

KIPP NEW ORLEANS, INC.
AND SUBSIDIARY
NEW ORLEANS, LOUISIANA
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KIPP New Orleans, Inc. and Subsidiary as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KIPP New Orleans, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP New Orleans, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the *Louisiana Governmental Audit Guide*, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 KIPP New Orleans, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP New Orleans, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in Schedules “1” through “4” is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head (Schedule “5”), as required by Louisiana Revised Statute 24:513 A.(3), is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of KIPP New Orleans, Inc. and Subsidiary’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KIPP New Orleans, Inc. and Subsidiary’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP New Orleans, Inc. and Subsidiary’s internal control over financial reporting and compliance.

January 25, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 27,290,026	\$ 32,850,162
Grant receivables	8,413,936	7,440,374
Other receivables	282,569	268,138
Prepaid expenses	<u>220,295</u>	<u>-</u>
 Total current assets	 <u>36,206,826</u>	 <u>40,558,674</u>
 <u>PROPERTY AND EQUIPMENT, NET</u>	 1,193,480	 929,966
<u>OTHER ASSETS:</u>		
Note receivable	15,063,960	15,063,960
Deposits	<u>221,949</u>	<u>223,949</u>
 Total other assets	 <u>15,285,909</u>	 <u>15,287,909</u>
 Total assets	 <u>\$ 52,686,215</u>	 <u>\$ 56,776,549</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 6,023,682	\$ 2,913,386
Accrued expenses	164,533	75,060
Current portion of long-term debt	849,003	836,021
Student activity funds	479,767	373,058
Deferred revenue	<u>123,431</u>	<u>93,431</u>
 Total current liabilities	 <u>7,640,416</u>	 <u>4,290,956</u>
<u>NON-CURRENT LIABILITIES:</u>		
Long-term debt, net of unamortized issuance costs	<u>7,520,953</u>	<u>18,650,100</u>
 Total non-current liabilities	 <u>7,520,953</u>	 <u>18,650,100</u>
 Total liabilities	 <u>15,161,369</u>	 <u>22,941,056</u>
<u>NET ASSETS:</u>		
Without donor restrictions	36,955,841	33,389,767
With donor restrictions	<u>569,005</u>	<u>445,726</u>
 Total net assets	 <u>37,524,846</u>	 <u>33,835,493</u>
 Total liabilities and net assets	 <u>\$ 52,686,215</u>	 <u>\$ 56,776,549</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE:</u>			
State/Local per pupil aid	\$ 63,695,562	\$ -	\$ 63,695,562
Federal grants	22,229,762	-	22,229,762
Private grants and contributions	357,600	1,263,519	1,621,119
Other state funds	960,686	-	960,686
Other income	1,654,466	-	1,654,466
Debt forgiveness	10,000,000	-	10,000,000
Net assets released from restrictions	<u>1,140,240</u>	<u>(1,140,240)</u>	<u>-</u>
 Total revenue	 <u>100,038,316</u>	 <u>123,279</u>	 <u>100,161,595</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	49,406,067	-	49,406,067
General non-instructional	26,322,320	-	26,322,320
Special education	15,084,857	-	15,084,857
Special programs	1,306,166	-	1,306,166
Administration	<u>4,352,832</u>	<u>-</u>	<u>4,352,832</u>
 Total expenses	 <u>96,472,242</u>	 <u>-</u>	 <u>96,472,242</u>
 Change in net assets	 3,566,074	 123,279	 3,689,353
Net assets, beginning of year	<u>33,389,767</u>	<u>445,726</u>	<u>33,835,493</u>
 Net assets, end of year	 <u>\$ 36,955,841</u>	 <u>\$ 569,005</u>	 <u>\$ 37,524,846</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE:</u>			
State/Local per pupil aid	\$ 62,169,285	\$ -	\$ 62,169,285
Federal grants	15,827,323	-	15,827,323
Private grants and contributions	128,784	2,417,100	2,545,884
Other state funds	1,096,314	-	1,096,314
Other income	1,899,200	-	1,899,200
Debt forgiveness	-	-	-
Net assets released from restrictions	<u>2,065,490</u>	<u>(2,065,490)</u>	<u>-</u>
 Total revenue	 <u>83,186,396</u>	 <u>351,610</u>	 <u>83,538,006</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	44,546,242	-	44,546,242
General non-instructional	19,385,628	-	19,385,628
Special education	10,778,096	-	10,778,096
Special programs	677,592	-	677,592
Administration	<u>5,573,268</u>	<u>-</u>	<u>5,573,268</u>
 Total expenses	 <u>80,960,826</u>	 <u>-</u>	 <u>80,960,826</u>
 Change in net assets	 2,225,570	 351,610	 2,577,180
 Net assets, beginning of year	 <u>31,164,197</u>	 <u>94,116</u>	 <u>31,258,313</u>
 Net assets, end of year	 <u>\$ 33,389,767</u>	 <u>\$ 445,726</u>	 <u>\$ 33,835,493</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Support Services	
	General Instructional	General Non-Instructional	Special Education	Special Program	Administration	Total
Salaries and stipend pay	\$33,190,908	\$3,544,150	\$10,805,961	\$967,299	\$1,913,790	\$ 50,422,108
Benefits	3,562,865	326,157	959,946	61,626	208,961	5,119,555
Retirement	920,247	101,689	256,995	13,018	64,332	1,356,281
Payroll taxes	2,444,972	279,180	802,269	71,881	119,031	3,717,333
Purchased education services	1,299,424	122,667	76,133	40	48,000	1,546,264
Other purchased professional services	165,466	776,834	717,992		351,889	2,012,181
Purchased technical services	-		-	-	132,870	132,870
Utilities	1,299	1,767,180	-	-	-	1,768,479
Repairs and maintenance	7,858	3,902,006	-	-	30,597	3,940,461
Rentals	636,965	2,085,070	300	1,890	2,360	2,726,585
Student transportation	600,110	6,166,759	1,366,834	2,697		8,136,400
Insurance	4,365	1,476,440	-	-	-	1,480,805
Communciations	1,143	58,977	-	1,972	1,434	63,526
Advertising, printing, and binding	11,320	71,856	-	37	153	83,366
Tuition	677,095	2,919	-	125,769	7,895	813,678
Food service	-	3,347,655	-	-	-	3,347,655
Travel	179,047	28,939	568	11,826	4,998	225,378
Miscellaneous purchased services	743,338	133,958	70,587	17,488	10,091	975,462
Materials and supplies	3,105,353	1,502,725	26,504	28,681	836,590	5,499,853
Books and periodicals	635,906	4,257	618	1,170	-	641,951
Dues and fees	1,218,386	396,547	150	772	16,064	1,631,919
Miscellaneous	-	1,250	-	-	205,150	206,400
Depreciation	-	225,105	-	-	5,645	230,750
Interest	-		-	-	392,982	392,982
Total expenses	\$ 49,406,067	\$ 26,322,320	\$ 15,084,857	\$ 1,306,166	\$ 4,352,832	\$ 96,472,242

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Support Services	
	General Instructional	General Non-Instructional	Special Education	Special Program	Administration	Total
Salaries and stipend pay	\$ 31,328,354	\$ 1,973,625	\$ 7,509,360	\$ 525,110	\$ 2,860,877	\$ 44,197,326
Benefits	2,855,676	221,522	732,032	64,348	180,138	4,053,716
Retirement	865,618	38,197	241,739	4,127	126,086	1,275,767
Payroll taxes	2,321,732	145,494	554,918	39,107	207,095	3,268,346
Purchased education services	1,179,798	36,344	17,468	6,490	27,239	1,267,339
Other purchased professional services	111,264	358,767	706,281	1,865	388,922	1,567,099
Purchased technical services	-	360	-	-	3,234	3,594
Utilities	-	1,540,708	-	-	-	1,540,708
Repairs and maintenance	36,572	3,751,391	-	-	57,935	3,845,898
Rentals	585,946	1,893,842	-	-	125,910	2,605,698
Student transportation	160,041	3,419,619	940,655	-	-	4,520,315
Insurance	-	1,371,004	-	-	-	1,371,004
Communciations	3,286	1,286	-	196	36,747	41,515
Advertising, printing, and binding	5,403	16,949	2,500	-	94,756	119,608
Tuition	783,348	49,934	-	20,756	3,301	857,339
Food service	-	1,747,319	-	-	-	1,747,319
Travel	11,576	1,923	873	2,948	3,892	21,212
Miscellaneous purchased services	595,538	203,592	48,864	8,811	65,884	922,689
Materials and supplies	2,292,258	1,680,006	22,130	3,771	932,069	4,930,234
Books and periodicals	202,988	155	1,126	21	347	204,637
Dues and fees	1,206,844	558,959	150	42	659	1,766,654
Miscellaneous	-	-	-	-	53	53
Depreciation	-	374,632	-	-	6,948	381,580
Interest	-	-	-	-	451,176	451,176
	\$ 44,546,242	\$ 19,385,628	\$ 10,778,096	\$ 677,592	\$ 5,573,268	\$ 80,960,826
Total expenses	\$ 44,546,242	\$ 19,385,628	\$ 10,778,096	\$ 677,592	\$ 5,573,268	\$ 80,960,826

See accompanying NOTES TO FINANCIAL STATEMENTS

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 3,689,353	\$ 2,577,180
Adjustments to reconcile change in net assets to cash and cash equivalents from (used for) operating activities:		
Depreciation expense	230,750	381,580
Amortization expense	26,457	26,457
Debt forgiveness	(10,000,000)	-
(Increase) decrease in:		
Grant receivables	(973,562)	(1,417,791)
Other receivables	(14,431)	(220,826)
Prepaid expenses	(220,295)	28,500
Deposits	2,000	(35,310)
Increase (decrease) in:		
Accounts payable	3,110,296	1,528,429
Accrued expenses	89,473	10,106
Student activity funds	106,709	100,061
Deferred revenue	<u>30,000</u>	<u>19,631</u>
Net cash from (used for) operating activities	<u>(3,923,250)</u>	<u>2,998,017</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Capital expenditures	(494,264)	(168,753)
Sale of investments	<u>-</u>	<u>4,333,814</u>
Net cash from (used for) investing activities	<u>(494,264)</u>	<u>4,165,061</u>
<u>CASH FLOWS (USED FOR) FINANCING ACTIVITIES:</u>		
Proceeds from issuance of long-term debt	-	10,000,000
Payments on long-term debt	<u>(1,142,622)</u>	<u>(823,056)</u>
Net cash from (used for) financing activities	<u>(1,142,622)</u>	<u>9,176,944</u>
Net increase (decrease) in cash and cash equivalents	(5,560,136)	16,340,022
Cash and cash equivalents, beginning of year	<u>32,850,162</u>	<u>16,510,140</u>
Cash and cash equivalents, end of year	<u>\$ 27,290,026</u>	<u>\$ 32,850,162</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

KIPP New Orleans, Inc. and Subsidiary (KIPP) is a nonprofit corporation organized under the laws of the State of Louisiana. KIPP New Orleans, Inc. was incorporated in the Spring of 2005 for the purpose of operating charter schools in New Orleans, Louisiana to provide students with knowledge, skills, and character traits necessary to succeed in competitive high schools, college, and life. The Board of Elementary and Secondary Education (BESE) approved the granting of seven Type 5 charters to operate KIPP Believe (includes Primary and College Prep), KIPP Central City (includes Primary and Academy), KIPP East (includes Primary and Academy), KIPP Leadership (includes Primary and Academy), KIPP Morial (includes Primary and Middle), Frederick A. Douglass High School (formerly KIPP Renaissance High School), Booker T. Washington High School, and John F. Kennedy High School (added on July 1, 2020). In addition, the School Support Center (the SSC) provides support to each of the schools in the areas of development, operations, finance, academics, recruitment, and planning. All KIPP schools and the SSC are governed by the KIPP Board of Directors.

BESE, effective July 1, 2016, approved the transfer of the Type 5 charter to a Type 3B charter to operate KIPP Renaissance High School under the jurisdiction of Orleans Parish School Board (OPSB) rather than Recovery School District (RSD). As a result of Orleans Parish city wide school reunification, effective July 1, 2018, BESE approved the transfer of all of KIPP's Type 5 charter schools to a Type 3B charter to operate under the jurisdiction of OPSB.

Principles of Consolidation

These financial statements have been consolidated to include all accounts of KIPP New Orleans, Inc. and its subsidiary, Friends of KIPP New Orleans, Inc.

Friends of KIPP New Orleans, Inc. (FKNO) is a support organization established to foster the strategic development goals of KIPP New Orleans, Inc. FKNO was founded in September 2016 with operations commencing on June 1, 2017. FKNO is operated, supervised, and controlled by KIPP New Orleans, Inc. Throughout, KIPP New Orleans, Inc. and FKNO will be collectively referred to as "KIPP".

The accompanying consolidated financial statements are presented on a consolidated basis and significant intercompany accounts have been eliminated.

Method of Accounting and Financial Reporting Framework

Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, KIPP is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of KIPP. KIPP's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of KIPP or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, KIPP considers all demand deposits and all highly liquid investments with a maturity of three months or less to be cash equivalents.

Receivables

Grants, notes, and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2022 and 2021, no allowance has been recorded as management considers all receivables to be fully collectible.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Excluding KIPP Believe, the land, building and building improvements used to operate KIPP are owned by OPSB and, as such, are recorded on the financial statements of OPSB. The building and building improvements used to operate KIPP Believe are owned by BDF Elementary. KIPP's authorizers, OPSB and RSD, also provided KIPP with furniture and equipment that is also recorded on the authorizer's financial statements and not reported by KIPP. KIPP only reports its direct purchases of leasehold improvements and furniture and equipment. KIPP has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$5,000. Property is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over the lesser of their estimated useful lives of 5 years for classroom furniture and equipment, 15 years for playground equipment, 5 years for musical instruments, 5-15 years for building improvements, and 5 years for software, or the remaining number of years on the lease.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the interest method.

Compensated Absences

All instructional staff members are granted ten paid time off (PTO) days at the beginning of each year. School Support Center and non-instructional staff are granted a total of 13 PTO days per year. In addition to PTO, all employees of KNOS received, for the 2020-21 and 2021-22 school years, an additional ten (10) days of PTO to use for the following reasons related to the COVID-19 pandemic: (1) is subject to a government quarantine or isolation order related to COVID-19; (2) has been advised by a health care provider to self-quarantine related to COVID-19; (3) is experiencing COVID-19 symptoms and is seeking a medical diagnosis; (4) is caring for a family member subject to an order described in (1) or self-quarantine as described in (2); or (5) is caring for a child whose school or place of care is closed (or child care provider is unavailable) for reasons related to COVID-19. Unused days do not carry forward at the end of the fiscal year and may not be redeemed for additional compensation at the end of the year or end of employment with KIPP.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. KIPP reports contributions of cash or other assets as restricted support if they are received with donor-imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the consolidated statement of activities.

Revenues from federal and state grants are recorded when KIPP has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by KIPP, or when otherwise earned under the terms of the grants.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In addition, KIPP receives services donated by parents and community members in carrying out KIPP's mission. The value of these services is not recognized in the accompanying consolidated financial statements as they do not meet the criteria for recognition under GAAP.

Functional Expenses

The costs of providing the various programs and other activities of KIPP have been summarized on a functional basis in the consolidated statements of activities. Directly identifiable expenses are charged to program services and support services. Expenses related to more than one function are charged to program services and support services on the basis of periodic time and expense studies.

Income Tax Status

KIPP has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to income tax unless it has unrelated trade or business income. Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (continued)

As of June 30, 2022, KIPP believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2019 and later remain subject to examination by the taxing authorities.

New Accounting Pronouncement Adopted

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2020-07, “*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.*” This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP’s programs and other activities. KIPP has adjusted the presentation of these statements accordingly. The ASU have been applied retrospectively to all periods presented. The adoption had no material impact on KIPP’s financial statements.

Date of Management Review

Subsequent events have been evaluated through January 25, 2023, which is the date the financial statements were available to be issued.

(2) STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES

Supplemental disclosures of cash flow information at June 30th:

Cash paid during the year for:	<u>2022</u>	<u>2021</u>
Interest	<u>\$ 366,525</u>	<u>\$ 424,719</u>

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects KIPP’s financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include restricted contributions, investments, long-term note receivable, deferred revenue, and debt service. However, amounts already appropriated from the restricted deposits and funded reserves for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 51,022,131	\$ 55,622,634
Less those unavailable for general expenditure within one year due to:		
Note receivable (Note 6)	(15,063,960)	(15,063,960)
Debt service (Note 8)	<u>(849,003)</u>	<u>(836,021)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 35,109,168</u>	<u>\$ 39,722,653</u>

As part of the KIPP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the KIPP does not intend to spend from its restricted contributions other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its contributions could be made available if necessary.

(4) GRANT RECEIVABLES

Grant receivables consists of the following at June 30th:

	<u>2022</u>	<u>2021</u>
Due from State of Louisiana	\$ 8,296,898	\$ 5,766,158
Due from foundations	<u>117,038</u>	<u>1,674,216</u>
	<u>\$ 8,413,936</u>	<u>\$ 7,440,374</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30th:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 638,584	\$ 386,046
Land	44,877	44,877
Leasehold improvements	1,882,688	1,640,959
Software	<u>32,579</u>	<u>32,579</u>
	2,598,728	2,104,461
Less accumulated depreciation	<u>(1,405,248)</u>	<u>(1,174,495)</u>
Total property and equipment, net	<u>\$ 1,193,480</u>	<u>\$ 929,966</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$230,750 and \$381,580, respectively.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(6) NOTE RECEIVABLE

FKNO has a note receivable from COCFR Investor 90, LLC bearing interest at 6.28% annually until maturity on October 25, 2040. Interest is paid quarterly. A principal payment of \$8,123,597 is due October 25, 2024 followed by quarterly payments starting in March of 2025. The balance of the note receivable was \$15,063,960 at June 30, 2022 and 2021.

Annual maturities of note receivable for each of the five years following June 30, 2022, in total thereafter follow:

2023-2027	\$	8,807,643
2028-2032		1,733,549
2033-2037		2,367,422
2038-2042		<u>2,155,346</u>
	\$	<u>15,063,960</u>

(7) LINE OF CREDIT

KIPP had a line of credit in the amount of \$2,000,000. The interest rate on the line of credit was 3.25%. There was no outstanding balance due on the line of credit as of June 30, 2022 and 2021. The line of credit expires on March 31, 2023.

(8) LONG-TERM DEBT

FKNO has long-term notes payable as follows at June 30th:

	<u>2022</u>	<u>2021</u>
Notes payable to Capital One, bearing interest at 4.75% with quarterly interest payments starting December 2017 and quarterly principal payments starting March 2019. Balloon payment of \$3,913,426 due at maturity, October 25, 2024.	\$ 3,640,587	\$ 4,114,673
Notes payable to Low Income Investment Fund (“LIIF”), bearing interest at 5.49% with quarterly interest payments starting March 2019, and balloon payment of \$3,685,716 due at maturity, October 25, 2024.	3,921,946	4,008,104
Non-interest-bearing note to unrelated party with quarterly principal payments of \$145,594 starting March 2019. The note matures on December 1, 2023.	873,566	1,455,944
Payroll Protection Program (PPP) loan, due in monthly installments of \$234,667 if not forgiven, interest at 1.00%. Matures on April 5, 2026 if not forgiven. Unsecured.	<u>-</u>	<u>10,000,000</u>
	8,436,099	19,578,721
Less: unamortized debt issuance costs	(66,143)	(92,600)
Less: current portion of long-term debt	<u>(849,003)</u>	<u>(836,021)</u>
Total long-term debt, net	<u>\$ 7,520,953</u>	<u>\$ 18,650,100</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(8) LONG-TERM DEBT (CONTINUED)

The proceeds of these notes payable, except for the PPP loan, were used by FKNO to make a leverage loan to COCRF Investor 90 (as further described in Note 6). The proceeds of the leverage loan were combined with Capital One's equity investment in COCRF Investor 90 to make qualified equity investment in COCFR Investor 90's subsidiary CDEs which in turn made qualified low-income community investments in BDF Elementary for the construction of a K-8 school building to be leased to KIPP.

KIPP recognized \$10,000,000 of debt forgiveness in the consolidated statement of activities for the year ended June 30, 2022 when the PPP loan was formally forgiven in March 2022.

The maturities of long-term debt for next five years and thereafter are as follows:

2023	\$	849,003
2024		571,464
2025		<u>7,015,632</u>
	\$	<u>8,436,099</u>

FKNO is subject to certain financial covenants under its notes payable. FKNO was in compliance with its financial covenants at June 30, 2022 and 2021.

(9) RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions consisted of the following at June 30th:

	2022	2021
FKNO	\$ -	\$ 100,000
KIPP Foundation	524,765	75,362
NSBR Capital High School consulting	-	241,275
Other	<u>44,240</u>	<u>29,089</u>
Net assets with donor restrictions	<u>\$ 569,005</u>	<u>\$ 445,726</u>

Net assets with donor restrictions were released from restrictions for the following purposes during the years ended June 30th:

	2022	2021
FKNO	\$ 300,000	\$ 301,000
KIPP Foundation	404,891	695,998
John F. Kennedy transformation	-	511,784
NSBR Capital High School consulting	291,270	108,725
Other	<u>144,079</u>	<u>447,983</u>
Net assets released from restrictions	<u>\$ 1,140,240</u>	<u>\$ 2,065,490</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(10) RETIREMENT PLAN

KIPP has a 403(b) deferred compensation plan covering substantially all employees. Covered employees may elect to contribute a portion of their salaries as allowable. KIPP has elected to match 5% of covered employees' salaries. KIPP's contributions were \$1,356,281 and \$1,275,767 for the years ended June 30, 2022 and 2021, respectively.

(11) CONCENTRATIONS OF CREDIT RISK

KIPP maintains cash in bank accounts in excess of insured limits periodically. KIPP has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. All of KIPP's cash is maintained in collateralized bank accounts.

(12) LEASE COMMITMENTS

KIPP entered into agreements with the OPSB whereby each school has its own separate agreement which allows KIPP to use the facilities and contents at each location except for those described below. Lease terms range from July 1, 2023 through June 30, 2026 corresponding with each school's charter agreement.

All of the aforementioned leases call for payments based on the Use Fee and participation in OPSB's Per Pupil Unit Cost Program. The Use Fee is calculated annually and withheld from MFP funds by OPSB. The calculation is based on each charter schools per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB-controlled school facilities participating in the Per Pupil Unit Cost Program, and includes any insurance brokerage fee, unrelated to recovery of capital costs or depreciation that would be recovered in a traditional lease relationship.

In lieu of a security/damage deposit, KIPP pays a non-reimbursable Damage Fee to OPSB in the amount of \$12.50 per pupil payable over three years, beginning in FY22, or by the end of the term of the lease agreements, whichever occurs first. OPSB deposits the Damage Fee into a Damage Fund, as described in OPSB Policy HD, which is the repository for all Damage Fees remitted by all school operators leasing OPSB-owned facilities. The Damage Fund is a communal fund to be utilized to finance the cost of any incomplete maintenance or facility repair needs noted to facilities after any school operator exits its lease with OPSB. KIPP remains liable for any deferred maintenance or facility repair costs in excess of its contribution to the Damage Fund.

Use of the properties in the aforementioned leases is not recorded as an in-kind contribution from, or related rent expense to, the OPSB as the value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(12) LEASE COMMITMENTS (CONTINUED)

KIPP entered into a sublease agreement on October 25, 2017 (effective date) with BDF Elementary for a new facility to be constructed to house KIPP Believe. During the year ended June 30, 2019, KIPP Believe was relocated to the newly constructed facility and rent payments commenced on March 1, 2019 (rent commencement date). The sublease will remain in effect until the earlier of the ten-year anniversary of the rent commencement date or the revocation or non-renewal of KIPP Believe’s charter. The sublease contains two renewal options for an additional ten years each and a third renewal option of five years. Base rent under the sublease agreement is \$175,000 per quarter. An additional rent payment is also due each quarter in the amount of \$160,625. Total rent expense under the terms of this lease for each of the years ended June 30, 2022 and 2021 was \$1,342,500.

KIPP entered into a sublease agreement on June 14, 2017 (effective date) with BTW School Facility, LLC for a new facility to house Booker T. Washington High School. During the year ended June 30, 2019, Booker T. Washington High School was relocated to the new facility and rent payments commenced on July 1, 2019 (rent commencement date). The sublease will remain in effect until the earlier of June 30, 2024 or the revocation or non-renewal of Booker T. Washington High School’s charter. The sublease contains a renewal option for one additional year. Base rent under the sublease agreement is \$45,938 and \$43,750 per month for the years ended June 30, 2022 and 2021, respectively. Total rent expense under the terms of this lease for the year ended June 30, 2022 and 2021 was \$551,256 and \$520,173, respectively.

Future minimum lease payments under the operating leases for the next five years and thereafter are as follows:

2023	\$	1,921,308
2024		1,657,946
2025		<u>175,000</u>
	\$	<u>3,754,254</u>

(13) GRANT PROGRAM CONTINGENCIES

KIPP participates in a number of state and federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that KIPP has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2022 and 2021 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and KIPP.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO FINANCIAL CONSOLIDATED STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(14) ECONOMIC DEPENDENCY

KIPP receives the majority of its revenue from the State of Louisiana. Minimum Foundation Program (MFP) funding for the years ended June 30, 2022 and 2021 totaled \$63,695,562 and \$62,169,285, respectively. Funding was received from various federal grants passed through the State of Louisiana totaled \$22,229,762 and \$15,827,323 for the years ended June 30, 2022 and 2021, respectively. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds KIPP receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will significantly affect the amount of funds KIPP will receive in fiscal year 2023 relating to its grant awards.

(15) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, “*Leases*.” This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, “*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)*.” Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year through ASU 2020-05 “*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*.” Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. KIPP plans to adopt this Update as applicable by the effective date.

(16) SUBSEQUENT EVENTS

In July 2022, KIPP signed a lease agreement for office space commencing October 1, 2022 and ending 63 months thereafter. Minimum monthly rent payments for the first year shall be \$16,627 with annual increases of approximately 2.5%.

(17) RECLASSIFICATIONS

Certain reclassifications have been made to prior year’s financial statements to conform to the presentation of the current year financial statements. The reclassifications have no effect on net assets.

SUPPLEMENTARY INFORMATION

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2021

	KIPP New Orleans, Inc.	Friends of KIPP New Orleans, Inc.	Eliminating Entries	2022 Total	2021 Total
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 26,510,154	\$ 779,872	\$ -	\$ 27,290,026	\$ 32,850,162
Grant receivables	8,438,936	-	(25,000)	8,413,936	7,440,374
Other receivables	282,569	-	-	282,569	268,138
Prepaid expenses	220,295	-	-	220,295	-
Total current assets	<u>35,451,954</u>	<u>779,872</u>	<u>(25,000)</u>	<u>36,206,826</u>	<u>40,558,674</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	1,193,480	-	-	1,193,480	929,966
<u>OTHER ASSETS:</u>					
Notes receivable	-	15,063,960	-	15,063,960	15,063,960
Deposits	221,949	-	-	221,949	223,949
Total other assets	<u>221,949</u>	<u>15,063,960</u>	<u>-</u>	<u>15,285,909</u>	<u>15,287,909</u>
Total assets	<u>\$ 36,867,383</u>	<u>\$ 15,843,832</u>	<u>\$ (25,000)</u>	<u>\$ 52,686,215</u>	<u>\$ 56,776,549</u>
<u>CURRENT LIABILITIES:</u>					
Accounts payable	\$ 6,020,682	\$ 28,000	\$ (25,000)	\$ 6,023,682	\$ 2,913,386
Accrued expenses	164,533	-	-	164,533	75,060
Current portion of long-term debt	-	849,003	-	849,003	836,021
Student activity funds	479,767	-	-	479,767	373,058
Deferred revenue	123,431	-	-	123,431	93,431
Total current liabilities	<u>6,788,413</u>	<u>877,003</u>	<u>(25,000)</u>	<u>7,640,416</u>	<u>4,290,956</u>
<u>NON-CURRENT LIABILITIES:</u>					
Long-term debt, net of unamortized issuance costs	-	7,520,953	-	7,520,953	18,650,100
Total non-current liabilities	<u>-</u>	<u>7,520,953</u>	<u>-</u>	<u>7,520,953</u>	<u>18,650,100</u>
Total liabilities	<u>6,788,413</u>	<u>8,397,956</u>	<u>(25,000)</u>	<u>15,161,369</u>	<u>22,941,056</u>
<u>NET ASSETS:</u>					
Without donor restrictions	29,509,965	7,445,876	-	36,955,841	33,389,767
With donor restrictions	569,005	-	-	569,005	445,726
Total net assets	<u>30,078,970</u>	<u>7,445,876</u>	<u>-</u>	<u>37,524,846</u>	<u>33,835,493</u>
Total liabilities and net assets	<u>\$ 36,867,383</u>	<u>\$ 15,843,832</u>	<u>\$ (25,000)</u>	<u>\$ 52,686,215</u>	<u>\$ 56,776,549</u>

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED INFORMATION AT JUNE 30, 2021

	KIPP New Orleans, Inc.			Friends of KIPP New Orleans, Inc.			Eliminating Entries	2022 Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE:									
State/Local per pupil aid	\$ 63,695,562	\$ -	\$ 63,695,562	\$ -	\$ -	\$ -	\$ -	\$ 63,695,562	\$ 62,169,285
Federal grants	22,229,762	-	22,229,762	-	-	-	-	22,229,762	15,827,323
Private grants and contributions	142,435	1,138,519	1,280,954	340,165	125,000	465,165	(125,000)	1,621,119	2,545,884
Other state funds	960,686	-	960,686	-	-	-	-	960,686	1,096,314
Other income	707,993	-	707,993	946,473	-	946,473	-	1,654,466	1,899,200
Debt forgiveness	10,000,000	-	10,000,000	-	-	-	-	10,000,000	-
Net assets released from restrictions	915,240	(915,240)	-	225,000	(225,000)	-	-	-	-
Total revenue	98,651,678	223,279	98,874,957	1,511,638	(100,000)	1,411,638	(125,000)	100,161,595	83,538,006
EXPENSES:									
Program services:									
General instructional	49,302,218	-	49,302,218	-	-	-	-	49,302,218	44,546,242
General non-instructional	27,853,729	-	27,853,729	-	-	-	(100,000)	27,753,729	19,385,628
Special education	15,084,857	-	15,084,857	-	-	-	-	15,084,857	10,778,096
Special programs	1,306,166	-	1,306,166	-	-	-	-	1,306,166	677,592
Administration	2,411,254	-	2,411,254	639,018	-	639,018	(25,000)	3,025,272	5,573,268
Total expenses	95,958,224	-	95,958,224	639,018	-	639,018	(125,000)	96,472,242	80,960,826
Change in net assets	2,693,454	223,279	2,916,733	872,620	(100,000)	772,620	-	3,689,353	2,577,180
Net assets, beginning of year	26,816,511	345,726	27,162,237	6,573,256	100,000	6,673,256	-	33,835,493	31,258,313
Net assets, end of year	\$ 29,509,965	\$ 569,005	\$ 30,078,970	\$ 7,445,876	\$ -	\$ 7,445,876	\$ -	\$ 37,524,846	\$ 33,835,493

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
 COMBINING STATEMENT OF FINANCIAL POSITION BY SCHOOL
 JUNE 30, 2022
 WITH SUMMARIZED INFORMATION AT JUNE 30, 2021

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Frederick A. Douglass High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	John F. Kennedy	School Support Center	Interfund Eliminations	2022 Total	2021 Final
ASSETS:												
Cash and cash equivalents	\$ 86,361	\$ 43,413	\$ 36,300	\$ 99,295	\$ 33,780	\$ 15,633	\$ 117,482	\$ 49,549	\$ 26,028,341	\$ -	\$ 26,510,154	\$ 31,580,984
Grant receivables	756,969	877,553	526,757	1,022,202	554,432	1,540,985	1,530,887	1,074,738	554,413	-	8,438,936	7,440,374
Other receivables	2,650,810	754,589	1,671,821	(388,667)	1,265,477	(434,336)	(1,297,660)	(186,620)	(3,752,845)	-	282,569	83,028
Prepaid expenses	-	-	-	-	-	-	-	-	220,295	-	220,295	-
Total current assets	3,494,140	1,675,555	2,234,878	732,830	1,853,689	1,122,282	350,709	937,667	23,050,204	-	35,451,954	39,104,386
PROPERTY AND EQUIPMENT, NET	23,816	505,090	168,123	121,882	186,328	64,902	19,064	49,759	54,516	-	1,193,480	929,966
OTHER ASSETS:												
Deposits	27,720	10,134	21,158	26,626	10,679	23,484	17,648	45,310	39,190	-	221,949	223,949
Total other assets	27,720	10,134	21,158	26,626	10,679	23,484	17,648	45,310	39,190	-	221,949	223,949
Total assets	\$ 3,545,676	\$ 2,190,779	\$ 2,424,159	\$ 881,338	\$ 2,050,696	\$ 1,210,668	\$ 387,421	\$ 1,032,736	\$ 23,143,910	\$ -	\$ 36,867,383	\$ 40,258,301
CURRENT LIABILITIES:												
Accounts payable	\$ 842,432	\$ 745,153	\$ 1,117,308	\$ 621,327	\$ 946,078	\$ 796,396	\$ 462,084	\$ 331,342	\$ 158,562	\$ -	\$ 6,020,682	\$ 2,554,515
Accrued expenses	2,077	6,362	18,304	45,060	(3,995)	(7,886)	40,966	(1,602)	65,247	-	164,533	75,060
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Student activity funds	86,089	43,413	34,438	99,295	31,140	15,486	120,357	49,549	-	-	479,767	373,058
Deferred revenue	-	-	-	39,631	-	-	63,800	20,000	-	-	123,431	93,431
Total current liabilities	930,598	794,928	1,170,050	805,313	973,223	803,996	687,207	399,289	223,809	-	6,788,413	3,096,064
NON-CURRENT LIABILITIES:												
Long-term debt, net of unamortized issuance costs	-	-	-	-	-	-	-	-	-	-	-	10,000,000
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	10,000,000
Total liabilities	930,598	794,928	1,170,050	805,313	973,223	803,996	687,207	399,289	223,809	-	6,788,413	13,096,064
NET ASSETS:												
Without donor restrictions	2,615,078	1,395,851	1,254,109	76,025	1,077,473	406,672	(299,786)	633,447	22,351,096	-	29,509,965	26,816,511
With donor restrictions	-	-	-	-	-	-	-	-	569,005	-	569,005	345,726
Total net assets	2,615,078	1,395,851	1,254,109	76,025	1,077,473	406,672	(299,786)	633,447	22,920,101	-	30,078,970	27,162,237
Total liabilities and net assets	\$ 3,545,676	\$ 2,190,779	\$ 2,424,159	\$ 881,338	\$ 2,050,696	\$ 1,210,668	\$ 387,421	\$ 1,032,736	\$ 23,143,910	\$ -	\$ 36,867,383	\$ 40,258,301

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
COMBINING STATEMENT OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED INFORMATION AT JUNE 30, 2021

	KIPP Morial	KIPP Believe	KIPP Central City	KIPP Frederick A. Douglass High School	KIPP Leadership	KIPP East	KIPP Booker T. Washington High School	John F. Kennedy	School Support Center	Interfund Eliminations	2022 Total	2021 Total
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>												
<u>REVENUE:</u>												
State/Local per pupil aid	\$ 9,008,699	\$ 8,082,143	\$ 8,441,201	\$ 7,328,676	\$ 8,244,186	\$ 7,588,472	\$ 8,795,909	\$ 6,206,276	\$ -	\$ -	\$ 63,695,562	\$ 62,169,285
Federal grants	3,714,608	3,107,024	3,602,700	1,670,810	2,929,785	2,928,578	2,153,728	1,579,983	542,546	-	22,229,762	15,827,323
Private grants and contributions	-	-	-	-	-	-	-	-	142,435	-	142,435	248,511
Other state funds	322,593	12,669	198,974	11,687	106,500	287,325	11,883	9,055	-	-	960,686	1,096,314
Other income	14,844	32,793	24,170	130,419	21,589	19,448	168,380	4,946	10,086,594	(9,795,190)	707,993	950,834
Debt forgiveness	1,349,437	1,626,594	1,250,984	874,861	1,180,624	851,821	744,455	986,326	1,134,898	-	10,000,000	-
Net assets released from restrictions	16,335	8,705	30,996	(5,035)	14,077	26,497	21,896	9,820	791,949	-	915,240	1,764,490
Total revenue	14,426,516	12,869,928	13,549,025	10,011,418	12,496,761	11,702,141	11,896,251	8,796,406	12,698,422	(9,795,190)	98,651,678	82,056,757
<u>EXPENSES:</u>												
Program services:												
General instructional	6,354,602	5,143,342	6,270,553	5,985,824	5,992,170	5,943,936	5,895,801	4,913,094	2,802,896	-	49,302,218	44,546,242
General non-instructional	2,994,679	3,600,059	3,420,310	2,377,513	2,867,955	2,614,245	3,354,072	2,423,406	4,201,490	-	27,853,729	19,385,628
Special education	2,273,795	2,079,613	1,939,212	1,394,984	2,275,922	1,561,866	1,185,473	1,060,128	1,313,864	-	15,084,857	10,778,096
Special programs	135,125	200,608	28,209	4,808	56,171	173,626	71,390	3,812	632,417	-	1,306,166	677,592
Administration	814,185	1,494,966	1,427,686	986,867	1,021,081	1,611,002	2,313,259	450,288	2,087,110	(9,795,190)	2,411,254	5,210,183
Total expenses	12,572,386	12,518,588	13,085,970	10,749,996	12,213,299	11,904,675	12,819,995	8,850,728	11,037,777	(9,795,190)	95,958,224	80,597,741
<u>TRANSFERS IN (OUT):</u>												
Transfers in	3,939	-	5,234	2,591	3,305	3,463	2,987	2,168	-	-	23,687	-
Transfers out	-	(23,687)	-	-	-	-	-	-	-	-	(23,687)	-
Total transfers in (out)	3,939	(23,687)	5,234	2,591	3,305	3,463	2,987	2,168	-	-	-	-
Change in net assets without donor restrictions	1,858,069	327,653	468,289	(735,987)	286,767	(199,071)	(920,757)	(52,154)	1,660,645	-	2,693,454	1,459,016
<u>NET ASSETS WITH DONOR RESTRICTIONS:</u>												
Grants and contributions	16,500	8,000	35,188	18,940	14,000	26,500	36,440	18,680	964,271	-	1,138,519	2,016,100
Net assets released from restrictions	(16,335)	(8,705)	(30,996)	5,035	(14,077)	(26,497)	(21,896)	(9,820)	(791,949)	-	(915,240)	(1,764,490)
Change in net assets with donor restrictions	165	(705)	4,192	23,975	(77)	3	14,544	8,860	172,322	-	223,279	251,610
Net assets, beginning of year	756,844	1,068,903	781,628	788,037	790,783	605,740	606,427	676,741	21,087,134	-	27,162,237	25,451,611
Net assets, end of year	\$ 2,615,078	\$ 1,395,851	\$ 1,254,109	\$ 76,025	\$ 1,077,473	\$ 406,672	\$ (299,786)	\$ 633,447	\$ 22,920,101	\$ -	\$ 30,078,970	\$ 27,162,237

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2022

	Rhonda Kalifey-Aluise, CEO
	06/30/21 through 06/30/22
Time served	
Salary	\$ 206,936
Retention bonus	2,000
Benefits - insurance	9,913
Benefits - retirement	10,347
Gas stipend	1,200
Reimbursements	864
Travel	802
	<hr/>
Total compensation, benefits, and other payments	<u><u>\$ 232,062</u></u>

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



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

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary (a non-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered KIPP New Orleans, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPP New Orleans, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the KIPP New Orleans, Inc. and Subsidiary's internal control.

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

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



To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIPP New Orleans, Inc. and Subsidiary's consolidated 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 financial statements. 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 are described in the accompanying schedule of findings and questioned costs as item 2022-001.

KIPP New Orleans, Inc. and Subsidiary's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on KIPP New Orleans, Inc. and Subsidiary's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. KIPP New Orleans, Inc. and Subsidiary's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 KIPP New Orleans, Inc. and Subsidiary'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 KIPP New Orleans, Inc. and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

January 25, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

SINGLE AUDIT SECTION



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

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP New Orleans, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KIPP New Orleans, Inc. and Subsidiary's major federal programs for the year ended June 30, 2022. KIPP New Orleans, Inc. and Subsidiary's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, KIPP New Orleans, Inc. and Subsidiary 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of KIPP New Orleans, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of KIPP New Orleans, Inc. and Subsidiary's compliance with the compliance requirements referred to above.



To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to KIPP New Orleans, Inc. and Subsidiary's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on KIPP New Orleans, Inc. and Subsidiary's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about KIPP New Orleans, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KIPP New Orleans, Inc. and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of KIPP New Orleans, Inc. and Subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 KIPP New Orleans, Inc. and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.



To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

January 25, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal AL Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	\$ 3,601,503
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	\$ 1,542,739
Special Education - Preschool Grants	84.173	<u>17,382</u>
Total Special Education Cluster		1,560,121
English Language Acquisition State Grants	84.365	27,587
Improving Teacher Quality State Grants	84.367	464,354
Comprehensive Literacy Development	84.371	32,000
School Improvement Grants	84.377	66,035
Student Support and Academic Enrichment Program	84.424	271,734
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	7,968,593
COVID-19 Governor's American Rescue Plan - Emergency Education Relief Fund - Homeless Children and Youth	84.425W	<u>59,217</u>
Total Education Stabilization Fund		8,027,810
<i>Pass-through KIPP Foundation</i>		
Charter Schools	84.282	1,054,712
<i>Pass-through New Schools for New Orleans</i>		
Teacher and School Leader Incentive Grants	84.374	1,986,419
Supporting Effective Educator Development Program	84.423	<u>11,250</u>
 Total U.S. Department of Education		 <u>17,103,525</u>
<u>U.S. Department of Agriculture</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Child Nutrition Cluster		
National School Lunch Program	10.555	<u>5,318,456</u>
 Total U.S. Department of Agriculture		 <u>5,318,456</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	<u>145,000</u>
 Total U.S. Department of Health and Human Services		 <u>145,000</u>
 Total expenditures of federal awards		 <u>\$ 22,566,981</u>

(See Independent Auditors' Report)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of KIPP New Orleans, Inc. and Subsidiary (KIPP) under programs of the federal government for the year ended June 30, 2022. The information in the schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of KIPP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KIPP.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expense Recognition

The accompanying schedule of expenditures of federal awards has been prepared 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 allowed or are limited as to reimbursement.

Payments to Subrecipients

There were no payments to subrecipients for the fiscal year ended June 30, 2022.

Non-Cash Assistance

Nonmonetary assistance in the amount of \$257,000 is reported in the schedule as AL No. 10.555 at the fair market value of the commodities received and disbursed.

(3) INDIRECT COST RATE

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

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of KIPP New Orleans, Inc. and Subsidiary.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance was reported in the Independent Auditor's 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*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for KIPP New Orleans, Inc. and Subsidiary expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were Child Nutrition Cluster (AL No. 10.555) and Education Stabilization Fund (AL No. 84.425)
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. KIPP New Orleans, Inc. and Subsidiary was determined to be a low-risk auditee.
10. A management letter was not issued for the year ended June 30, 2022.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2022-001 Noncompliance with Louisiana Audit Law Reporting Requirements

Criteria: KIPP New Orleans, Inc. and Subsidiary is required to provide an annual financial report to the Louisiana Legislative Auditor no later than six months after its year end in accordance with Louisiana Revised Statutes 24:513 and 24:514.

Condition: KIPP New Orleans, Inc. and Subsidiary did not comply with these laws, submitting the required report after the required deadline.

Effect: KIPP New Orleans, Inc. and Subsidiary is not in compliance with Louisiana Revised Statutes 24:513 and 24:514.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Cause: KIPP New Orleans, Inc. and Subsidiary experienced turnover and employee leaves within several administrative departments.

Recommendation: KIPP New Orleans, Inc. and Subsidiary should put additional policies and procedures in place over continuity planning for head administrative personnel to ensure that required annual reports are filed in a timely manner.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action plan for further information.

**III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT**

There were no findings related to major federal awards programs for the year ended June 30, 2022.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

I. FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT

There were no findings related to the consolidated financial statements for the year ended June 30, 2021.

II. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs related to major federal award programs audit for the year ended June 30, 2021.

III. MANAGEMENT LETTER

There was no management letter for the year ended June 30, 2021.

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
MANAGEMENT'S CORRECTIVE ACTION PLAN - FINDINGS
JUNE 30, 2022

January 25, 2023

Louisiana Legislative Auditor

KIPP New Orleans, Inc. and Subsidiary (KIPP) respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
4227 Canal Street
New Orleans, LA 70119

Audit Period: July 1, 2021 – June 30, 2022

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

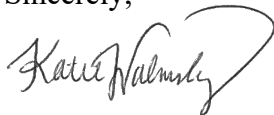
Finding 2022-001 Noncompliance with Louisiana Audit Law Reporting Requirements

Recommendation: KIPP New Orleans, Inc. and Subsidiary should put additional policies and procedures in place over continuity planning for head administrative personnel to ensure that required annual reports are filed in a timely manner.

Response: KIPP New Orleans, Inc. and Subsidiary agrees with the recommendation and will work towards being compliant for the 2023 filing.

If there are any questions regarding this plan, please contact Katie Walmsley, Chief Financial Officer, at (504)-373-6269.

Sincerely,



Katie Walmsley
Chief Financial Officer



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
KIPP New Orleans, Inc. and Subsidiary
New Orleans, Louisiana

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of KIPP New Orleans, Inc. and Subsidiary for the fiscal year ended June 30, 2022; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514.I. Management of KIPP New Orleans, Inc. and Subsidiary is responsible for its performance and statistical data.

KIPP New Orleans, Inc. and Subsidiary has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - a. Total General Fund Instructional Expenditures,
 - b. Total General Fund Equipment Expenditures,
 - c. Total Local Taxation Revenue,
 - d. Total Local Earnings on Investment in Real Property,
 - e. Total State Revenue in Lieu of Taxes,
 - f. Nonpublic Textbook Revenue,
 - g. Nonpublic Transportation Revenue.

Exceptions: No exceptions were found as a result of applying the procedure.



To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Exceptions: No exceptions were found as a result of applying the procedure.

Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Exceptions: No exceptions were found as a result of applying the procedure.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Exceptions: No exceptions were found as a result of applying the procedure.

We were engaged by KIPP New Orleans, Inc. and Subsidiary to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of KIPP New Orleans, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors
KIPP New Orleans, Inc. and Subsidiary

This report is intended solely to describe the scope and results of testing performed on the performance and statistical data accompanying the annual financial statements of the KIPP New Orleans, Inc. and Subsidiary, as required by Louisiana Revised Statute 24:514.I, and for the information and use of KIPP New Orleans, Inc. and Subsidiary, the Louisiana Department of Education, and the Louisiana Legislative Auditor. Accordingly, this report is not suitable for any other purpose and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

January 25, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

**SCHEDULES REQUIRED BY STATE LAW
(PERFORMANCE STATISTICAL DATA)**

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2022

GENERAL FUND INSTRUCTIONAL AND EQUIPMENT EXPENDITURES

	<u>Column A</u>	<u>Column B</u>
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom teacher salaries	\$ 18,630,068	
Other instructional staff salaries	4,981,943	
Instructional staff employee benefits	4,805,602	
Purchased professional and technical services	3,040,987	
Instructional materials and supplies	3,203,246	
Instructional equipment	-	
Total teacher and students interaction activities		\$ 34,661,846
Other instructional activities		2,378,899
Pupil support services	3,867,500	
Less: Equipment for pupil support services	-	
Net pupil support services		3,867,500
Instructional staff services	3,739,186	
Less: Equipment for instructional staff services	-	
Net instructional staff services		3,739,186
School administration	7,726,460	
Less: equipment for school administration	-	
Net school administration		7,726,460
Total general fund instructional expenditures (total of column B)		\$ 52,373,891
Total General fund equipment expenditures		\$ -
 <u>CERTAIN LOCAL REVENUE SOURCES</u>		
Total local taxation revenue		\$ -
Total local earnings on investment in real property		\$ -
Total state revenue in lieu of taxes		\$ -
Nonpublic textbook revenue		\$ -
Nonpublic transportation revenue		\$ -

(See Independent Accountants' Report on Applying Agreed-Upon Procedures)

KIPP NEW ORLEANS, INC. AND SUBSIDIARY
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE 30, 2022
AS OF OCTOBER 1, 2021

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	5%	18	23%	85	60%	222	13%	48
Elementary/Activity Classes	5%	12	41%	96	48%	113	6%	15
Middle/Jr. High	14%	57	10%	42	36%	148	40%	166
Middle/Jr. High Activity Classes	3%	8	36%	89	39%	98	22%	55
High	29%	209	11%	79	21%	154	39%	280
High Activity Classes	24%	29	15%	18	21%	26	40%	49
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES
KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA
FOR THE YEAR ENDED
JUNE 30, 2022



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Governance of
KIPP New Orleans, Inc.

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. KIPP New Orleans, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

KIPP New Orleans, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are attached in Schedule "1."

We were engaged by KIPP New Orleans, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of KIPP New Orleans, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

January 25, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES
JULY 1, 2021 – JUNE 30, 2022

WRITTEN POLICIES AND PROCEDURES

1. **Procedures:** Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: The written policies and procedures entirely address the functions of budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, credit cards, travel and expense reimbursement, ethics, debt, and information technology disaster recovery/business continuity listed above. Sexual harassment policies and procedures are not applicable as the Organization is a charter school.

BOARD OR FINANCE COMMITTEE

- 2. **Procedures:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) Observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: No exceptions were found as a result of applying the procedures.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

BANK RECONCILIATIONS

3. **Procedures:** Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedures.

COLLECTIONS

4. **Procedures:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5):
5. **Procedures:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

COLLECTIONS (CONTINUED)

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: No exceptions were found as a result of applying the procedures.

6. **Procedures:** Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Results: No exceptions were found as a result of applying the procedures.

7. **Procedures:** Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedures.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

**NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS,
TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES)**

8. **Procedures:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5):
9. **Procedures:** For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions were found as a result of applying the procedures.

10. **Procedures:** For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe that the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the procedures.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

CREDIT CARDS/DEBIT CARDS/P-CARDS

11. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions were found as a result of applying the procedures.

12. **Procedures:** Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of applying the procedures.

13. **Procedure:** Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were found as a result of applying the procedures.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

14. **Procedures:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of applying the procedures.

CONTRACTS

15. **Procedures:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that the amendments were made in compliance with contract terms (e.g., if approval is required for any amendment, was approval documented).

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

CONTRACTS (CONTINUED)

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of applying the procedures.

PAYROLL AND PERSONNEL

16. **Procedures:** Obtain a listing of employees and officials employed during the fiscal period, and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. **Procedures:** Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of applying the procedures.

18. **Procedures:** Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employees' or officials' cumulative leave records, agree the pay rates to the employees' or officials' authorized pay rates in the employees' or officials' personnel files and agree the termination payment to entity policy.

Results: No exceptions were found as a result of applying the procedures.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

PAYROLL AND PERSONNEL (CONTINUED)

19. **Procedures:** Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedures.

ETHICS

20. **Procedures:** Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b) Observe that the documentation demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: No exceptions were found as a result of applying the procedures.

DEBT SERVICE

21. **Procedures:** Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results: Not applicable. The Organization did not issue bonds during the fiscal period nor does it need State Bond Commission approval for the issuance of notes.

22. **Procedures:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Not applicable. The Organization is not required by a debt covenant to maintain a reserve balance.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

FRAUD

23. **Procedures:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions were found as a result of applying the procedures.

24. **Procedures:** Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of applying the procedures.

INFORMATION TECHNOLOGY/DISASTER RECOVERY/ BUSINESS CONTINUITY

25. **Procedures:** Perform the following procedures:

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: No exceptions were found as a result of applying the procedures.

KIPP NEW ORLEANS, INC.
AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2021 – JUNE 30, 2022

SEXUAL HARASSMENT

26. **Procedures:** Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. **Procedures:** Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. **Procedures:** Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344.
- a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Results: The Organization as a charter school is not subject to the sexual harassment law, R.S. 42:344.