>-</u>	<u>64,658</u>	<u>(64,658)</u>	<u>-</u>
<i>Total revenue and support</i>	<u>11,804,269</u>	<u>(49,179)</u>	<u>11,755,090</u>	<u>9,817,105</u>	<u>53,522</u>	<u>9,870,627</u>
<b>EXPENSES</b>						
Instructional expenses						
Personnel costs	3,579,160	-	3,579,160	2,959,218	-	2,959,218
Professional services	137,879	-	137,879	126,633	-	126,633
Supplies and materials	193,107	-	193,107	212,420	-	212,420
<i>Total instructional expenses</i>	<u>3,910,146</u>	<u>-</u>	<u>3,910,146</u>	<u>3,298,271</u>	<u>-</u>	<u>3,298,271</u>
Administration expenses						
Personnel costs	3,026,319	-	3,026,319	2,447,250	-	2,447,250
Professional services	282,304	-	282,304	312,234	-	312,234
Staff training	91,050	-	91,050	113,680	-	113,680
Community relations	67,458	-	67,458	44,461	-	44,461
Supplies and materials	128,775	-	128,775	91,346	-	91,346
Other	7,632	-	7,632	5,085	-	5,085
<i>Total administration expenses</i>	<u>3,603,538</u>	<u>-</u>	<u>3,603,538</u>	<u>3,014,056</u>	<u>-</u>	<u>3,014,056</u>
Other expenses:						
Facilities	1,594,812	-	1,594,812	1,743,582	-	1,743,582
Technology	122,657	-	122,657	90,603	-	90,603
Interest	2,681	-	2,681	3,006	-	3,006
Depreciation and amortization	261,871	-	261,871	195,672	-	195,672
Student transportation and other	1,608,491	-	1,608,491	973,843	-	973,843
Loss on disposal of property and equipment	-	-	-	1,850	-	1,850
<i>Total other expenses</i>	<u>3,590,512</u>	<u>-</u>	<u>3,590,512</u>	<u>3,008,556</u>	<u>-</u>	<u>3,008,556</u>
<i>Total expenses</i>	<u>11,104,196</u>	<u>-</u>	<u>11,104,196</u>	<u>9,320,883</u>	<u>-</u>	<u>9,320,883</u>
<b>CHANGE IN NET ASSETS</b>	<u>700,073</u>	<u>(49,179)</u>	<u>650,894</u>	<u>496,222</u>	<u>53,522</u>	<u>549,744</u>
<b>NET ASSETS, BEGINNING 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>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,658,874</u>	<u>\$ 54,336</u>	<u>\$ 2,713,210</u>	<u>\$ 1,958,801</u>	<u>\$ 103,515</u>	<u>\$ 2,062,316</u>

See accompanying notes to financial statements.

**NET CHANGE IN CASH**

	<b><u>2019</u></b>	<b><u>RESTATED 2018</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from private funding	\$ 1,019,764	\$ 604,266
Cash received from state and federal funding	8,706,088	7,709,641
Cash received from other income sources	155,234	12,870
Cash paid to suppliers and employees	(8,877,607)	(7,502,221)
Interest income received	3	7
Interest paid	(2,681)	(3,006)
	<u>1,000,801</u>	<u>821,557</u>
<i>Net cash provided by operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,079,448)	(151,162)
Proceeds from sale of building	-	225,000
	<u>(1,079,448)</u>	<u>73,838</u>
<i>Net cash provided by (used in) investing activities</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (payments) on notes payable	(32,500)	(32,500)
	<u>(32,500)</u>	<u>(32,500)</u>
<b>NET CHANGE IN CASH</b>	(111,147)	862,895
<b>CASH, BEGINNING OF YEAR</b>	<u>1,867,871</u>	<u>1,004,976</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 1,756,724</u></u>	<u><u>\$ 1,867,871</u></u>
<b>NON-CASH OPERATING AND INVESTING ACTIVITIES:</b>		
In-kind services	<u>\$ 1,797,583</u>	<u>\$ 1,541,866</u>
Donated computers	<u>\$ -</u>	<u>\$ 31,900</u>
Classroom furniture, equipment, and building costs in accounts payable and other accrued expenses	<u>\$ 3,707,017</u>	<u>\$ 22,234</u>
Building and building improvements purchased with note payable	<u>\$ 6,150,321</u>	<u>\$ -</u>

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

	<b><u>2019</u></b>	<b>RESTATED <u>2018</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>\$ 650,894</u></b>	<b><u>\$ 549,744</u></b>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation and amortization	261,871	195,672
Donated computers	-	(31,900)
Loss on disposal of property and equipment	-	1,850
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	(77,617)	-
Grants receivable	(39,833)	29,923
Uniform inventory	32,790	12,348
Prepaid expenses	(34,494)	(13,124)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	115,821	70,367
Related party payable	42,648	(30,579)
Accrued personnel costs	14,866	46,328
Other accrued expenses	(7,177)	(9,072)
Deferred revenue	41,032	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u><u>\$ 1,000,801</u></u></b>	<b><u><u>\$ 821,557</u></u></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, KIPP Indy Unite Elementary School, and KIPP Indy Legacy High School, see Note 9. 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 private funding and 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 provides an age-appropriate curriculum for reading, language arts, math, science, and social studies at each grade level. Grade levels kindergarten through fifth grade as well as sixth through ninth grade are currently being served. The School plans to add tenth through twelfth 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.

There are certain transactions that occur during the normal course of business between the three schools in the School's network. These transactions have been eliminated for reporting purposes.

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.

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, 2019 and 2018.

At June 30, 2019 and 2018, the School maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) by approximately \$1.7 million.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Accounts receivable represents the uncollected portion of shared space with a local community center. See Note 5.

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, 2019 and 2018.

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 if purchased 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. Depreciation of property and equipment is computed using the straight-line method and is 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.

Construction in progress as of June 30, 2019 was related to the KIPP Indy Legacy High School construction. Interest of approximately \$73,000 was capitalized as part of the construction project as of June 30, 2019.

NET ASSETS

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

Without Donor Restrictions

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

KIPP INDIANAPOLIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

Without Donor Restriction: Board Designated

KIPP operated two schools during the fiscal year 2019 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 without donor restrictions in the statements of financial position:

	<u>2019</u>	<u>2018</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>

With Donor Restrictions

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

	<u>2019</u>	<u>2018</u>
Instructional technology	\$ -	\$ 6,000
Shared Legacy community space	25,000	-
Administrative salaries	-	18,180
KIPP Through College program	25,000	-
Comprehensive counseling initiative	<u>4,336</u>	<u>79,335</u>
Total	<u>\$ 54,336</u>	<u>\$ 103,515</u>

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED GOODS AND SERVICES, CONTINUED

The School received \$1,769,419 and \$1,538,866 of in-kind contributions, during the years ended June 30, 2019 and 2018, respectively, for School nursing services, rent, custodial and building maintenance, security, and transportation 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 \$67,458 and \$44,461 for fiscal years 2019 and 2018, 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 management and general 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 year ended June 30, 2019 is as follows:

	<u>Programs</u>	<u>Management and General</u>	<u>Total</u>
Personnel costs	\$ 3,579,160	\$ 3,026,319	\$ 6,605,479
Professional services	137,879	282,304	420,183
Supplies and materials	193,107	128,775	321,882
Staff training	-	91,050	91,050
Community relations	-	67,458	67,458
Facilities	1,594,812	-	1,594,812
Technology	122,657	-	122,657
Interest	2,681	-	2,681
Depreciation and amortization	261,871	-	261,871
Student transportation and other	<u>1,608,491</u>	<u>7,632</u>	<u>1,616,123</u>
Total	<u>\$ 7,500,658</u>	<u>\$ 3,603,538</u>	<u>\$ 11,104,196</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

CONCENTRATION OF CREDIT RISK

Operating Funds from the Indiana Department of Education amounted to 58.5% and 71.4% and of the School's total revenue and support during fiscal years 2019 and 2018, 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 20.1% and 19.3% of the School's total revenue and support during the fiscal years 2019 and 2018, 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 19, 2019, which was the date the financial statements were available to be issued. See Note 9.

NEW ACCOUNTING PRONOUNCEMENT

The School adopted the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted, and permanently restricted to two, net assets with and without donor restrictions. In addition, the update requires a new disclosure regarding liquidity and the availability of resources, the presentation of expenses by natural classifications and function, and the netting of investment expenses with revenue. The School has adjusted the presentation of these statements accordingly. With the exception of functional expense in Note 1 and Note 2, the update has been applied retrospectively to all periods presented.

2. AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operations and other commitments. The School has various sources of liquid assets at its disposal. Per OEI guidelines, the School is required to have 45 days cash on hand.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to ongoing activities as well as the supporting operations to be general expenditures.

KIPP INDIANAPOLIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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2. AVAILABLE RESOURCES AND LIQUIDITY, CONTINUED

Financial assets available for general expenditure, within one year, consist of the following at June 30:

	<u>2019</u>
Financial assets at year-end:	
Cash	\$ 1,756,724
Accounts receivable	87,117
Grants receivable	<u>402,839</u>
Total financial assets	2,237,180
Cash designated by the Board for the OEI requirements	(60,000)
Net assets with donor restrictions	<u>(54,336)</u>
Total financial assets not available for use within one year	<u>(114,336)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,122,844</u>

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, 2019 and 2018 was \$243,750 and \$276,250, respectively.

The School obtained a loan from Indianapolis Public Schools in the amount of \$61,000 in June 2019. The loan matures in July 2020 and bears no interest. The total outstanding balance on this loan at June 30, 2019 was \$61,000.

The School obtained a construction loan from a local lender in November 2018. The potential draw on the loan totals \$1,980,000. The KIPP Foundation has guaranteed \$400,000 of this loan. The loan matures in November 2044 and bears interest at 6% per annum with interest accrued monthly through November 2019. The total outstanding balance on the loan was \$1,885,000 at June 30, 2019.

The School obtained another construction loan from a local lender in November 2018. The potential draw on the loan totals \$8,721,000. The KIPP Foundation has guaranteed \$159,105 of this loan. The loan matures in November 2044 and bears interest at 5.4% per annum with interest accrued monthly through November 2019. The total outstanding balance on the loan was \$4,204,321 at June 30, 2019.

KIPP INDIANAPOLIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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3. NOTES PAYABLE, CONTINUED

The future aggregate minimum principal payments on the notes payable are as follows for the years ending June 30:

2020	\$	160,586
2021		152,693
2022		159,570
2023		166,841
2024		174,531
Thereafter		<u>5,579,850</u>
Total	\$	<u>6,394,071</u>

Total interest expense related to non-construction loans during fiscal years 2019 and 2018 was \$2,681 and \$3,006, respectively.

4. RELATED PARTY PAYABLE

The School has an agreement with the KIPP Foundation for licensing fees. The KIPP Foundation is the networking body to which the school belongs and receives support from. No licensing fees were paid to KIPP Foundation in fiscal year 2019. At June 30, 2019, the School had outstanding payables to the KIPP Foundation in the amount of \$42,648. There were no outstanding payables to KIPP Foundation at June 30, 2018, however, \$35,329 in fees were paid to KIPP Foundation in fiscal year 2018.

5. COMMITMENTS AND OPERATING LEASES

Through the year ended June 30, 2019, 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, 2019. 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.

Effective July 1, 2019, the School entered into three new agreements with The Board of School Commissioners of the City of Indianapolis for KIPP Indy Legacy High School, KIPP Indy College Prep Middle School, and KIPP Indy Unite Elementary School as Innovation Network Charter Schools through June 30, 2024. Under these 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 \$6,249 per month. Any services or expenses covered by IPS above and beyond this minimum will be considered an in-kind contribution and expense and recorded as such in the statement of activities annually through the end of the agreements' terms.

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

In fiscal year 2019 and 2018, the School paid \$175,000 in service fees to IPS each year. The School paid transportation services to IPS of \$488,509 and \$400,517 in fiscal years 2019 and 2018, respectively.

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

2020	\$	74,988
2021		74,988
2022		74,988
2023		74,988
2024		74,988
Total	\$	<u>374,940</u>

The School leases office equipment under operating leases that expire on various dates through March 2023. These leases require minimum monthly payments of \$4,558 plus charges for usage overages. Lease expense for equipment was \$37,679 and \$60,394, respectively, for the fiscal years 2019 and 2018.

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

2020	\$	54,655
2021		50,716
2022		38,079
2023		1,430
	\$	<u>144,880</u>

In July 2019, the School opened KIPP Indy Legacy High School [see Note 9]. The School shares a parking lot, athletic fields, and high school facilities with a local community center. The School receives common fees revenue for the use of these common spaces. The amount received related to shared costs was \$77,617 as of June 30, 2019. Future consideration will be determined on an annual basis. The amount was recorded as an accounts receivable at June 30, 2019 and is considered fully collectable.

**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 2019 and 2018, for which the School contributed \$330,287 and \$175,057, 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 \$23,257 and \$17,862 for fiscal years 2019 and 2018, respectively.

6. RETIREMENT AND PENSION PLANS

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, 2018 (the last year reported), TRF was more than 84% funded. A copy of the complete annual report for the year ended June 30, 2018 can be obtained at:

[https://www.in.gov/inprs/files/2018\\_INPRSCAFRBook\\_Financial.pdf](https://www.in.gov/inprs/files/2018_INPRSCAFRBook_Financial.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 Annual Financial Report (AFR).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
National School Lunch Program	Indiana Department of Education	10.555	\$712,613	\$608,420	Federal grant passed through state or local government
Title I, Part A	Indiana Department of Education	84.010	\$964,039	\$964,039	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$119,288	\$119,288	Federal grant passed through state or local government
Title II, Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	\$60,407	\$60,407	Federal grant passed through state or local government
Supporting Effective Instruction State Grants	KIPP International	84.367D	\$8,347	\$8,347	Federal grant passed through state or local government
CSP Innovation Grant	Indiana Department of Education	84.282A	\$52,899	\$52,899	Federal grant passed through state or local government
Title IV, Part A	Indiana Department of Education	84.424A	\$57,510	\$57,510	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	\$6,084,372	\$6,084,372	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	\$401,500	\$401,500	State or Local Government
Medicaid Reimbursement	Indiana Department of Education	N/A	\$30,106	\$30,106	State of Local Government

KIPP INDIANAPOLIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019 AND 2018

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

State Special Education	Indiana Department of Education	N/A	\$261,836	\$261,836	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	\$7,430	\$7,430	State or Local Government
Teacher Appreciation Grant	Indiana Department of Education	N/A	\$23,698	\$23,698	State or Local Government
Summer School	Indiana Department of Education	N/A	\$17,133	\$17,133	State or Local Government
		Total	\$8,851,702	\$8,747,508	

8. RESTATEMENT

As of June 30, 2018, the School did not record in-kind revenue and expense for IPS rent contributions for the 2017-2018 school year.

The School made the following restatement to the fiscal year 2018 financial statements. There was no impact on the net assets as of June 30, 2018.

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Adjustment</u>
Private funding	\$ 636,166	\$ 2,099,256	\$ 1,463,090
Facilities expense	\$ 280,492	\$ 1,743,582	\$ 1,463,090

9. SUBSEQUENT EVENTS

In July 2019, the School opened KIPP Indy Legacy High School. The KIPP Indy Legacy High School currently enrolls grade 9 for the 2019-2020 school year. The KIPP Indy Legacy High School is an extension of "The KIPP Effect" and is partnering with families and the community to ensure students are college-ready, culturally conscious, and career exposed.

As of June 30, 2019, the School has capitalized \$10,114,577 of costs related to building KIPP Indy Legacy High School. There is approximately \$1.8 million remaining on the construction contract as of June 30, 2019. Construction is estimated to be complete by December 1, 2019.

10. RECLASSIFICATIONS

Certain items in the fiscal year 2018 financial statements have been retroactively reclassified to conform to the fiscal year 2019 presentation. These reclassifications had no effect on net assets at June 30, 2018.



Greenwalt CPAs, Inc.  
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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, 2019 and 2018, and our report thereon dated December 19, 2019, 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, 2019 and 2018, 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.

*Greenwalt CPAs, Inc.*

December 19, 2019

KIPP INDIANAPOLIS, INC.

STATEMENTS OF FINANCIAL POSITION OF KIPP INDY COLLEGE PREP MIDDLE, KIPP  
INDY UNITE ELEMENTARY, KIPP LEGACY HIGH SCHOOL, AND ADMINISTRATION  
JUNE 30, 2019

Exhibit I

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	LEGACY HIGH	ADMINISTRATION	TOTAL
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 666,084	\$ 936,212	\$ 39,847	\$ 114,581	\$ 1,756,724
Accounts receivable	-	-	77,617	-	77,617
Grants receivable	80,985	79,727	220,853	21,274	402,839
Prepaid expenses	35,937	58,518	11,730	5,006	111,191
<i>Total current assets</i>	<u>783,006</u>	<u>1,074,457</u>	<u>350,047</u>	<u>140,861</u>	<u>2,348,371</u>
<b>PROPERTY AND EQUIPMENT</b>					
Leasehold improvements	-	54,175	-	30,606	84,781
Books and education materials	102,153	164,096	-	-	266,249
Furniture and equipment	151,100	256,878	-	19,783	427,761
Computer equipment	121,794	266,542	-	36,601	424,937
Construction in progress	-	61,000	10,417,355	-	10,478,355
Accumulated depreciation and amortization	(179,804)	(340,621)	-	(28,595)	(549,020)
<i>Total property and equipment, net</i>	<u>195,243</u>	<u>462,070</u>	<u>10,417,355</u>	<u>58,395</u>	<u>11,133,063</u>
<i>Total assets</i>	<u>\$ 978,249</u>	<u>\$ 1,536,527</u>	<u>\$ 10,767,402</u>	<u>\$ 199,256</u>	<u>\$ 13,481,434</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 61,698	\$ 153,186	\$ 44,863	\$ 44,673	\$ 304,420
Related party payable	16,431	26,217	-	-	42,648
Accrued personnel costs	89,541	135,558	8,481	52,633	286,213
Other accrued expenses	14,014	113,945	3,569,881	2,000	3,699,840
Deferred revenues	8,920	32,112	-	-	41,032
Current portion of notes payable	20,000	73,500	67,086	-	160,586
<i>Total current liabilities</i>	<u>210,604</u>	<u>534,518</u>	<u>3,690,311</u>	<u>99,306</u>	<u>4,534,739</u>
<b>LONG TERM LIABILITIES</b>					
Notes payable, net of current portion	<u>130,000</u>	<u>81,250</u>	<u>6,022,235</u>	<u>-</u>	<u>6,233,485</u>
<i>Total liabilities</i>	<u>340,604</u>	<u>615,768</u>	<u>9,712,546</u>	<u>99,306</u>	<u>10,768,224</u>
<b>NET ASSETS</b>					
Without donor restrictions					
Undesignated	607,645	890,759	1,029,856	70,614	2,598,874
Board designated	30,000	30,000	-	-	60,000
<i>Total net assets without donor restrictions</i>	<u>637,645</u>	<u>920,759</u>	<u>1,029,856</u>	<u>70,614</u>	<u>2,658,874</u>
With donor restrictions					
	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>29,336</u>	<u>54,336</u>
<i>Total net assets</i>	<u>637,645</u>	<u>920,759</u>	<u>1,054,856</u>	<u>99,950</u>	<u>2,713,210</u>
<i>Total liabilities and net assets</i>	<u>\$ 978,249</u>	<u>\$ 1,536,527</u>	<u>\$ 10,767,402</u>	<u>\$ 199,256</u>	<u>\$ 13,481,434</u>

KIPP INDIANAPOLIS, INC.  
 STATEMENTS OF ACTIVITIES OF KIPP INDY COLLEGE PREP MIDDLE, KIPP  
 INDY UNITE ELEMENTARY, KIPP LEGACY HIGH SCHOOL, AND ADMINISTRATION  
 FOR THE YEAR ENDED JUNE 30, 2019

Exhibit II

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	LEGACY HIGH	ADMINISTRATION	ELIMINATIONS	TOTAL
<b>REVENUE AND SUPPORT</b>						
Private funding	\$ 665,106	\$ 1,132,834	\$ 522,052	\$ 428,159	\$ -	\$ 2,748,151
State funding	2,583,253	4,293,345	-	-	-	6,876,598
Federal funding	816,547	1,158,557	-	-	-	1,975,104
Other Income	17,245	51,198	77,617	1,179,344	(1,170,167)	155,237
<i>Total revenue and support</i>	<u>4,082,151</u>	<u>6,635,934</u>	<u>599,669</u>	<u>1,607,503</u>	<u>(1,170,167)</u>	<u>11,755,090</u>
<b>EXPENSES</b>						
Instructional expenses:						
Personnel costs	1,419,356	2,159,804	-	-	-	3,579,160
Professional services	41,209	96,670	-	-	-	137,879
Supplies and materials	77,762	115,345	-	-	-	193,107
<i>Total instructional expenses</i>	<u>1,538,327</u>	<u>2,371,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,910,146</u>
Administration expenses:						
Personnel costs	606,751	766,334	218,359	1,434,875	-	3,026,319
Professional services	557,039	870,008	386	25,038	(1,170,167)	282,304
Staff training	10,956	36,374	13,424	30,296	-	91,050
Community relations	-	-	-	67,458	-	67,458
Supplies and materials	49,066	57,573	1,432	20,704	-	128,775
Other	2,076	3,795	104	1,657	-	7,632
<i>Total administration expenses</i>	<u>1,225,888</u>	<u>1,734,084</u>	<u>233,705</u>	<u>1,580,028</u>	<u>(1,170,167)</u>	<u>3,603,538</u>
Other expenses:						
Facilities	590,290	999,241	-	5,281	-	1,594,812
Technology	45,657	71,666	935	4,399	-	122,657
Interest	1,650	1,031	-	-	-	2,681
Depreciation and amortization	81,311	167,126	-	13,434	-	261,871
Student transportation and other	553,416	1,041,403	1,439	12,233	-	1,608,491
<i>Total other expenses</i>	<u>1,272,324</u>	<u>2,280,467</u>	<u>2,374</u>	<u>35,347</u>	<u>-</u>	<u>3,590,512</u>
<i>Total expenses</i>	<u>4,036,539</u>	<u>6,386,370</u>	<u>236,079</u>	<u>1,615,375</u>	<u>(1,170,167)</u>	<u>11,104,196</u>
<b>CHANGE IN NET ASSETS</b>	45,612	249,564	363,590	(7,872)	-	650,894
<b>TRANSFER OF NET ASSETS</b>	(300,000)	(300,000)	691,266	(91,266)	-	-
<b>NET ASSETS, BEGINNING OF YEAR</b>	892,033	971,195	-	199,088	-	2,062,316
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 637,645</u>	<u>\$ 920,759</u>	<u>\$ 1,054,856</u>	<u>\$ 99,950</u>	<u>\$ -</u>	<u>\$ 2,713,210</u>

KIPP INDIANAPOLIS, INC.

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

	RESTATED			
	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	17,900	391,866
Computer equipment	397,748	210,816	20,562	629,126
Software	74,332	-	-	74,332
Accumulated depreciation and amortization	(589,355)	(284,444)	(20,447)	(894,246)
<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>NET ASSETS</b>				
Without donor restrictions				
Undesignated	852,943	926,106	119,752	1,898,801
Board designated	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>60,000</u>
<i>Total net assets without donor restrictions</i>	<u>882,943</u>	<u>956,106</u>	<u>119,752</u>	<u>1,958,801</u>
With donor restrictions	<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>

See independent auditors' report on supplementary information.

## 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 IV

	RESTATED				
	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	ADMINISTRATION	ELIMINATIONS	TOTAL
<b>REVENUE AND SUPPORT</b>					
Private funding	\$ 670,362	\$ 907,094	\$ 521,800	\$ -	\$ 2,099,256
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 revenue and support</i>	<u>4,149,002</u>	<u>5,098,205</u>	<u>1,565,591</u>	<u>(942,171)</u>	<u>9,870,627</u>
<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
<i>Total instructional expenses</i>	<u>1,389,848</u>	<u>1,908,423</u>	<u>-</u>	<u>-</u>	<u>3,298,271</u>
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	-	-	44,461	-	44,461
Supplies and materials	37,212	46,938	7,196	-	91,346
Other	1,083	1,944	2,058	-	5,085
<i>Total administration expenses</i>	<u>1,138,470</u>	<u>1,249,510</u>	<u>1,568,247</u>	<u>(942,171)</u>	<u>3,014,056</u>
Other expenses:					
Facilities	740,292	981,069	22,221	-	1,743,582
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	412,421	554,735	6,687	-	973,843
Loss on disposal of property and equipment	-	-	1,850	-	1,850
<i>Total other expenses</i>	<u>1,259,041</u>	<u>1,700,034</u>	<u>49,481</u>	<u>-</u>	<u>3,008,556</u>
<i>Total expenses</i>	<u>3,787,359</u>	<u>4,857,967</u>	<u>1,617,728</u>	<u>(942,171)</u>	<u>9,320,883</u>
<b>CHANGE IN NET ASSETS</b>	361,643	240,238	(52,137)	-	549,744
<b>TRANSFER OF NET ASSETS</b>	(225,000)	-	225,000	-	-
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>755,390</u>	<u>730,957</u>	<u>26,225</u>	<u>-</u>	<u>1,512,572</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 892,033</u>	<u>\$ 971,195</u>	<u>\$ 199,088</u>	<u>\$ -</u>	<u>\$ 2,062,316</u>

KIPP INDIANAPOLIS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

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			
<u>Child Nutrition Cluster</u>			
National School Lunch Program	10.555	FY2018-2019C	\$ 162,794
		FY2018-2019U	445,626
			<hr/> 608,420
<i>Total for Child Nutrition Cluster, National School Lunch Program, and U.S. Department of Agriculture Programs</i>			<hr/>
<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	18-9400	71,695
	84.010A	18-9410	1,652
		19-9400	403,959
		19-9410	486,733
			<hr/> 964,039
<i>Total for Title I, Part A</i>			<hr/>
<u>Special Education Cluster (IDEA)</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	14217-541-PN01	694
		14217-579-PN01	8,072
	84.027A	18611-541-PN01	17,403
		18611-579-PN01	50,737
		19611-541-PN01	42,382
			<hr/> 119,288
<i>Total for Special Education Cluster (IDEA)</i>			<hr/>
Supporting Effective Instruction State Grants	84.367	FY2017-2019C	25,793
		FY2017-2019U	34,614
			<hr/> 60,407
<i>Total for Supporting Effective Instruction State Grants</i>			<hr/>
Title IV, Part A: Student Support and Academic Enrichment	84.424A	2018-424-312	24,171
		2018-424-313	33,339
			<hr/> 57,510
<i>Total for Title IV, Part A: Student Support and Academic Enrichment</i>			<hr/>
Charter Schools	84.282A	FY2018-2020C	25,978
		FY2018-2020U	26,921
			<hr/> 52,899
<i>Total for Charter Schools</i>			<hr/>
<i>Total passed through the Indiana Department of Education</i>			<hr/> 1,254,143
Passed through KIPP International, Inc.			
Supporting Effective Instruction State Grants	84.367D	FY2017-2018C	8,347
			<hr/> 1,262,490
<i>Total U.S. Department of Education Programs</i>			<hr/>
<i>Total expenditures of federal awards</i>			<hr/> <hr/> \$ 1,870,910

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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, 2019. 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.

**3. INDIRECT COST RATE**

The School has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance except from federal awards by the U.S. Department of Education. The US Department of Education requires a de minimis cost rate of 8-percent.



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, 2019, 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 19, 2019.

**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 and therefore, material weaknesses or significant may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

## 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

## 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.

*Ernst & Young CPAs, Inc.*

December 19, 2019



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
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, 2019. 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, 2019.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompany schedule of findings and questions costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

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

## Report on Internal Control Over Compliance

Management of 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

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

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

*Greenwald CPAs, Inc.*

December 19, 2019

**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?   | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> no |
| Significant deficiency(ies) identified?   | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> none reported |
| 3. Noncompliance material to financial statements noted?  | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no            |

**Federal Awards**

- |   |   |  |
|---|---|--|
| 4. Internal control over major federal programs:  |   |  |
| Material weakness(es) identified?   | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> no   |
| Significant deficiency(ies) identified?   | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> 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)? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no  |
| 7. Identification of major program:   | <u>CFDA Number</u><br>84.010            | <u>Name of Federal Program or Cluster</u><br>Title I, Part A<br>Title I Grants to Local Educational Agencies |
| 8. Dollar threshold used to distinguish between Type A and B programs:                                | \$ 750,000                              |  |
| 9. Auditee qualified as low-risk auditee?   | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> no   |

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

Finding 2019-001: See below.

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

U.S. DEPARTMENT OF AGRICULTURE

FINDING 2019-001: Child Nutrition Cluster passed through the Indiana State Department of Education. 10.555

Criteria: 2 CFR 200.510(b) requires the auditee to prepare a schedule of expenditures of federal awards (the Schedule) for the period covered by the auditee's financial statements that includes certain required elements, including total federal awards expended for each individual federal program.

Condition: During the audit of compliance requirements of each major federal award, it was determined that management reported total revenue for the National School Lunch Program Cluster to complete the Schedule. In addition, the April 2019 National School Lunch Program expenditures were not accrued as of June 30, 2019; however, the revenue was properly claimed.

Cause: The Schedule did not appear to be reviewed by someone other than the preparer.

Effect: This resulted in a reduction on the Schedule of approximately \$107,000 for the National School Lunch Program.

Questioned costs: None.

Recommendation: We recommend that management implement a process whereby someone other than the preparer reviews the Schedule prior to submission for audit.

Views of responsible officials and planned corrective actions: (see attached corrective action plan)

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**D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT**

FINDING 2018-001:

Teacher pay earned but not paid for the 2016 - 2017 school year was not recorded in the fiscal periods prior to June 30, 2018. 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.

Corrective actions taken: We have updated our year-end checklist to include accruing for paid time off and summer pay. Paid time off and summer pay were accrued in 2019 and there were no audit adjustments related to paid time off and summer pay as of and for the year ended June 30, 2019.

# KIPP:INDY

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## PUBLIC SCHOOLS

### CORRECTIVE ACTION PLAN

November 25, 2019

To: State Board of Accounts, 302 W. Washington St., Indianapolis, IN 46204

KIPP Indianapolis, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm: Greenwalt CPAs, Inc., 5342 W. Vermont St., Indianapolis, IN 46224

Audit period: July 1, 2018 – June 30, 2019

The findings from the schedule of findings and questioned costs for the year ended June 30, 2019 are discussed below.

#### FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Criteria: 2 CRF 200510(b) requires the auditee to prepare a schedule of expenditures of federal awards (the Schedule) for the period covered by the auditee's financial statements that includes certain required elements, including total federal awards expended for each individual federal program.

Condition: During the audit of compliance requirements of each major federal award, it was determined that management reported total revenue for the National School Lunch Program Cluster to complete the Schedule. In addition, the April 2019 National School Lunch Program expenditures were not accrued as of June 30, 2019; however, the revenue was properly claimed.

Effect: This resulted in a reduction on the Schedule of approximately \$107,000 for the National School Lunch Program.

#### SIGNIFICANT DEFICIENCY

2019-2020

Recommendation: Management should implement a procedure whereby someone other than the preparer reviews the Schedule prior to submission for audit.

Action Taken: Effective as of the date of this letter and for the audit year ending June 30, 2020, management will review the Schedule prior to submission for audit.

If the SBOA has questions regarding this plan, please contact Robert Grimm (317.775.4807 or rgrimm@kippindy.org).

Sincerely,

KIPP Indianapolis, Inc.



Robert Grimm

Dir. of Business Operations & General Counsel

KIPP INDIANAPOLIS, INC.  
OTHER REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

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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.