
KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2016



A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
KIPP New Orleans, Inc.
New Orleans, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP New Orleans, Inc. ("KIPP") which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KIPP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP New Orleans, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included from pages 13 to 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of KIPP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
December 9, 2016

KIPP NEW ORLEANS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>ASSETS</u>		<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents		\$	13,398,107	\$ 12,822,553
Grants receivable			1,303,439	2,989,569
Other receivables			197,491	231,930
Prepaid expenses			9,313	98,054
			<u>14,908,350</u>	<u>16,142,106</u>
Total current assets				
<u>OTHER ASSETS</u>				
Deposits			116,115	101,395
			<u>650,339</u>	<u>645,975</u>
<u>PROPERTY AND EQUIPMENT, NET</u>				
			<u>\$ 15,674,804</u>	<u>\$ 16,889,476</u>
Total assets				
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses		\$	1,235,539	\$ 4,718,107
<u>NON-CURRENT LIABILITIES</u>				
Accrued interest			41,889	35,389
Long-term debt			200,000	200,000
			<u>241,889</u>	<u>235,389</u>
Total non-current liabilities				
Total liabilities			<u>1,477,428</u>	<u>4,953,496</u>
<u>NET ASSETS</u>				
Unrestricted			14,110,756	11,521,033
Temporarily restricted			86,620	414,947
			<u>14,197,376</u>	<u>11,935,980</u>
Total net assets				
Total liabilities and net assets			<u>\$ 15,674,804</u>	<u>\$ 16,889,476</u>

The accompanying notes are an integral part of these financial statements.

KIPP NEW ORLEANS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	Year ended June 30, 2016			Year ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>PUBLIC SUPPORT AND OTHER REVENUES</u>						
Local per pupil aid	\$ 22,477,405	\$ -	\$ 22,477,405	\$ 20,464,351	\$ -	\$ 20,464,351
Federal sources	9,997,777	-	9,997,777	21,231,325	-	21,231,325
State public school funds	18,229,947	-	18,229,947	17,982,895	-	17,982,895
Donations and contributions	1,102,717	766,790	1,869,507	441,984	1,843,714	2,285,698
Other local sources	28,353	-	28,353	-	-	-
Other state funds	465,140	-	465,140	6,855	-	6,855
Other income	598,328	-	598,328	1,371,212	-	1,371,212
Net assets released from restrictions	1,095,117	(1,095,117)	-	1,888,997	(1,888,997)	-
Total public support and other revenues	53,994,784	(328,327)	53,666,457	63,387,619	(45,283)	63,342,336
<u>EXPENSES</u>						
Program services:						
Regular education programs	18,158,705	-	18,158,705	18,263,076	-	18,263,076
School administration	5,245,408	-	5,245,408	4,684,088	-	4,684,088
Operation and maintenance of plant services	4,007,652	-	4,007,652	4,413,101	-	4,413,101
Special education programs	3,749,465	-	3,749,465	3,508,499	-	3,508,499
Food services	3,501,831	-	3,501,831	14,385,781	-	14,385,781
Student transportation	4,106,794	-	4,106,794	4,460,603	-	4,460,603
Instructional staff services	2,493,539	-	2,493,539	2,134,649	-	2,134,649
Pupil support services	3,229,635	-	3,229,635	2,192,123	-	2,192,123
Other special programs	91,358	-	91,358	156,045	-	156,045
Other instructional programs	427,842	-	427,842	198,397	-	198,397
Enterprise operations	88,126	-	88,126	231,386	-	231,386
Community service operations	314,359	-	314,359	434,416	-	434,416
	<u>45,414,714</u>	<u>-</u>	<u>45,414,714</u>	<u>55,062,164</u>	<u>-</u>	<u>55,062,164</u>
Management and general:						
Business services	1,814,676	-	1,814,676	1,648,350	-	1,648,350
Central services	2,078,195	-	2,078,195	1,934,238	-	1,934,238
General administration	2,041,780	-	2,041,780	1,743,741	-	1,743,741
Other support services	5,210	-	5,210	12,926	-	12,926
	<u>5,939,861</u>	<u>-</u>	<u>5,939,861</u>	<u>5,339,255</u>	<u>-</u>	<u>5,339,255</u>
Fundraising	50,486	-	50,486	55,759	-	55,759
Total expenses	51,405,061	-	51,405,061	60,457,178	-	60,457,178
Change in net assets	2,589,723	(328,327)	2,261,396	2,930,441	(45,283)	2,885,158
<u>NET ASSETS, BEGINNING OF YEAR</u>	11,521,033	414,947	11,935,980	8,590,592	460,230	9,050,822
<u>NET ASSETS, END OF YEAR</u>	\$ 14,110,756	\$ 86,620	\$ 14,197,376	\$ 11,521,033	\$ 414,947	\$ 11,935,980

The accompanying notes are an integral part of these financial statements.

KIPP NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 2,261,396	\$ 2,885,158
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	326,365	366,008
Loss on disposal of property and equipment	14,009	56,505
Forgiveness of loan principal and interest	-	(344,156)
(Increase) decrease in operating assets:		
Grants and other receivables	1,720,569	1,188,272
Prepaid expenses	88,741	335,302
Deposits	(14,720)	(68,730)
Increase in operating liabilities		
Accounts payable and accrued expenses	<u>(3,476,068)</u>	<u>1,210,917</u>
Net cash provided by operating activities	<u>920,292</u>	<u>5,629,276</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	<u>(344,738)</u>	<u>(331,755)</u>
Net cash used in investing activities	<u>(344,738)</u>	<u>(331,755)</u>
Net increase in cash	575,554	5,297,521
Cash and cash equivalents, beginning of year	<u>12,822,553</u>	<u>7,525,032</u>
Cash and cash equivalents, end of year	<u>\$ 13,398,107</u>	<u>\$ 12,822,553</u>
<u>SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 5,958</u>

The accompanying notes are an integral part of these financial statements.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

KIPP New Orleans, Inc. (“KIPP”) was incorporated in the Spring of 2005 for the purpose of operating charter schools in New Orleans, Louisiana. KIPP was created 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 (7) Type 5 charters to operate KIPP Believe (includes Primary and College Prep and was previously KIPP Phillips Preparatory), KIPP Central City Primary, KIPP Central City Academy, KIPP East Community Primary, KIPP New Orleans Leadership (Primary and Academy), and KIPP Renaissance High School. In addition, the KIPP New Orleans School Support Center (“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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board under *ASC No. 958 Not-for-Profit Entities*.

KIPP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of KIPP and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of KIPP and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of KIPP pursuant to those stipulations. At June 30, 2016 and 2015, KIPP had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include amounts on deposit at local financial institutions and unrestricted, highly liquid investments with an initial maturity of less than three months.

Grants Receivable

Grants receivable 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, 2016 and 2015, no allowance is recorded as management considers the receivables to be fully collectible.

Other receivables

Other receivables represent billings which are based primarily on school food services provided to other schools. Other receivables are stated at the amount management expects to collect from outstanding balances. 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 other receivables. At June 30, 2016 and 2015, no allowance is recorded as management considers the receivables to be fully collectible.

Property and Equipment

The land, building and building improvements used to operate KIPP are owned by the Recovery School District (RSD) and, as such, are recorded on the financial statements of the RSD. The RSD also provided KIPP with furniture and equipment that is also recorded on the RSD's financial statements and not reported by KIPP. KIPP only reports its direct purchases of leasehold improvements, 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 their estimated useful lives of 5 years for furniture and equipment, 3 years or the life of the lease (whichever is greater) for leasehold improvements, and 3 years for software.

Contributions and Revenue Recognition

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 unrestricted net assets and reported as net assets released from restrictions in the statement of activities.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Contributions and Revenue Recognition (continued)

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.

Contributed Services

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 financial statements due to their unspecialized nature.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the services benefited.

Compensated Absences

All instructional staff members are granted ten paid time off (PTO) days at the beginning of each year. 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. School Support Center and non-instructional staff earn a total of 13 PTO days per year.

Tax Exempt Status

KIPP is a nonprofit organization exempt from the income taxes under provisions of the Internal Revenue Service Code Sections 501(c) (3) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes. KIPP applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, KIPP has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on KIPP.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Accounting Changes

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Application to interim financial statements is permitted but not required in the initial year of application, and early application of the standard is permitted. KIPP is currently assessing the impact of this pronouncement on the financial statements.

2. Grants Receivable

Grants receivable as of June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Due from federal government	\$ 223,953	\$ 1,552,874
Due from State of Louisiana	859,667	997,893
Due from foundations	219,819	438,802
	<u>\$ 1,303,439</u>	<u>\$ 2,989,569</u>

3. Property and Equipment

A summary of property and equipment at June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 607,737	\$ 1,798,850
Leasehold improvements	934,927	666,727
Software	236,056	83,277
Construction in progress	-	14,950
	<u>1,778,720</u>	<u>2,563,804</u>
Less accumulated depreciation	<u>(1,128,381)</u>	<u>(1,917,829)</u>
	<u>\$ 650,339</u>	<u>\$ 645,975</u>

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

4. Line of Credit

KIPP has a line of credit in the amount of \$1,500,000. The interest rate on the line of credit is 4.0%. There was no outstanding balance due on the line of credit as of June 30, 2016. The line of credit expires on January 24, 2017.

5. Long-Term Debt

On January 22, 2010, KIPP entered into a loan agreement with Charter Fund, Inc. (the "Fund"), a nonprofit corporation doing business as the Charter School Growth Fund, in the amount of \$500,000. Interest on the loan started from the date of funding, which was April 12, 2010. Interest accrues at a rate of 3.25% per annum (based on a 360 day year). Accrued interest on the loan at June 30, 2016 and 2015 was \$41,889 and \$35,389, respectively. The outstanding balance of the loan was \$200,000 at June 30, 2016 and 2015. Principal repayment is due in the amount of \$200,000 on November 1, 2017.

According to the terms of the loan agreement, \$300,000 of the principal due and any accrued but unpaid interest on such principal, may be forgiven and treated as a grant award if KIPP achieves certain milestones for fiscal 2014, as determined by the Fund in its sole and absolute discretion. Any amounts not forgiven shall remain payable (both principal and interest) until maturity. In December 2014, the \$300,000 of principal and related accrued interest of \$44,156 on such principal was forgiven. The forgiveness of principle and interest totaling \$344,156 is included in other income on the Statements of Activities and Changes in Net Assets for the year ended June 30, 2015.

Interest expense for the years ended June 30, 2016 and 2015 was \$6,497 and \$5,958.

5. Temporarily Restricted Net Assets

A summary of the composition of temporarily restricted net assets at June 30 is as follows:

	<u>2016</u>	<u>2015</u>
KIPP to College Program	\$ -	\$ 67,043
Student Scholarships	46,788	63,678
Learning programs	-	21,475
Elementary School Growth Fund	6,509	40,526
Start-up grant	-	8,867
Technology	5,868	16,598
Personalized learning	23,220	58,335
Discovery program	-	111,953
Music program	-	24,522
Other	4,235	1,950
	<u>\$ 86,620</u>	<u>\$ 414,947</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during the year in the amounts of \$1,095,117 and \$1,888,997 for the years ended June 30, 2016 and 2015, respectively.

KIPP NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

6. Credit Risk Concentration

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.

7. 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 \$904,219 and \$892,094 for the years ended June 30, 2016 and 2015, respectively.

8. School Properties

KIPP entered into lease agreements with the Recovery School District ("RSD") to allow KIPP to use several facilities and their contents, typically for an initial lease term of two years. The lease agreements may be extended for an additional two years in the event the Louisiana Board of Elementary and Secondary Education extends the respective Charter contract for an additional two years. The RSD has forgone the payment of rent for the 2016 and 2015 years for each of the lease agreements.

Use of the property, including fixtures, furniture and equipment provided by the RSD is not recorded as an in-kind contribution. KIPP is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

9. Contingencies

Grant Programs

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, 2016 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 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.

NOTES TO FINANCIAL STATEMENTS

10. Economic Dependency

KIPP receives the majority of its revenue from the State of Louisiana Minimum Foundation Program (MFP). MFP funding for the years ended June 30, 2016 and 2015 totaled \$40,707,352 and \$38,447,246, respectively. Funding and from various federal grants passed through the State of Louisiana. 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 2017 relating to its grant awards.

11. School Food Authority

KIPP operated as a School Food Authority for participating schools for the year ended June 30, 2015 and for a portion of the year ended June 30, 2016. Effective July 2015, KIPP no longer operates as a School Food Authority. Total federal reimbursement claims submitted for participating schools during the years ended June 30, 2016 and 2015 totaled \$26,000 and \$10,569,755, respectively. These amounts are included in federal sources revenue and food services expenses on the statements of activities.

12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 9, 2016, and determined that the following items require disclosure.

KIPP Booker T. Washington high school opened for the 2016-2017 school year. The school has an enrollment of 106 ninth grade students.

KIPP Renaissance High School transferred from the Recovery School District back to authorization under the Orleans Parish School Board on July 1, 2016.

KIPP NEW ORLEANS, INC.
STATEMENTS OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2016
(with comparative totals for 2015)

	2016									2015	
	McDonogh 15 School for the Creative Arts	Believe College Preparatory School / Primary	Central City Academy	Central City Primary	Renaissance High School	New Orleans Leadership Primary / Academy	East Community Primary	Booker T. Washington High School	School Support Center	Total	Total
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents	\$ 1,122,318	\$ 3,262,759	\$ 1,143,906	\$ 3,127,341	\$ (847,377)	\$ 2,269,251	\$ 246,142	\$ 36,551	\$ 3,037,216	\$ 13,398,107	\$ 12,822,553
Grants receivable	229,446	81,575	135,699	96,483	219,926	106,102	64,095	19,661	350,452	1,303,439	2,989,569
Other receivables	1	104,119	1	-	41,886	-	34,244	-	17,240	197,491	231,930
Prepaid expenses	-	-	-	1	193	-	-	-	9,119	9,313	98,054
Due from (to) KIPP New Orleans / Schools	102,314	(2,439,881)	(126,497)	(782,287)	1,211,035	(446,604)	-	-	2,481,920	-	-
Total current assets	1,454,079	1,008,572	1,153,109	2,441,538	625,663	1,928,749	344,481	56,212	5,895,947	14,908,350	16,142,106
OTHER ASSETS											
Deposits	33,440	17,759	-	2,150	25,645	431	-	-	36,690	116,115	101,395
PROPERTY AND EQUIPMENT, NET											
	106,001	24,688	12,687	72,071	318,516	65,333	12,893	-	38,150	650,339	645,975
Total assets	\$ 1,593,520	\$ 1,051,019	\$ 1,165,796	\$ 2,515,759	\$ 969,824	\$ 1,994,513	\$ 357,374	\$ 56,212	\$ 5,970,787	\$ 15,674,804	\$ 16,889,476
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
Accounts payable and accrued expenses	\$ 185,981	\$ 298,076	\$ 68,264	\$ 112,800	239,217	\$ 146,087	\$ 111,352	\$ 1,211	\$ 72,551	\$ 1,235,539	\$ 4,718,107
NON-CURRENT LIABILITIES											
Accrued interest	-	-	-	-	-	-	-	-	41,889	41,889	35,389
Long-term debt	-	-	-	-	-	-	-	-	200,000	200,000	200,000
Total non-current liabilities	-	-	-	-	-	-	-	-	241,889	241,889	235,389
Total liabilities	185,981	298,076	68,264	112,800	239,217	146,087	111,352	1,211	314,440	1,477,428	4,953,496
NET ASSETS											
Unrestricted	1,390,801	746,461	1,097,532	2,396,450	730,607	1,842,558	246,022	50,766	5,609,559	14,110,756	11,521,033
Temporarily restricted	16,738	6,482	-	6,509	-	5,868	-	4,235	46,788	86,620	414,947
Total net assets	1,407,539	752,943	1,097,532	2,402,959	730,607	1,848,426	246,022	55,001	5,656,347	14,197,376	11,935,980
Total liabilities and net assets	\$ 1,593,520	\$ 1,051,019	\$ 1,165,796	\$ 2,515,759	\$ 969,824	\$ 1,994,513	\$ 357,374	\$ 56,212	\$ 5,970,787	\$ 15,674,804	\$ 16,889,476

See accompanying independent auditors' report.

KIPP NEW ORLEANS, INC.
STATEMENTS OF ACTIVITIES BY SCHOOL
YEAR ENDED JUNE 30, 2016
(with comparative totals for 2015)

	2016										2015	
	McDonogh 15 School for the Creative Arts	Believe College Preparatory School / Primary	Central City Academy	Central City Primary	Renaissance High School	New Orleans Leadership Primary / Academy	East Community Primary	Booker T. Washington High School	School Support Center	Interfund Eliminations	Total	Total
UNRESTRICTED NET ASSETS												
PUBLIC SUPPORT AND OTHER REVENUES												
Local per pupil aid	\$ 4,837,377	\$ 4,696,333	\$ 2,296,601	\$ 2,679,809	\$ 2,499,327	\$ 4,659,283	\$ 808,675	\$ -	\$ -	\$ -	\$ 22,477,405	\$ 20,464,351
Federal sources	2,555,664	1,822,434	855,714	1,104,112	1,124,059	1,627,737	498,165	19,661	390,231	-	9,997,777	21,231,325
State public school funds	3,851,818	3,418,676	1,973,358	1,937,762	2,476,681	4,012,652	559,000	-	-	-	18,229,947	17,982,895
Donations and contributions	-	251	11,663	-	5,724	-	-	729,000	356,079	-	1,102,717	441,984
Other local sources	-	8,962	-	-	4,391	-	-	-	15,000	-	28,353	-
Other state funds	80,183	84,402	54,703	66,369	50,094	112,109	17,280	-	-	-	465,140	6,855
Other income	91,303	94,198	32,608	38,800	20,512	106,215	6,982	-	6,756,455	(6,548,745)	598,328	1,371,212
Net assets released from restrictions	369,234	31,779	69,068	136,970	74,034	106,115	22,891	1,010	284,016	-	1,095,117	1,888,997
Total public support and other revenues	11,785,579	10,157,035	5,293,715	5,963,822	6,254,822	10,624,111	1,912,993	749,671	7,801,781	(6,548,745)	53,994,784	63,387,619
EXPENSES												
Program services:												
Instructional	5,152,354	4,603,055	2,701,916	2,716,925	2,638,265	4,928,071	1,110,306	41,775	211,205	(3,429,138)	20,674,734	18,449,053
Non-instructional	5,298,293	4,761,512	2,266,773	2,781,869	3,126,190	5,257,807	1,063,668	523,263	1,931,719	(2,271,114)	24,739,980	36,613,111
Supporting services:												
Management and general	578,224	685,877	283,467	342,651	235,066	598,933	116,487	133,867	3,813,782	(848,493)	5,939,861	5,339,255
Fundraising	-	-	-	-	-	-	-	-	50,486	-	50,486	55,759
Total expenses	11,028,871	10,050,444	5,252,156	5,841,445	5,999,521	10,784,811	2,290,461	698,905	6,007,192	(6,548,745)	51,405,061	60,457,178
Transfers in (out)												
Transfers in	76,108	58,291	32,213	36,877	207,649	305,399	430,534	-	230,176	(1,377,247)	-	-
Transfers out	(576,218)	(132,195)	(35,186)	(35,877)	(97,175)	(65,567)	(9,820)	-	(425,209)	1,377,247	-	-
Total transfers in (out)	(500,110)	(73,904)	(2,973)	1,000	110,474	239,832	420,714	-	(195,033)	-	-	-
Change in unrestricted net assets	256,598	32,687	38,586	123,377	365,775	79,132	43,246	50,766	1,599,556	-	2,589,723	2,930,441
TEMPORARILY RESTRICTED NET ASSETS												
Donations and contributions	231,996	28,449	59,838	102,953	38,331	105,703	9,000	5,245	185,275	-	766,790	1,843,714
Net assets released from restrictions	(369,234)	(31,779)	(69,068)	(136,970)	(74,034)	(106,115)	(22,891)	(1,010)	(284,016)	-	(1,095,117)	(1,888,997)
Change in temporarily restricted net assets	(137,238)	(3,330)	(9,230)	(34,017)	(35,703)	(412)	(13,891)	4,235	(98,741)	-	(328,327)	(45,283)
NET ASSETS, BEGINNING OF YEAR	1,288,179	723,586	1,068,176	2,313,599	400,535	1,769,706	216,667	-	4,155,532	-	11,935,980	9,050,822
NET ASSETS, END OF YEAR	\$ 1,407,539	\$ 752,943	\$ 1,097,532	\$ 2,402,959	\$ 730,607	\$ 1,848,426	\$ 246,022	\$ 55,001	\$ 5,656,347	\$ -	\$ 14,197,376	\$ 11,935,980

See accompanying independent auditors' report.

KIPP NEW ORLEANS, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED JUNE 30, 2016

Agency Head Name: Rhonda Kalifey-Aluise, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 161,262
Benefits - insurance	644
Benefits - retirement	8,093
Gas stipend	600
Reimbursements	1,720
Conference travel	5,738
Special meals	804

See accompanying independent auditors' report.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SINGLE AUDIT REPORTS

JUNE 30, 2016



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KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SINGLE AUDIT REPORTS

JUNE 30, 2016

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

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**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,
KIPP New Orleans, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KIPP New Orleans, Inc. (KIPP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KIPP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPP's internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP'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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netherville

New Orleans, Louisiana
December 9, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Report on Compliance for Each Major Federal Program

We have audited KIPP New Orleans, Inc.'s (KIPP) 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's major federal programs for the year ended June 30, 2016. KIPP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of KIPP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of KIPP's compliance.

Opinion on Each Major Federal Program

In our opinion, KIPP 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, 2016.

Report on Internal Control Over Compliance

Management of KIPP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KIPP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KIPP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of KIPP as of and for the year ended June 30, 2016, and have issued our report thereon dated December 9, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Postellowitz & Netterville

New Orleans, Louisiana
December 9, 2016

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass-Through Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through Louisiana Department of Education:				
School Breakfast Program	10.553	N/A	\$ -	\$ 1,047,623
National School Lunch Program	10.555	N/A	-	1,953,511
Summer Food Service Program for Children	10.559	N/A	26,000	97,365
Total Child Nutrition Cluster			<u>26,000</u>	<u>3,098,499</u>
Child and Adult Care Food Program	10.558	N/A	-	885,247
Farm to School Planning Grant	10.575	CNF2SPLAN15LA	-	19,672
Total U.S. Department of Agriculture			<u>26,000</u>	<u>4,003,418</u>
<u>U.S. Department of Education</u>				
Passed through the Louisiana Department of Education				
Special Education - Grants to States	84.027A	H027A150033	-	912,736
Special Education - Preschool Grants	84.173A	H173A150082	-	12,815
Total Special Education Cluster			<u>-</u>	<u>925,551</u>
Title I Grants to Local Education Agencies	84.010A	S010A140018	-	3,306,154
Title II, Part A, Teacher and Principal Training and Recruiting	84.367A	S367A150017	-	34,304
Striving Readers Comprehensive Literacy Program	84.371A	S371C11045-12	-	661,860
School Improvement Grants	84.377A	S377A150020	-	320,298
Passed through the New Orleans Business Alliance				
Career and Technical Education Grant	84.048	V048A140018A	-	40,000
Passed through the KIPP Foundation				
Public Charter School Grant	84.282M	U282M120012	-	213,452
Supporting Educator Development (SEED)	84.367D	U367D150018	-	25,000
Passed through New Schools for New Orleans				
Teacher Incentive Fund	84.374A	S374A100034-14	-	245,616
Investment in Innovation (ARRA)	84.396B	U396B100118	-	222,124
Total U.S. Department of Education			<u>-</u>	<u>5,994,359</u>
Total			<u>\$ 26,000</u>	<u>\$ 9,997,777</u>

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Total federal expenditures by CFDA number

School Breakfast Program	10.553	\$	1,047,623
National School Lunch Program	10.555		1,953,511
Child and Adult Care Food Program	10.558		885,247
Summer Food Service Program for Children	10.559		97,365
Farm to School Planning Grant	10.575		19,672
Title I Grants to Local Education Agencies	84.010		3,306,154
Special Education - Grants to States	84.027		912,736
Career and Technical Education Grant	84.048		40,000
Special Education - Preschool Grants	84.173		12,815
Public Charter School Grant	84.282		213,452
Supporting Effective Instruction State Grant	84.367		59,304
Striving Readers Comprehensive Literacy Program	84.371		661,860
Teacher Incentive Fund	84.374		245,616
School Improvement Grants	84.377		320,298
Investment in Innovation (ARRA)	84.396		222,124
		<u>\$</u>	<u>9,997,777</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of KIPP New Orleans, Inc. (KIPP) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, 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**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. KIPP has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) **Relationship to Basic Financial Statements**

Federal awards are included in the statement of activities and changes in net assets as federal government revenue.

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified: no
- Significant deficiency(ies) identified: none reported

Noncompliance material to the financial statements noted: no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: no
- Significant deficiency(ies) identified: none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a): no

Identification of major programs:

U.S. Department of Agriculture:	
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
U.S. Department of Education:	
Title I	84.010A

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as a low risk auditee: no

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section II – Findings relating to the financial statements reported in accordance with
Government Auditing Standards

None

Section III – Findings and Questioned Costs Related to Federal Awards

None

KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Findings relating to the financial statements reported in accordance with *Government Auditing Standards*

2015-001 Internal Controls over Payroll

Recommendation: KIPP should maintain appropriate documentation (including offer letters and approved rate of pay) in personnel files for all employees. As new employees are hired and approved at the school locations, the Human Resources department should be notified in a timely manner. In addition, pay rates in the payroll system should be reviewed to ensure that the proper amounts were entered into the payroll system.

Current Status: Resolved.

2015-002 School Activity Funds

Recommendation: KIPP should monitor the schools to ensure that funds received by schools are deposited into the school activity bank accounts, expenditures of funds are properly approved, and activity is tracked and reconciled in accordance with Louisiana R.S. 17:414.3.

Current Status: Resolved.

2015-003 Form 5500 Report and Independent Audit Requirements for the 403(b) Plan

Recommendation: KIPP should implement procedures to ensure that the Plan is audited annually, and the Form 5500 and audit report are submitted on an annual basis in accordance with ERISA requirements. We recommend consultation with an ERISA attorney to determine the impact of non-compliance.

Current Status: Resolved.

Findings and Questioned Costs Related to Federal Awards

2015-004 Allowable Costs and Activities – Internal Controls over Payroll

CFDA #10.553, 10.555, and 10.559 Child Nutrition Cluster
CFDA #10.558 Child and Adult Care Food Program
CFDA #84.010 Title I
CFDA #84.371 Striving Readers Comprehensive Literacy Program
CFDA #84.027A and 84.173A Special Education Cluster

See detailed recommendations for internal controls over payroll at 2015-001.

Current Status: Resolved.

KIPP NEW ORLEANS, INC
NEW ORLEANS, LOUISIANA

PERFORMANCE AND STATISTICAL DATA

FOR THE YEAR ENDED JUNE 30, 2016



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KIPP NEW ORLEANS, INC.
NEW ORLEANS, LOUISIANA

PERFORMANCE AND STATISTICAL DATA SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2016

Independent Accountants' Report
On Applying Agreed-Upon Procedures

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

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of KIPP New Orleans, Inc. and the Legislature Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of KIPP and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin as related to the limited procedures performed herein. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue, and
 - Total State Revenue in Lieu of Taxes.

We noted no exceptions.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to KIPP supporting payroll records as of October 1st.

We noted no exceptions.

3. We reconciled the combined total of principals and assistant principals per the schedule “Experience of Public Principals and Full-time Classroom Teachers” (Schedule 4) to the combined total of principals and assistant principals per this schedule.

We noted no exceptions.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual’s personnel file and determine if the individual’s education level was properly classified on the schedule.

We noted no exceptions.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

We noted no exceptions.

Experience of Public School Principals and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual’s personnel file and determined if the individual’s experience was properly classified on the schedule.

We noted no exceptions.

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual’s personnel file and determined if the individual’s salary, extra compensation, and full-time equivalents were properly included on the schedule.

We noted no exceptions.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

We noted no exceptions.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

We noted no exceptions.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by KIPP.

We noted no exceptions.

The Graduation Exit Exam for the 21st Century (Schedule 8)

The Graduation Exit Exam has been discontinued.

The iLEAP Tests (Schedule 9)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by KIPP.

We noted no exceptions.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the KIPP, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netherville

New Orleans, Louisiana
December 9, 2016

Kipp New Orleans, Inc.
General Fund Instructional and Support Expenditures and
Certain Local Revenue Sources
For the Year Ended June 30, 2016

General Fund Instructional and Equipment Expenditures

Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 13,385,892	
Other Instructional Staff Activities	1,001,265	
Instructional Staff Employee Benefits	2,802,193	
Purchased Professional and Technical Services	1,880,492	
Instructional Materials and Supplies	1,205,706	
Instructional Equipment	<u>413,998</u>	
Total Teacher and Student Interaction Activities		\$ 20,689,547
Other Instructional Activities		612,340
Pupil Support Activities	2,380,342	
Less: Equipment for Pupil Support Services	<u>-</u>	
Net Pupil Support Services		2,380,342
Instructional Staff Services	2,321,303	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		2,321,303
School Administration	5,638,925	
Less: Equipment for School Administrations	<u>-</u>	
Net School Administration		<u>5,638,925</u>
Total General Fund Instructional Expenditures		<u>\$ 31,642,457</u>
Total General Fund Equipment Expenditures		<u>\$ 413,998</u>

Certain Local Revenue Sources

Not Applicable

Prepared by KIPP New Orleans, Inc.

Schedule 2:**Education Level of Public Principals, Assistant Principals, and Full-Time Classroom Teachers**

As of October 1, 2015

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	1	0%	0	0%	0	0%
Bachelor's Degree	89	29%	191	63%	6	16%	22	58%
Master's Degree	6	2%	18	6%	0	0%	9	24%
Master's Degree + 30	0	0%	0	0%	0	0%	0	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%
Ph. D. or Ed. D.	0	0%	0	0%	0	0%	1	3%
Total	95	31%	210	69%	6	16%	32	84%

Prepared by KIPP New Orleans, Inc.

Schedule 3: Number and Type of Public Schools
For the Year Ended June 30, 2016

	2016
Type	Number
Elementary	5
Middle/Jr. High	1
Secondary	1
Combination	0
Total	7

Prepared by KIPP New Orleans, Inc.

Schedule 4:

Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers

As of October 1, 2015

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	5	9	12	-	-	-	1	27
Principals	-	1	9	-	1	-	-	11
Classroom Teachers	97	88	105	7	4	2	2	305
Total	102	98	126	7	5	2	3	343

Prepared by KIPP New Orleans, Inc.

Schedule 5: Public School Staff Data For the Year Ended June 30, 2016

2016	All Classroom Teachers	Classroom Teachers excluding ROTC, Rehired Retirees, and Flagged Salary Reduction
Average Classroom Teachers' Salary Including Extra Compensation	\$47,067	\$47,067
Average Classroom Teachers' Salary Excluding Extra Compensation	\$45,901	\$45,901
Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries	\$307	\$307

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

Prepared by KIPP New Orleans, Inc.

Schedule 6: Class Size Characteristics
As of October 1, 2015

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	51.08%	142	73.41%	301	80.34%	466	48.54%	50
Elementary Activity Classes	3.96%	11	7.56%	31	7.93%	46	9.71%	10
Middle/Jr. High	11.15%	31	2.93%	12	5.00%	29	34.95%	36
Middle/Jr. High Activity Classes	2.52%	7	1.95%	8	0.17%	1	0.00%	0
High	28.78%	80	12.93%	53	5.69%	33	0.97%	1
High Activity Classes	2.52%	7	1.22%	5	0.86%	5	5.83%	6
Combination	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Combination Activity Classes	0.00%	0	0.00%	0	0.00%	0	0.00%	0

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.

Prepared by KIPP New Orleans, Inc.

**Schedule 7: Louisiana Educational Assessment Program (LEAP 21) for the 21st Century
For the Years Ended June 30, 2016, 2015, and 2014**

District Achievement Level Results	English Language Arts					
	2016		2015		2014	
Grade 4 Students	Number	Percent	Number	Percent	Number	Percent
Advanced	10	2.49%	1	0.45%	3	1.42%
Mastery	119	29.60%	51	23.08%	32	15.09%
Basic	143	35.57%	96	43.44%	83	39.15%
Approaching Basic	92	22.89%	57	25.79%	67	31.60%
Unsatisfactory	38	9.45%	16	7.24%	27	12.74%
Total	402	100.00%	221	100.00%	212	100.00%

District Achievement Level Results	Science					
	2016		2015		2014	
Grade 4 Students	Number	Percent	Number	Percent	Number	Percent
Advanced	9	2.24%	3	1.36%	4	1.90%
Mastery	61	15.21%	19	8.60%	11	5.21%
Basic	215	53.62%	103	46.61%	94	44.55%
Approaching Basic	96	23.94%	78	35.29%	72	34.12%
Unsatisfactory	20	4.99%	18	8.14%	30	14.22%
Total	401	100.00%	221	100.00%	211	100.00%

District Achievement Level Results	English Language Arts					
	2016		2015		2014	
Grade 8 Students	Number	Percent	Number	Percent	Number	Percent
Advanced	15	3.80%	5	1.21%	7	1.84%
Mastery	148	37.47%	105	25.42%	43	11.29%
Basic	134	33.92%	156	37.77%	195	51.18%
Approaching Basic	63	15.95%	104	25.18%	117	30.71%
Unsatisfactory	35	8.86%	43	10.41%	19	4.99%
Total	395	100.00%	413	100.00%	381	100.00%

District Achievement Level Results	Science					
	2016		2015		2014	
Grade 8 Students	Number	Percent	Number	Percent	Number	Percent
Advanced	5	1.27%	1	0.25%	8	2.13%
Mastery	60	15.23%	48	11.79%	60	15.96%
Basic	149	37.82%	150	36.86%	182	48.40%
Approaching Basic	128	32.49%	129	31.70%	104	27.66%
Unsatisfactory	52	13.20%	79	19.41%	22	5.85%
Total	394	100.00%	407	100.00%	376	100.00%

Mathematics					
2016		2015		2014	
Number	Percent	Number	Percent	Number	Percent
3	0.75%	0	0.00%	19	8.92%
82	20.40%	58	26.24%	41	19.25%
143	35.57%	77	34.84%	107	50.23%
127	31.59%	62	28.05%	26	12.21%
47	11.69%	24	10.86%	20	9.39%
402	100.00%	221	100.00%	213	100.00%

Social Studies					
2016		2015		2014	
Number	Percent	Number	Percent	Number	Percent
		0	0.00%	1	0.48%
		10	4.55%	12	5.71%
		100	45.45%	91	43.33%
		79	35.91%	70	33.33%
		31	14.09%	36	17.14%
		220	100.00%	210	100.00%

Mathematics					
2016		2015		2014	
Number	Percent	Number	Percent	Number	Percent
5	1.27%	4	0.97%	18	4.71%
131	33.16%	105	25.55%	30	7.85%
111	28.10%	128	31.14%	251	65.71%
92	23.29%	95	23.11%	53	13.87%
56	14.18%	79	19.22%	30	7.85%
395	100.00%	411	100.00%	382	100.00%

Social Studies					
2016		2015		2014	
Number	Percent	Number	Percent	Number	Percent
		3	0.73%	3	0.80%
		59	14.43%	52	13.83%
		190	46.45%	215	57.18%
		102	24.94%	74	19.68%
		55	13.45%	32	8.51%
		409	100.00%	376	100.00%

**Schedule 8: The Graduation Exit Examination for the 21st Century (GEE21)
For the Year Ended June 30, 2016**

The GEE21 has been discontinued.

Schedule 9: iLEAP Test Results

District Achievement Level Results	English Language Arts			Mathematics			Science			Social Studies		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	0%	2%	2%	3%	17%	1%	2%	2%	N/A	0%	1%
Mastery	21%	26%	16%	23%	27%	24%	10%	15%	13%	N/A	13%	7%
Basic	27%	26%	38%	29%	32%	39%	44%	41%	45%	N/A	50%	56%
Approaching Basic	26%	27%	30%	29%	27%	12%	30%	29%	30%	N/A	24%	24%
Unsatisfactory	26%	21%	15%	17%	11%	8%	14%	13%	10%	N/A	12%	12%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A	100%	100%

District Achievement Level Results	English Language Arts			Mathematics			Science			Social Studies		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2%	0%	2%	1%	1%	2%	0%	1%	1%	N/A	2%	4%
Mastery	26%	21%	12%	19%	12%	9%	11%	6%	6%	N/A	11%	11%
Basic	37%	35%	42%	35%	36%	54%	46%	46%	47%	N/A	51%	55%
Approaching Basic	25%	29%	26%	30%	39%	14%	24%	26%	31%	N/A	22%	20%
Unsatisfactory	10%	15%	19%	16%	12%	21%	18%	21%	15%	N/A	14%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A	100%	100%

District Achievement Level Results	English Language Arts			Mathematics			Science			Social Studies		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	5%	1%	2%	1%	0%	3%	6%	4%	2%	N/A	10%	9%
Mastery	36%	30%	15%	19%	13%	9%	25%	18%	15%	N/A	16%	16%
Basic	33%	34%	51%	32%	36%	57%	42%	48%	52%	N/A	48%	58%
Approaching Basic	20%	25%	19%	30%	37%	17%	17%	19%	22%	N/A	18%	11%
Unsatisfactory	6%	11%	13%	18%	13%	14%	10%	11%	9%	N/A	8%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A	100%	100%

District Achievement Level Results	English Language Arts			Mathematics			Science			Social Studies		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	7%	1%	2%	1%	0%	4%	4%	2%	3%	N/A	6%	7%
Mastery	30%	23%	12%	23%	17%	10%	24%	19%	14%	N/A	23%	22%
Basic	31%	36%	49%	42%	45%	57%	46%	41%	44%	N/A	50%	48%
Approaching Basic	20%	26%	25%	29%	24%	17%	15%	24%	27%	N/A	10%	17%
Unsatisfactory	11%	14%	12%	6%	14%	11%	12%	13%	12%	N/A	11%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A	100%	100%

Prepared by KIPP New Orleans, Inc.

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

In planning and performing our audit of the financial statements of KIPP New Orleans, Inc. (KIPP) (a nonprofit organization) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered KIPP's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of KIPP's internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP's internal control.

During our audit for the year ended June 30, 2015, we became aware of a deficiency in internal control other than significant deficiencies and material weaknesses and matters that was an opportunity for strengthening internal controls and operating efficiency. This letter summarizes the status of our prior year comments. A separate letter dated December 9, 2016, contains our communication of significant deficiencies and material weaknesses in KIPP's internal control for the year ended June 30, 2016. This letter does not affect our report dated December 9, 2016, on the financial statements of KIPP.

Current Year Comments

None

Status of Prior Year Comments

2015-1 Credit Card and Travel Reimbursements

Recommendation: We recommend that policies and procedures be designed and implemented that would require an itemized invoice or receipt be submitted to KIPP before expenses are reimbursed. In addition, KIPP should prohibit the use of public funds to pay for alcohol, even if the public funds will be reimbursed with private donations.

Status: Resolved.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, and federal awarding and pass-through entities, and is not intended to be, and should not be, used by anyone other than these parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
December 9, 2016