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January 19, 2021


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, 2019 to June 30, 2020. 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, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Greenwalt CPAs, Inc. prepared 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

KIPP INDIANAPOLIS, INC.
FINANCIAL STATEMENTS
Together with Independent Auditors' Report
JUNE 30, 2020 AND 2019

KIPP INDIANAPOLIS, INC.

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JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Greenwald CPAs, Inc.

December 9, 2020

KIPP INDIANAPOLIS, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash	\$ 3,005,562	\$ 1,756,724
Accounts receivable	20,492	77,617
Grants receivable	621,888	402,839
Prepaid expenses	134,218	111,191
	<u>3,782,160</u>	<u>2,348,371</u>
<i>Total current assets</i>		
	<u>3,782,160</u>	<u>2,348,371</u>
LONG TERM PORTION OF GRANTS RECEIVABLE	25,000	-
	<u>25,000</u>	<u>-</u>
PROPERTY AND EQUIPMENT		
Building and improvements	11,135,067	-
Leasehold improvements	186,224	84,781
Books and education materials	188,396	266,249
Furniture and equipment	1,110,529	427,761
Computer equipment	779,054	424,937
Construction in progress	-	10,478,355
Accumulated depreciation and amortization	(859,275)	(549,020)
	<u>12,539,995</u>	<u>11,133,063</u>
<i>Total property and equipment, net</i>		
	<u>12,539,995</u>	<u>11,133,063</u>
<i>Total assets</i>	<u>\$ 16,347,155</u>	<u>\$ 13,481,434</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 452,021	\$ 304,420
Related party payable	46,367	42,648
Accrued personnel costs	469,578	283,751
Other accrued expenses	42,277	3,702,302
Deferred revenues	67,871	41,032
Current portion of notes payable	245,463	160,586
	<u>1,323,577</u>	<u>4,534,739</u>
<i>Total current liabilities</i>		
	<u>1,323,577</u>	<u>4,534,739</u>
LONG TERM LIABILITIES		
Refundable advance of PPP Funds	1,515,000	-
Notes payable, net of current portion	10,523,261	6,233,485
	<u>12,038,261</u>	<u>6,233,485</u>
<i>Total long term liabilities</i>		
	<u>12,038,261</u>	<u>6,233,485</u>
<i>Total liabilities</i>	<u>13,361,838</u>	<u>10,768,224</u>
COMMITMENTS (NOTES 6 AND 10)		
NET ASSETS		
Without donor restrictions		
Undesignated	2,727,218	2,598,874
Board designated	70,000	60,000
	<u>2,797,218</u>	<u>2,658,874</u>
<i>Total net assets without donor restrictions</i>		
	<u>2,797,218</u>	<u>2,658,874</u>
With donor restrictions	188,099	54,336
	<u>188,099</u>	<u>54,336</u>
<i>Total net assets</i>	<u>2,985,317</u>	<u>2,713,210</u>
<i>Total liabilities and net assets</i>	<u>\$ 16,347,155</u>	<u>\$ 13,481,434</u>

KIPP INDIANAPOLIS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2020 TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2019 TOTAL
REVENUE AND SUPPORT						
Private funding	\$ 3,053,451	\$ 947,737	\$ 4,001,188	\$ 2,628,983	\$ 119,168	\$ 2,748,151
State funding	8,564,367	883,425	9,447,792	6,876,598	-	6,876,598
Federal funding	2,007,691	-	2,007,691	1,975,104	-	1,975,104
Other income	113,139	-	113,139	155,237	-	155,237
<i>Total</i>	<u>13,738,648</u>	<u>1,831,162</u>	<u>15,569,810</u>	<u>11,635,922</u>	<u>119,168</u>	<u>11,755,090</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,697,399</u>	<u>(1,697,399)</u>	<u>-</u>	<u>168,347</u>	<u>(168,347)</u>	<u>-</u>
<i>Total revenue and support</i>	<u>15,436,047</u>	<u>133,763</u>	<u>15,569,810</u>	<u>11,804,269</u>	<u>(49,179)</u>	<u>11,755,090</u>
EXPENSES						
Instructional expenses						
Personnel costs	5,143,465	-	5,143,465	3,579,160	-	3,579,160
Professional services	187,279	-	187,279	137,879	-	137,879
Supplies and materials	237,330	-	237,330	193,107	-	193,107
Other	4,778	-	4,778	-	-	-
<i>Total instructional expenses</i>	<u>5,572,852</u>	<u>-</u>	<u>5,572,852</u>	<u>3,910,146</u>	<u>-</u>	<u>3,910,146</u>
Administration expenses						
Personnel costs	3,867,422	-	3,867,422	3,026,319	-	3,026,319
Professional services	397,093	-	397,093	282,304	-	282,304
Staff training	67,537	-	67,537	91,050	-	91,050
Community relations	48,953	-	48,953	67,458	-	67,458
Supplies and materials	232,162	-	232,162	128,775	-	128,775
Other	10,107	-	10,107	7,632	-	7,632
<i>Total administration expenses</i>	<u>4,623,274</u>	<u>-</u>	<u>4,623,274</u>	<u>3,603,538</u>	<u>-</u>	<u>3,603,538</u>
Other expenses						
Facilities	1,875,579	-	1,875,579	1,594,812	-	1,594,812
Technology	195,497	-	195,497	122,657	-	122,657
Interest	473,736	-	473,736	2,681	-	2,681
Depreciation and amortization	649,544	-	649,544	261,871	-	261,871
Student transportation and other	1,902,702	-	1,902,702	1,608,491	-	1,608,491
Loss on disposal of property and equipment	4,519	-	4,519	-	-	-
<i>Total other expenses</i>	<u>5,101,577</u>	<u>-</u>	<u>5,101,577</u>	<u>3,590,512</u>	<u>-</u>	<u>3,590,512</u>
<i>Total expenses</i>	<u>15,297,703</u>	<u>-</u>	<u>15,297,703</u>	<u>11,104,196</u>	<u>-</u>	<u>11,104,196</u>
CHANGE IN NET ASSETS	<u>138,344</u>	<u>133,763</u>	<u>272,107</u>	<u>700,073</u>	<u>(49,179)</u>	<u>650,894</u>
NET ASSETS, BEGINNING OF YEAR	<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>
NET ASSETS, END OF YEAR	<u>\$ 2,797,218</u>	<u>\$ 188,099</u>	<u>\$ 2,985,317</u>	<u>\$ 2,658,874</u>	<u>\$ 54,336</u>	<u>\$ 2,713,210</u>

See accompanying notes to financial statements.

NET CHANGE IN CASH

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from private funding	\$ 3,128,746	\$ 1,019,764
Cash received from state and federal funding	11,253,368	8,706,088
Cash received from other income sources	113,139	155,234
Cash paid to suppliers and employees	(11,586,330)	(8,877,607)
Interest income received	-	3
Interest paid	(473,736)	(2,681)
	<u>2,435,187</u>	<u>1,000,801</u>
<i>Net cash provided by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,235,383)	(1,079,448)
	<u>(1,235,383)</u>	<u>(1,079,448)</u>
<i>Net cash used in investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on notes payable	(237,027)	(32,500)
Principle borrowings on notes payable	286,061	-
	<u>49,034</u>	<u>(32,500)</u>
<i>Net cash provided by (used in) financing activities</i>		
NET CHANGE IN CASH	1,248,838	(111,147)
CASH, BEGINNING OF YEAR	<u>1,756,724</u>	<u>1,867,871</u>
CASH, END OF YEAR	<u>\$ 3,005,562</u>	<u>\$ 1,756,724</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
In-kind services	<u>\$ 2,454,472</u>	<u>\$ 1,797,583</u>
Classroom furniture, equipment, and building costs in accounts payable and other accrued expenses	<u>\$ 232,010</u>	<u>\$ 3,707,017</u>
Building and building improvements purchased with note payable	<u>\$ 1,020,490</u>	<u>\$ 6,150,321</u>
Accrued expenses converted to notes payable	<u>\$ 3,305,129</u>	<u>\$ -</u>

KIPP INDIANAPOLIS, INC.

STATEMENTS OF CASH FLOWS, CONTINUED
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS	<u>\$ 272,107</u>	<u>\$ 650,894</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	649,544	261,871
Loss on disposal of property and equipment	4,519	-
<i>(Increase) decrease in operating assets</i>		
Accounts receivable	57,125	(77,617)
Grants receivable	(219,049)	(39,833)
Uniform inventory	-	32,790
Prepaid expenses	(23,027)	(34,494)
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable	(84,409)	115,821
Related party payable	3,719	42,648
Accrued personnel costs	185,827	12,404
Other accrued expenses	46,992	(4,715)
Deferred revenue	26,839	41,032
Refundable advance of PPP Funds	<u>1,515,000</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,435,187</u></u>	<u><u>\$ 1,000,801</u></u>

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS

KIPP Indianapolis, Inc. (the "School") was incorporated March 21, 2003, under the laws of the State of Indiana and commenced operations in September 2004. The School is a network of tuition-free, open-enrollment, college preparatory, public charter schools. The School currently manages the KIPP Indy College Prep Middle School, KIPP Indy Unite Elementary School, and KIPP Indy Legacy High 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 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 tenth grade are currently being served. The School plans to add eleventh and 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, 2020 and 2019.

At June 30, 2020 and 2019, the School maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) by approximately \$2.9 million and \$1.7 million, respectively.

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. 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 as of June 30, 2019 represents the uncollected portion of shared space with a local community center. See Note 6.

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, 2020 and 2019. Grants receivable of \$25,000 were due in greater than one year as of June 30, 2020.

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 40 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 \$38,000 and \$73,000 was capitalized as part of the construction project for the years ended June 30, 2020 and 2019, respectively.

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.

Without Donor Restriction: Board Designated

KIPP operated three schools during the fiscal year 2020 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.

KIPP INDIANAPOLIS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

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>2020</u>	<u>2019</u>
KIPP Indy College Prep Middle School	\$ 30,000	\$ 30,000
KIPP Indy Unite Elementary School	30,000	30,000
KIPP Indy Legacy High School	10,000	-
	<u>\$ 70,000</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>2020</u>	<u>2019</u>
Emerging Leader – site visits, program supplies	\$ 1,744	\$ -
Shared Legacy community space	-	25,000
Social services – COVID relief	1,218	-
KIPP Through College program	-	25,000
Student computer refresh	73,080	-
Student Services salaries	12,343	-
Internet	378	-
Living stipends for residents	45,000	-
Capacity building	50,000	-
Comprehensive counseling initiative	4,336	4,336
Total	<u>\$ 188,099</u>	<u>\$ 54,336</u>

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 \$2,454,472 and \$1,797,583 of in-kind contributions, during the years ended June 30, 2020 and 2019, respectively, for School nursing services, rent, custodial and building maintenance, security, and transportation services. 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 \$48,953 and \$67,458 for fiscal years 2020 and 2019, 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, 2020 is as follows:

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 5,143,465	\$ 3,867,422	\$ -	\$ 9,010,887
Professional services	187,279	397,093	-	584,372
Supplies and materials	237,330	232,162	-	469,492
Staff training	-	67,537	-	67,537
Community relations	-	47,133	1,820	48,953
Facilities	1,875,579	-	-	1,875,579
Technology	195,497	-	-	195,497
Interest	473,736	-	-	473,736
Depreciation and amortization	649,544	-	-	649,544
Student transportation and other	1,911,999	10,107	-	1,922,106
Total	<u>\$ 10,674,429</u>	<u>\$ 4,621,454</u>	<u>\$ 1,820</u>	<u>\$ 15,297,703</u>

KIPP INDIANAPOLIS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

EXPENSE ALLOCATION, CONTINUED

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>Fundraising</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	-	62,046	5,412	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	1,608,491	7,632	-	1,616,123
Total	<u>\$ 7,500,658</u>	<u>\$ 3,598,126</u>	<u>\$ 5,412</u>	<u>\$ 11,104,196</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.

SUBSEQUENT EVENTS

Subsequent events have been considered through December 9, 2020, which was the date the financial statements were available to be issued. See Note 10.

NEW ACCOUNTING PRONOUNCEMENTS

The School has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of July 1, 2019. The ASU provided clarified guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The School applied the update on a modified prospective basis to agreements that were either not completed as of the effective date or entered into as of the effective date. The application of the update had no impact on net assets as of July 1, 2019.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The School has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the year ended June 30, 2020. The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides organizations with a single revenue recognition model for recognizing revenue from school operations; specifically requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to students. The School has adopted ASU 2014-09 on the modified retrospective basis. The provisions of Topic 606 were adopted for the year ended June 30, 2020 and had no impact on net assets as of July 1, 2019.

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.

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash	\$ 3,005,562	\$ 1,756,724
Accounts receivable	20,492	77,617
Grants receivable	646,888	402,839
Total financial assets	3,672,942	2,237,180
Cash designated by the Board for the OEI requirements	(70,000)	(60,000)
Net assets with donor restrictions	(188,099)	(54,336)
Total financial assets not available for use within one year	(258,099)	(114,336)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,414,843</u>	<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 1.0% per annum. The total outstanding balance on the loans at June 30, 2020 and 2019 was \$211,250 and \$243,750, respectively.

The School obtained a loan from Indianapolis Public Schools in the amount of \$61,000 in June 2019. The loan matured in June 2020 and bore no interest. This loan was paid off as of June 30, 2020.

The School obtained a construction loan from a local lender in November 2018. The potential draw on the loan totaled \$1,980,000. The KIPP Foundation has guaranteed \$400,000 of this loan. The loan matures in November 2044 and bears interest at 6.0% per annum with interest accrued monthly through November 2019. The total outstanding balance on the loan was \$1,959,653 and \$1,885,000 at June 30, 2020 and 2019, respectively.

The School obtained another construction loan from a local lender in November 2018. The potential draw on the loan totaled \$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 \$8,597,821 and \$4,204,321 at June 30, 2020 and 2019, respectively.

Both construction loans were refinanced subsequent to June 30, 2020. See Note 10.

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

2021	\$	32,500
2022		32,500
2023		32,500
2024		187,500
2025		192,500
Thereafter		<u>11,213,750</u>
Total		11,691,250
Less: bonds premium (Note 10)		<u>(922,527)</u>
Total debt	\$	<u><u>10,768,723</u></u>

Total interest expense related to non-construction loans during fiscal years 2020 and 2019 was \$473,736 and \$2,681, respectively.

4. RELATED PARTY PAYABLE

The School has an agreement with the KIPP Foundation for licensing, regional, and authorizer fees. The KIPP Foundation is the networking body to which the School belongs and from which the School receives support. At June 30, 2020 and 2019, the School had outstanding payables to the KIPP Foundation in the amount of \$46,367 and \$42,648, respectively. The School paid networking fees of \$102,422 and \$84,120 in fiscal years 2020 and 2019, respectively.

5. REFUNDABLE ADVANCE OF PPP FUNDS

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. In April 2020, the School obtained \$1,515,000 from a financial institution under the PPP. The interest rate is 1%, the loan term is two years which begins after the lender makes a determination on forgiveness or 10 months after the 24-week expenditure period and will be paid at the end of the two-year term; however, to the extent the funds are used for qualifying expenses under the program, the School may apply for loan forgiveness for which the School expects to receive 100% forgiveness. Since the loan is expected to be forgiven, the School has elected to account for the loan as a conditional grant in accordance with FASB ASC 958-605. As such the loan is presented as a refundable advance in the statements of financial position. When the School meets the conditions of forgiveness, the loan will be recognized as grant income.

6. COMMITMENTS AND OPERATING LEASES

Through the year ended June 30, 2019, the School had 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 30th Street in Indianapolis. The agreements are not leases, as they provide no real estate interest in the building or land. In addition to use of facilities, the School also receives IPS transportation services. In exchange, the School has agreed to pay IPS \$14,584 per month plus \$48.75 per student enrolled in the School, based on 90% of the School's most recent student count.

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 30th Street in Indianapolis. The agreements are not leases, as they provide no real estate interest in the building or land. In addition to use of facilities, the School also receives IPS transportation services paid separately based on ADM count. 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.

In fiscal year 2019, the School paid \$175,000 in service fees to IPS. The School paid transportation services to IPS of \$1,049,098 and \$488,509 in fiscal years 2020 and 2019, respectively.

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 \$57,210 and \$37,679, respectively, for the fiscal years 2020 and 2019.

6. COMMITMENTS AND OPERATING LEASES, CONTINUED

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

2021	\$	50,502
2022		38,079
2023		<u>1,240</u>
	\$	<u>89,821</u>

In July 2019, the School opened KIPP Indy Legacy High School. 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 to be received related to shared costs was \$4,501 and \$77,617 as of June 30, 2020 and 2019, respectively. Future consideration will be determined on an annual basis.

7. 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 2020 and 2019, for which the School contributed \$445,362 and \$330,287, 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) Board. Contribution requirements of plan members are determined annually by the INPRS Board. The School contributed 5.5% of compensation for teaching faculty to TRF related to fiscal year 2020 and 7.5% related to fiscal year 2019. 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 \$15,743 and \$23,257 for fiscal years 2020 and 2019, 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, 2019 (the last year reported), TRF was more than 88% funded. A copy of the complete annual report for the year ended June 30, 2019 can be obtained at:

https://www.in.gov/inprs/files/2019_INPRSCAFRBook.pdf

KIPP INDIANAPOLIS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 AND 2019

8. 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	\$ 715,230	\$ 779,335	Federal grant passed through state or local government
Title I, Part A	Indiana Department of Education	84.010	\$ 985,405	\$ 1,020,893	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$ 138,311	\$ 138,311	Federal grant passed through state or local government
Title II, Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	\$ 98,432	\$ 98,432	Federal grant passed through state or local government
CSP Innovation Grant	Indiana Department of Education	84.282A	\$ 10,452	\$ 10,452	Federal grant passed through state or local government
Title IV, Part A	Indiana Department of Education	84.424A	\$ 59,861	\$ 60,587	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	\$ 8,021,916	\$ 8,021,916	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	\$ 782,250	\$ 782,250	State or Local Government
Medicaid Reimbursement	Indiana Department of Education	N/A	\$ 21,596	\$ 21,596	State or Local Government
State Special Education	Indiana Department of Education	N/A	\$ 414,828	\$ 414,828	State or Local Government
Textbook Reimbursement	Indiana Department of Education	N/A	\$ 79,416	\$ 79,416	State or Local Government
State Technology Grant	Indiana Department of Education	N/A	\$ 2,970	\$ 2,970	State or Local Government
Teacher Appreciation Grant	Indiana Department of Education	N/A	\$ 38,360	\$ 38,360	State or Local Government
Formative Assessment	Indiana Department of Education	N/A	\$ 14,846	\$ 14,846	State or Local Government
Teacher Residency Grant	Indiana Department of Education	N/A	\$ 45,000	\$ 45,000	State or Local Government
Summer School	Indiana Department of Education	N/A	\$ 26,610	\$ 26,610	State or Local Government
		Total	\$ 11,455,483	\$ 11,555,802	

9. RISKS AND UNCERTAINTIES

Operating Funds from the Indiana Department of Education amounted to 60.7% and 58.5% and of the School's total revenue and support during fiscal years 2020 and 2019, 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 12.9% and 20.1% of the School's total revenue and support during the fiscal years 2020 and 2019, 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.

In March 2020, the World Health Organization declared a worldwide pandemic due to the outbreak of a novel strain of coronavirus, called COVID-19. The extent of the impact of COVID-19 on the School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the students, teachers, faculty, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the School's financial condition or results of operations is uncertain.

10. SUBSEQUENT EVENTS

In July 2020, the School refinanced its construction loans with the Indiana Finance Authority via Educational Facilities Multipurpose Revenue Bonds. The bonds include Series A and Series B bonds, totaling \$11,120,000 and \$360,000, respectively. The bonds payable bear interest at 4.0% through July 1, 2030 and 5.0% through July 1, 2055 with varying principal payments beginning in July 1, 2023. The bonds include a premium that will be amortized over the life of the bonds and also require the accumulation of a debt reserve fund. The bonds are collateralized by assets of the School.



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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, 2020 and 2019, and our report thereon dated December 9, 2020, 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, 2020 and 2019, 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 9, 2020

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, 2020

Exhibit I

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	LEGACY HIGH	ADMINISTRATION	TOTAL
ASSETS					
CURRENT ASSETS					
Cash	\$ 963,082	\$ 1,839,261	\$ 15,220	\$ 187,999	\$ 3,005,562
Accounts receivable	-	6,705	-	13,787	20,492
Grants receivable	119,975	152,110	193,068	156,735	621,888
Prepaid expenses	39,257	62,395	32,566	-	134,218
<i>Total current assets</i>	<u>1,122,314</u>	<u>2,060,471</u>	<u>240,854</u>	<u>358,521</u>	<u>3,782,160</u>
LONG TERM PORTION OF GRANTS RECEIVABLE	-	-	-	25,000	25,000
PROPERTY AND EQUIPMENT					
Building and improvements	-	-	11,135,067	-	11,135,067
Leasehold improvements	12,645	142,973	-	30,606	186,224
Books and education materials	53,287	119,872	7,200	8,037	188,396
Furniture and equipment	129,492	330,037	582,183	68,817	1,110,529
Computer equipment	283,855	292,844	172,147	30,208	779,054
Accumulated depreciation and amortization	(132,353)	(331,804)	(352,351)	(42,767)	(859,275)
<i>Total property and equipment, net</i>	<u>346,926</u>	<u>553,922</u>	<u>11,544,246</u>	<u>94,901</u>	<u>12,539,995</u>
<i>Total assets</i>	<u>\$ 1,469,240</u>	<u>\$ 2,614,393</u>	<u>\$ 11,785,100</u>	<u>\$ 478,422</u>	<u>\$ 16,347,155</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 209,924	\$ 153,744	\$ 84,391	\$ 3,962	\$ 452,021
Related party payable	16,367	30,000	-	-	46,367
Accrued personnel costs	110,550	210,206	50,895	97,927	469,578
Other accrued expenses	13,446	15,937	11,762	1,132	42,277
Deferred revenues	-	-	66,876	995	67,871
Current portion of notes payable	20,000	12,500	212,963	-	245,463
<i>Total current liabilities</i>	<u>370,287</u>	<u>422,387</u>	<u>426,887</u>	<u>104,016</u>	<u>1,323,577</u>
LONG TERM LIABILITIES					
Refundable advance of PPP Funds	282,317	548,028	143,105	541,550	1,515,000
Notes payable, net of current portion	110,000	68,750	10,344,511	-	10,523,261
<i>Total long term liabilities</i>	<u>392,317</u>	<u>616,778</u>	<u>10,487,616</u>	<u>541,550</u>	<u>12,038,261</u>
<i>Total liabilities</i>	<u>762,604</u>	<u>1,039,165</u>	<u>10,914,503</u>	<u>645,566</u>	<u>13,361,838</u>
NET ASSETS					
Without donor restrictions					
Undesignated	676,258	1,545,228	860,597	(354,865)	2,727,218
Board designated	30,000	30,000	10,000	-	70,000
<i>Total net assets without donor restrictions</i>	<u>706,258</u>	<u>1,575,228</u>	<u>870,597</u>	<u>(354,865)</u>	<u>2,797,218</u>
With donor restrictions					
	378	-	-	187,721	188,099
<i>Total net assets</i>	<u>706,636</u>	<u>1,575,228</u>	<u>870,597</u>	<u>(167,144)</u>	<u>2,985,317</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,469,240</u>	<u>\$ 2,614,393</u>	<u>\$ 11,785,100</u>	<u>\$ 478,422</u>	<u>\$ 16,347,155</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, 2020

Exhibit II

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	LEGACY HIGH	ADMINISTRATION	ELIMINATIONS	TOTAL
REVENUE AND SUPPORT						
Private funding	\$ 815,362	\$ 1,728,287	\$ 574,500	\$ 883,039	\$ -	\$ 4,001,188
State funding	2,697,967	5,623,869	1,080,956	45,000	-	9,447,792
Federal funding	661,558	1,241,898	104,235	-	-	2,007,691
Other Income	11,500	50,639	4,996	1,382,198	(1,336,194)	113,139
<i>Total revenue and support</i>	<u>4,186,387</u>	<u>8,644,693</u>	<u>1,764,687</u>	<u>2,310,237</u>	<u>(1,336,194)</u>	<u>15,569,810</u>
EXPENSES						
Instructional expenses						
Personnel costs	1,553,209	2,890,789	599,310	100,157	-	5,143,465
Professional services	57,704	105,569	24,006	-	-	187,279
Supplies and materials	68,846	132,443	34,078	1,963	-	237,330
Other	1,137	1,827	1,814	-	-	4,778
<i>Total instructional expenses</i>	<u>1,680,896</u>	<u>3,130,628</u>	<u>659,208</u>	<u>102,120</u>	<u>-</u>	<u>5,572,852</u>
Administration expenses						
Personnel costs	618,126	1,119,073	464,603	1,665,620	-	3,867,422
Professional services	535,622	1,030,508	120,497	46,660	(1,336,194)	397,093
Staff training	11,596	12,003	21,208	22,730	-	67,537
Community relations	-	-	-	48,953	-	48,953
Supplies and materials	69,080	116,875	30,317	15,890	-	232,162
Other	1,635	3,120	1,552	3,800	-	10,107
<i>Total administration expenses</i>	<u>1,236,059</u>	<u>2,281,579</u>	<u>638,177</u>	<u>1,803,653</u>	<u>(1,336,194)</u>	<u>4,623,274</u>
Other expenses						
Facilities	545,137	1,115,814	207,811	6,817	-	1,875,579
Technology	44,841	87,857	52,014	10,785	-	195,497
Interest	1,450	906	471,380	-	-	473,736
Depreciation and amortization	80,020	189,194	352,351	27,979	-	649,544
Student transportation and other	525,800	1,182,920	143,005	50,977	-	1,902,702
Loss on disposal of property and equipment	3,193	1,326	-	-	-	4,519
<i>Total other expenses</i>	<u>1,200,441</u>	<u>2,578,017</u>	<u>1,226,561</u>	<u>96,558</u>	<u>-</u>	<u>5,101,577</u>
<i>Total expenses</i>	<u>4,117,396</u>	<u>7,990,224</u>	<u>2,523,946</u>	<u>2,002,331</u>	<u>(1,336,194)</u>	<u>15,297,703</u>
CHANGE IN NET ASSETS	68,991	654,469	(759,259)	307,906	-	272,107
TRANSFER OF NET ASSETS	-	-	575,000	(575,000)	-	-
NET ASSETS, BEGINNING OF YEAR	<u>637,645</u>	<u>920,759</u>	<u>1,054,856</u>	<u>99,950</u>	<u>-</u>	<u>2,713,210</u>
NET ASSETS, END OF YEAR	<u>\$ 706,636</u>	<u>\$ 1,575,228</u>	<u>\$ 870,597</u>	<u>\$ (167,144)</u>	<u>\$ -</u>	<u>\$ 2,985,317</u>

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 III

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	LEGACY HIGH	ADMINISTRATION	TOTAL
ASSETS					
CURRENT ASSETS					
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>
PROPERTY AND EQUIPMENT					
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>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
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	6,019	52,633	283,751
Other accrued expenses	14,014	113,945	3,572,343	2,000	3,702,302
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>
LONG TERM LIABILITIES					
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>
NET ASSETS					
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	-	-	25,000	29,336	54,336
<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 IV

	COLLEGE PREP MIDDLE	UNITE ELEMENTARY	LEGACY HIGH	ADMINISTRATION	ELIMINATIONS	TOTAL
REVENUE AND SUPPORT						
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>
EXPENSES						
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>
CHANGE IN NET ASSETS	45,612	249,564	363,590	(7,872)	-	650,894
TRANSFER OF NET ASSETS	(300,000)	(300,000)	691,266	(91,266)	-	-
NET ASSETS, BEGINNING OF YEAR	892,033	971,195	-	199,088	-	2,062,316
NET ASSETS, END OF YEAR	<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.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
<u>Child Nutrition Cluster</u>			
National School Lunch Program	10.555	FY2019-2020C	\$ 149,378
		FY2019-2020U	415,404
		FY2019-2020L	<u>214,553</u>
<i>Total for Child Nutrition Cluster, National School Lunch Program, and U.S. Department of Agriculture Programs</i>			<u>779,335</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	18611-001-PN01	86,594
	84.010A	19-9400	22,883
		19-9410	15,496
		19-9135	32,470
		20-9400	342,871
		20-9400	<u>485,091</u>
<i>Total for Title I, Part A</i>			<u>985,405</u>
<u>Special Education Cluster (IDEA)</u>			
Special Education - Grants to States (IDEA, Part B)	84.027A	18611-579-PN01	6,199
		18619-579-PN01	2,670
		19611-541-PN01	15,470
		19611-579-PN01	75,936
		20611-541-PN01	<u>38,036</u>
<i>Total for Special Education Cluster (IDEA)</i>			<u>138,311</u>
Supporting Effective Instruction State Grants	84.367	2018-2020C	13,249
		2018-2020U	21,868
		2019-2021C	13,725
		2019-2021U	42,830
		2019-2021L	<u>6,760</u>
<i>Total for Supporting Effective Instruction State Grants</i>			<u>98,432</u>
Title IV, Part A: Student Support and Academic Enrichment	84.424A	2018-424-312	5,785
		2019-424-320	24,901
		2019-424-312	<u>29,901</u>
<i>Total for Title IV, Part A: Student Support and Academic Enrichment</i>			<u>60,587</u>
Charter Schools	84.282A	FY2019-2021C	6,602
		FY2019-2021U	<u>3,850</u>
<i>Total for Charter Schools</i>			<u>10,452</u>
<i>Total U.S. Department of Education Programs</i>			<u>1,293,187</u>
<i>Total expenditures of federal awards</i>			<u>\$ 2,072,522</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2020. 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.



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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, 2020, 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 9, 2020.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 9, 2020



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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, 2020. 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, 2020.

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.

December 9, 2020

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 ___X___no
 - Significant deficiency(ies) identified? _____yes ___X___none reported
- 3. Noncompliance material to financial statements noted? _____yes ___X___no

Federal Awards

- 4. Internal control over major federal programs:
 - Material weakness(es) identified? _____yes ___X___no
 - Significant deficiency(ies) identified? _____yes ___X___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 ___X___no
- 7. Identification of major program:

	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	84.010	Title I, Part A 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? _____yes ___X___no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

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

FINDING 2019-001:

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. This resulted in a reduction on the Schedule of approximately \$107,000 for the National School Lunch Program as of June 30, 2019.

Corrective actions taken: We reviewed the Schedule prior to submission for the 2020 audit. The Schedule was presented based on federal expenditures for the fiscal year 2020.

KIPP INDIANAPOLIS, INC.
OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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.