

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

ALBANY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024

(With Comparative Totals for 2023)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
KIPP Capital Region Public Charter Schools

Report on the Financial Statements

Opinion

We have audited the financial statements of KIPP Capital Region Public Charter Schools (the "Charter School") which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Capital Region Public Charter Schools as of June 30, 2024, and the changes in its net assets and its cash flows for the year 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 (GAAS) 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 Capital Region Public Charter Schools 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP Capital Region Public Charter Schools' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 GAAS 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 GAAS, 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 Capital Region Public Charter Schools' 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 Capital Region Public Charter Schools' 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.

Report on Summarized Comparative Information

We have previously audited the KIPP Capital Region Public Charter Schools' June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2024 on our consideration of KIPP Capital Region Public Charter Schools' 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 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 Capital Region Public Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2024

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

(With Comparative Totals for 2023)

| <u>ASSETS</u> | June 30, | |
|---|-----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents | \$ 12,831,572 | \$ 16,414,231 |
| Grants and contracts receivable | 7,464,157 | 5,996,488 |
| Accounts receivable, net of allowance for credit losses of \$25,000 and \$1,180,000 respectively | 311,646 | 716,727 |
| Prepaid expenses | 405,904 | 235,128 |
| Inventory | 67,362 | 75,838 |
| TOTAL CURRENT ASSETS | <u>21,080,641</u> | <u>23,438,412</u> |
| <u>PROPERTY AND EQUIPMENT, net</u> | 37,032,321 | 33,670,767 |
| <u>OTHER ASSETS</u> | | |
| Restricted cash | 44,950,313 | 131,665 |
| Cash designated by Board for operating reserve | 374,033 | 356,384 |
| Cash in escrow | 175,335 | 175,335 |
| | <u>45,499,681</u> | <u>663,384</u> |
| TOTAL ASSETS | <u>\$ 103,612,643</u> | <u>\$ 57,772,563</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Current portion of long-term debt | \$ 430,911 | \$ 701,489 |
| Accounts payable and accrued expenses | 3,365,475 | 1,851,572 |
| Accrued payroll and benefits | 1,129,083 | 1,141,736 |
| TOTAL CURRENT LIABILITIES | <u>4,925,469</u> | <u>3,694,797</u> |
| <u>OTHER LIABILITIES</u> | | |
| Long-term debt including loan premium of \$4,014,239 and \$4,166,198, net of loan issuance costs of \$2,248,478 and \$284,908, and loan discount of \$597,897 and \$0, respectively | 74,019,323 | 30,019,313 |
| TOTAL LIABILITIES | <u>78,944,792</u> | <u>33,714,110</u> |
| <u>NET ASSETS</u> | | |
| Without donor restrictions | 24,624,216 | 24,037,397 |
| With donor restrictions | 43,635 | 21,056 |
| TOTAL NET ASSETS | <u>24,667,851</u> | <u>24,058,453</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 103,612,643</u> | <u>\$ 57,772,563</u> |

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

| | Without donor restrictions | With donor restrictions | Year ended June 30, | |
|--|----------------------------------|-------------------------------|----------------------|----------------------|
| | | | <u>2024</u> | <u>2023</u> |
| | | | <u>Total</u> | <u>Total</u> |
| Operating revenue and support: | | | | |
| Public School District: | | | | |
| Resident student enrollment | \$ 36,363,014 | \$ - | \$ 36,363,014 | \$ 36,791,969 |
| Students with disabilities | 1,167,502 | - | 1,167,502 | 1,063,499 |
| Grants and contracts: | | | | |
| Federal - Title and IDEA | 1,283,293 | - | 1,283,293 | 1,030,394 |
| Federal - Other | 4,820,106 | - | 4,820,106 | 5,319,045 |
| Food service / Child Nutrition Program | <u>2,521,094</u> | - | <u>2,521,094</u> | <u>2,581,527</u> |
| TOTAL OPERATING REVENUE AND SUPPORT | 46,155,009 | - | 46,155,009 | 46,786,434 |
| Expenses: | | | | |
| Program services: | | | | |
| Regular education | 35,714,569 | - | 35,714,569 | 34,956,190 |
| Special education | 3,108,157 | - | 3,108,157 | 2,949,884 |
| Management and general | <u>7,997,431</u> | - | <u>7,997,431</u> | <u>8,720,459</u> |
| TOTAL EXPENSES | <u>46,820,157</u> | - | <u>46,820,157</u> | <u>46,626,533</u> |
| (DEFICIT) SURPLUS FROM SCHOOL OPERATIONS | (665,148) | - | (665,148) | 159,901 |
| Other income: | | | | |
| Contributions | 37,504 | 25,000 | 62,504 | 58,133 |
| Interest income | 761,670 | - | 761,670 | 178,435 |
| Other income | 450,372 | - | 450,372 | 152,290 |
| Net assets released from restriction | <u>2,421</u> | <u>(2,421)</u> | - | - |
| | <u>1,251,967</u> | <u>22,579</u> | <u>1,274,546</u> | <u>388,858</u> |
| CHANGE IN NET ASSETS | 586,819 | 22,579 | 609,398 | 548,759 |
| Net assets at beginning of year | 24,037,397 | 21,056 | 24,058,453 | 16,156,384 |
| Transfer in of True North Troy Preparatory Charter School net assets at beginning of year | - | - | - | 7,353,310 |
| | <u>24,037,397</u> | <u>21,056</u> | <u>24,058,453</u> | <u>23,509,694</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 24,624,216</u> | <u>\$ 43,635</u> | <u>\$ 24,667,851</u> | <u>\$ 24,058,453</u> |

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

| | No. of Positions | Year ended June 30, | | | | | |
|--|---------------------|----------------------|----------------------|----------------------|--|----------------------|----------------------|
| | | 2024 | | | 2023 | | |
| | | Regular Education | Special Education | Sub-total | Supporting Services Management and General | Total | Total |
| Personnel services costs: | | | | | | | |
| Administrative staff personnel | 113 | \$ 9,735,089 | \$ 666,599 | \$ 10,401,688 | \$ 1,539,501 | \$ 11,941,189 | \$ 11,534,183 |
| Instructional personnel | 167 | 10,639,461 | 1,452,560 | 12,092,021 | - | 12,092,021 | 12,353,389 |
| Non-instructional personnel | 51 | - | - | - | 943,808 | 943,808 | 876,864 |
| Total salaries and staff | 331 | 20,374,550 | 2,119,159 | 22,493,709 | 2,483,309 | 24,977,018 | 24,764,436 |
| Fringe benefits and payroll taxes | | 2,593,910 | 181,039 | 2,774,949 | 2,956,499 | 5,731,448 | 5,637,308 |
| Retirement | | 411,550 | 29,122 | 440,672 | 468,948 | 909,620 | 809,699 |
| Staff development | | 975,215 | 66,269 | 1,041,484 | 51,444 | 1,092,928 | 1,185,323 |
| Supplies / Materials | | 696,536 | 47,706 | 744,242 | - | 744,242 | 913,545 |
| Food services | | 1,053,564 | - | 1,053,564 | - | 1,053,564 | 1,064,958 |
| Legal services | | - | - | - | 88,355 | 88,355 | 107,021 |
| Accounting services | | - | - | - | 133,400 | 133,400 | 105,662 |
| Other Purchased / Professional / Consulting Services | | 1,388,100 | 98,439 | 1,486,539 | 368,734 | 1,855,273 | 1,123,774 |
| Office expense | | 98,872 | 8,972 | 107,844 | 245,090 | 352,934 | 454,000 |
| Depreciation and amortization | | 1,726,668 | 126,344 | 1,853,012 | 205,890 | 2,058,902 | 1,986,904 |
| Utilities | | 512,884 | 38,562 | 551,446 | 61,272 | 612,718 | 651,796 |
| Equipment / Furnishings | | 160,353 | 10,779 | 171,132 | 39,448 | 210,580 | 355,900 |
| Repairs and maintenance | | 1,346,461 | 106,733 | 1,453,194 | 161,465 | 1,614,659 | 1,589,729 |
| Insurance | | 268,936 | 18,015 | 286,951 | 306,594 | 593,545 | 503,469 |
| Interest | | 956,387 | 56,231 | 1,012,618 | 112,513 | 1,125,131 | 1,174,515 |
| Marketing / Recruitment | | 216,520 | 14,529 | 231,049 | - | 231,049 | 177,662 |
| Student services | | 2,155,526 | 132,818 | 2,288,344 | 83,090 | 2,371,434 | 2,598,134 |
| Credit loss expense | | - | - | - | 27,824 | 27,824 | 199,170 |
| Dues and subscriptions | | 787,928 | 54,574 | 842,502 | 186,183 | 1,028,685 | 925,074 |
| Other | | (9,391) | (1,134) | (10,525) | 17,373 | 6,848 | 298,454 |
| | | <u>\$ 35,714,569</u> | <u>\$ 3,108,157</u> | <u>\$ 38,822,726</u> | <u>\$ 7,997,431</u> | <u>\$ 46,820,157</u> | <u>\$ 46,626,533</u> |

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

| | <u>Year ended June 30,</u> | |
|---|----------------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 609,398 | \$ 548,759 |
| Adjustments to reconcile change in net assets to net cash provided from operating activities: | | |
| Credit loss expense | 27,824 | 199,170 |
| Depreciation and amortization | 2,058,902 | 1,986,904 |
| Loan premium accretion reducing interest expense | (151,958) | (151,958) |
| Amortization of loan issuance costs included in interest expense | 10,391 | 10,391 |
| Interest income on restricted bond proceeds increasing restricted cash | (84,721) | - |
| Changes in certain assets and liabilities affecting operations: | | |
| Grants and contracts receivable | (1,467,669) | (2,832,459) |
| Accounts receivable | 377,257 | 498,285 |
| Prepaid expenses | (170,776) | (139,920) |
| Inventory | 8,476 | 12,064 |
| Security deposits | - | 3,280 |
| Accounts payable and accrued expenses | (37,217) | 598,292 |
| Accrued payroll and benefits | (12,653) | 429,824 |
| Deferred revenue | - | (181,273) |
| | <u>-</u> | <u>(181,273)</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 1,167,254 | 981,359 |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (3,784,615) | (5,922,319) |
| Transfer of cash from True North Troy Preparatory Charter School | - | 6,203,800 |
| Transfer of dissolution escrow from True North Troy Preparatory Charter School | - | 76,596 |
| | <u>-</u> | <u>76,596</u> |
| NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES | (3,784,615) | 358,077 |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Borrowings on long-term debt, net of \$597,897 of discount | 49,507,103 | 3,323,738 |
| Bond issuance costs paid | (1,973,962) | - |
| Repayments of long-term debt | (3,662,142) | (461,518) |
| | <u>(3,662,142)</u> | <u>(461,518)</u> |
| NET CASH PROVIDED FROM FINANCING ACTIVITIES | 43,870,999 | 2,862,220 |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | 41,253,638 | 4,201,656 |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>17,077,615</u> | <u>12,875,959</u> |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR | <u>\$ 58,331,253</u> | <u>\$ 17,077,615</u> |

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

| | Year ended June 30, | |
|--|---------------------|----------------|
| | 2024 | 2023 |
| <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u> | | |
| Reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows: | | |
| Cash and cash equivalents | \$ 12,831,572 | \$ 16,414,231 |
| Restricted cash | 44,950,313 | 131,665 |
| Cash designated by Board for operating reserve | 374,033 | 356,384 |
| Cash in escrow | 175,335 | 175,335 |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | \$ 58,331,253 | \$ 17,077,615 |
| Cash paid during the year for interest | \$ 1,292,442 | \$ 1,292,442 |
| <u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u> | | |
| Purchase of property and equipment through accounts payable | \$ 1,602,417 | \$ 365,359 |
| Capitalized interest due to bond payable included in accrued interest and property and equipment | \$ 112,804 | \$ - |
| Capitalized amortization expense of bond acquisition costs included in accrued interest and property and equipment | \$ 3,874 | \$ - |
| Capitalized amortization expense of bond discount added to property and equipment | \$ 1,467 | \$ - |
| Non-cash transactions: | | |
| Transfer of assets and liabilities from True North Troy Preparatory Charter School to KIPP Capital Region Public Charter Schools: | | |
| Grants and contracts receivable | \$ - | \$ 380,631 |
| Accounts receivable | - | 168,580 |
| Prepaid expenses | - | 2,727 |
| Property and equipment, net | - | 1,317,792 |
| Accounts payable and accrued expenses | - | (620,543) |
| Deferred revenue | - | (176,273) |
| Net assets, without donor restrictions | - | (7,353,310) |
| Cash received | \$ - | \$ (6,280,396) |

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

KIPP Capital Region Public Charter Schools (the “Charter School”) is an education corporation that operate as charter schools in the Capital Region of New York.

The Charter School is comprised of KIPP Albany Community Charter Schools (“KIPP ACCS”), KIPP Tech Valley Charter School (“KIPP Tech Valley”), and KIPP Troy Prep Charter School (“KIPP Troy Prep”). Effective July 1, 2020, ACCS merged with KIPP Tech Valley, with KIPP Tech Valley being the surviving education corporation under the amended name KIPP Albany Community Public Charter Schools. Effective July 1, 2022, KIPP Albany Community Public Charter Schools merged with True North Troy Preparatory Charter School, renamed KIPP Troy Prep Charter School, with KIPP Albany Community Public Charter Schools being the surviving education corporation, under the amended name KIPP Capital Region Public Charter Schools. The financial statements for the years ended June 30, 2024 and 2023 include all three schools; KIPP Tech Valley Charter School, KIPP Albany Community Charter Schools and KIPP Troy Preparatory Charter School.

KIPP ACCS was organized in 2006 to operate a charter school for grades K-5, pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York. In January 2012, KIPP ACCS received approval to modify its charter renewal and add a middle school program to its existing elementary school program, adding grades 6 through 8 in subsequent years through June 30, 2017. A charter renewal was granted in 2016 and again in 2021, extending the school’s operations for an additional five years, expiring in July 2026.

KIPP Tech Valley was organized in 2004 to operate a charter school for grades 5 through 8, pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York. In 2015, KIPP Tech Valley received approval to modify its charter to include kindergarten through grade 4. A charter renewal was granted in 2010, 2015, and 2020 extending the school’s operations for an additional five years, expiring June 30, 2025.

KIPP Troy Prep was organized in 2008 to operate a charter school for grades K-12, pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York. During the year ended June 30, 2019, the charter was approved for a full term renewal for a period of five years to commence August 1, 2019. In October 2023, the charter was approved for a full term renewal for a period of five years, expiring July 31, 2029.

The Charter School is governed by a Board of Trustees in accordance with the Charter School’s by-laws. The Charter School is a member of Knowledge is Power Program (KIPP) a network of nationally recognized private sector schools through a trademark license agreement with the KIPP Foundation. KIPP provides support and member services to the Charter School to assist the Charter School in fulfilling its mission of preparing all students for future opportunities.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions were \$43,635 and \$21,056 at June 30, 2024 and 2023, respectively.

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contract balances consisted of \$311,646, net of allowances, \$716,727, net of allowances, and \$1,245,602, net of allowances of accounts receivable at June 30, 2024, 2023, and 2022, respectively.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor-imposed restrictions. The Charter School reports grants of cash and other assets as restricted support if they are received with stipulations that limit their use. When a restriction expires, that is, when a stipulated time or purpose restriction is accomplished, donor restricted net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from restrictions. The Charter School reports restricted grants as without donor restriction support whenever the restrictions are met in the same year the grants are received.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position.

Cash and cash equivalents

Cash and cash equivalents balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. Cash equivalents include all highly liquid instruments with maturities of three months or less when acquired. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreements. The amount in escrow was \$175,335 at June 30, 2024 and 2023. The agreement requires a balance be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Grants, contracts and accounts receivables

At each fiscal year end, the Charter School evaluates the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. As necessary, the allowance for credit losses is updated at fiscal year-end to reflect any changes in credit risk since the receivable was initially recorded. The allowance for credit losses is calculated on a pooled basis where similar risk characteristics exist.

The Charter School uses historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. There were write-offs for the years ended June 30, 2024 and 2023 of approximately \$27,800 and \$199,200, respectively. Management has recorded an allowance of \$25,000 and \$1,180,000 as of June 30, 2024 and 2023, respectively.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Inventory

Inventory consists of student uniforms and clothing available for use in the Charter School's everyday operation. The inventory is stated at the lower of cost (on a first-in, first-out basis) or net realizable value and is based on a physical inventory taken by management at June 30, 2024 and 2023.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to forty years.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation and amortization are removed from the accounts and the related gain or loss is reflected in operations.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The Charter School received donated services from unpaid volunteers who assisted in fundraising, office administration and program activities. The Charter School was unable to determine a value for these services. In addition, the Charter School received donated transportation and other services from the local school district as part of their responsibilities to the students residing in their district.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulation and, accordingly, is exempt from federal and state taxes on income.

The Charter School files tax returns in various jurisdictions and is subject to potential examination by taxing authorities. The Charter School's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruitment costs approximated \$231,000 and \$177,600 for the years ended June 30, 2024 and 2023, respectively.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions received for the years ended June 30, 2024 and 2023.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Use of estimates in the preparation of financial statements

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of new accounting standard – current expected credit losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Charter School that are subject to the guidance in FASB ASC 326 were receivables.

The Charter School adopted the standard effective July 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Comparatives for year ended June 30, 2023

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 25, 2024, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash and cash equivalents accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal year 2024 and 2023.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2024 and 2023:

| | <u>June 30,</u> | |
|--|----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| Cash and cash equivalents | \$ 12,831,572 | \$ 16,414,231 |
| Grants and contracts receivable | 7,464,157 | 5,996,488 |
| Accounts receivable, net | <u>311,646</u> | <u>716,727</u> |
| Total financial assets available to management within one year | 20,607,375 | 23,127,446 |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Donor restrictions | <u>(43,635)</u> | <u>(21,056)</u> |
| Total financial assets available to management for general expenditures within one year | <u>\$ 20,563,740</u> | <u>\$ 23,106,390</u> |

The Charter School has a line of credit with a maximum borrowings of \$1,500,000 which they could draw upon in the event of unanticipated liquidity needs. At June 30, 2024 and 2023, no amount was outstanding on this line.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE C: NET ASSETS

At June 30, 2024 and 2023, net assets without donor restrictions are as follows:

| | <u>June 30,</u> | |
|---|----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| Undesignated | \$ 13,301,441 | \$ 16,564,850 |
| Cash designated by Board for operating reserve | 374,033 | 356,384 |
| Invested in property and equipment and restricted cash, net of related debt excluding premium and discount | <u>10,948,742</u> | <u>7,116,163</u> |
| | <u>\$ 24,624,216</u> | <u>\$ 24,037,397</u> |

At June 30, 2024 and 2023, net assets with donor restrictions are as follows:

| | <u>June 30,</u> | |
|--------------------------------|------------------|------------------|
| | <u>2024</u> | <u>2023</u> |
| KIPP Foundation - Rebranding | \$ 3,745 | \$ 6,166 |
| KeyBank - High dosage tutoring | 25,000 | - |
| 3M Life Science Grant | <u>14,890</u> | <u>14,890</u> |
| | <u>\$ 43,635</u> | <u>\$ 21,056</u> |

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 and 2023 consisted of the following:

| | <u>June 30,</u> | |
|--|----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| Land | \$ 3,567,025 | \$ 3,567,025 |
| Buildings and improvements | 34,943,179 | 34,410,673 |
| Furniture and equipment | 7,158,427 | 6,722,059 |
| Construction in progress | <u>4,876,447</u> | <u>424,865</u> |
| | 50,545,078 | 45,124,622 |
| Less accumulated depreciation and amortization | <u>13,512,757</u> | <u>11,453,855</u> |
| | <u>\$ 37,032,321</u> | <u>\$ 33,670,767</u> |

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was \$2,058,902 and \$1,986,904, respectively.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE D: PROPERTY AND EQUIPMENT, Cont'd

Construction in progress at June 30, 2024 is comprised of building construction for the Charter School's permanent high school space which is scheduled to be completed in August 2025. The estimated cost to complete construction is approximately \$36,800,000. Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are complete and put into service. Construction in progress at June 30, 2023 was comprised of building improvements which were put into service during fiscal 2024.

The Charter School capitalizes interest costs, interest income earned on restricted funds and amortization incurred on funds used to construct property and equipment. The capitalized interest and amortization is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was approximately \$112,800 during the year ended June 30, 2024. Amortization of bond issuance costs and bond discount that was capitalized was approximately \$5,300 during the year ended June 30, 2024. Interest revenue capitalized was approximately \$84,700 during the year ended June 30, 2024.

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE F: CONCENTRATIONS

At June 30, 2024 and 2023, approximately 100% of grants and contracts receivable were due from federal agencies relating to certain grants. In addition, 74% and 69% of gross accounts receivable is due from three school districts at June 30, 2024 and 2023, respectively.

For the years ended June 30, 2024 and 2023, approximately 81% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: LINE OF CREDIT

The Charter School has available \$1,500,000 of a line of credit with a bank, with interest at the daily SOFR plus 3% with a 3% floor (an effective rate of 8.33% at June 30, 2024). There were no borrowings outstanding on this line at June 30, 2024 or 2023.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE H: LONG-TERM DEBT

On December 1, 2020, the Charter School obtained financing of \$24,537,152 from Equitable Facilities Fund, Inc. ("Fund"). In order to facilitate this refinance, the Fund issued a bond, Obligation #1. The proceeds from the bond issuance were loaned to the Charter School. The loan requires monthly payments including interest at a coupon rate of 5% and are secured by mortgages on the buildings.

Unaccreted loan premium related to the issuance of Obligation #1 was \$4,014,239 and \$4,166,198 at June 30, 2024 and 2023, respectively. The unaccreted premium costs are accreted over the term of the indebtedness of the total amount issued and are included in loan payable in the statement of financial position. Debt issuance costs, net of accumulated amortization total \$274,516 and \$284,908 as of June 30, 2024 and 2023, respectively, and are recorded as a reduction in loan payable on the accompanying statement of financial position.

In 2024, the Charter School entered into a development agreement with a developer for construction of a facility that will serve as the permanent location for the high school of the Charter School. The total project cost is estimated to be approximately \$38,600,000.

On June 1, 2024, the Charter School obtained financing of \$50,105,000 from The City of Albany Capital Resource Corporation. In order to facilitate this financing, the Corporation issued a bond, Series 2024. The proceeds from the bond issuance were loaned to the Charter School. The loan requires payments of interest only on the Series 2024 Bonds through June 2029, then principal and interest payments through maturity (June 2064).

The proceeds from the loan are to be used for: (a) construct, furnish and equip an approximately 98,185 square foot building located on a 10.38 acre parcel of land located at 400 Northern Boulevard and 10 Dudley Heights, Albany, New York to serve as the new site of the new high school for the Charter School's educational programs, (b) fund a capitalized interest and debt service reserve fund; (c) refinance the existing loan of the Charter School to Troy Prep Foundation discussed below, and (d) pay certain costs and expenses associated with the issuance of the Series 2024 Bonds. The Charter School's obligations under the Loan Agreement will be secured by the Mortgage in favor of the Trustee.

Unamortized loan discount related to the issuance of Series 2024 Bonds was \$597,897 at June 30, 2024. The unamortized discount is amortized over the term of the indebtedness of the total amount issued and are included in loan payable in the statement of financial position. Debt issuance costs, net of accumulated amortization total \$1,973,962 as of June 30, 2024, and are recorded as a reduction in loan payable on the accompanying statement of financial position.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE H: LONG-TERM DEBT, Cont'd

The loans payable described above consists of the following at June 30, 2024 and 2023:

| | <u>Obligation #1</u> | <u>Series 2024</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|
| <u>At June 30, 2024</u> | | | |
| Principal amount | \$ 23,177,370 | \$ 50,105,000 | \$ 73,282,370 |
| Add: unaccreted loan premium | 4,014,239 | - | 4,014,239 |
| Less: unamortized loan discount | - | (597,897) | (597,897) |
| Less: debt issuance costs, net of accumulated amortization | <u>(274,516)</u> | <u>(1,973,962)</u> | <u>(2,248,478)</u> |
| | 26,917,093 | 47,533,141 | 74,450,234 |
| Less: current portion of loan payable | <u>(430,911)</u> | - | <u>(430,911)</u> |
| | <u>\$ 26,486,182</u> | <u>\$ 47,533,141</u> | <u>\$ 74,019,323</u> |
| | | | |
| <u>At June 30, 2023</u> | | | |
| Principal amount | \$ 23,587,307 | \$ - | \$ 23,587,307 |
| Add: unaccreted loan premium | 4,166,198 | - | 4,166,198 |
| Less: debt issuance costs, net of accumulated amortization | <u>(284,908)</u> | - | <u>(284,908)</u> |
| | 27,468,597 | - | 27,468,597 |
| Less: current portion of loan payable | <u>(409,937)</u> | - | <u>(409,937)</u> |
| | <u>\$ 27,058,660</u> | <u>\$ -</u> | <u>\$ 27,058,660</u> |

Debt issuance costs consist of the following at June 30, 2024 and 2023:

| | <u>Obligation #1</u> | <u>Series 2024</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|---------------------|
| <u>At June 30, 2024</u> | | | |
| Debt issuance costs | \$ 311,753 | \$ 1,978,083 | \$ 2,289,836 |
| Less: accumulated amortization | <u>37,237</u> | <u>4,121</u> | <u>41,358</u> |
| | <u>\$ 274,516</u> | <u>\$ 1,973,962</u> | <u>\$ 2,248,478</u> |
| | | | |
| <u>At June 30, 2023</u> | | | |
| Debt issuance costs | \$ 311,753 | \$ - | \$ 311,753 |
| Less: accumulated amortization | <u>26,845</u> | - | <u>26,845</u> |
| | <u>\$ 284,908</u> | <u>\$ -</u> | <u>\$ 284,908</u> |

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE H: LONG-TERM DEBT, Cont'd

The aggregate amount of principal payments subsequent to June 30, 2024 are approximately as follows:

| <u>Year ending June 30,</u> | <u>Obligation #1</u> | <u>Series 2024</u> | <u>Total</u> |
|-----------------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 430,911 | \$ - | \$ 430,911 |
| 2026 | 452,957 | - | 452,957 |
| 2027 | 476,131 | - | 476,131 |
| 2028 | 500,491 | - | 500,491 |
| 2029 | 526,097 | - | 526,097 |
| Thereafter | <u>20,790,783</u> | <u>50,105,000</u> | <u>70,895,783</u> |
| | <u>\$ 23,177,370</u> | <u>\$ 50,105,000</u> | <u>\$ 73,282,370</u> |

In connection with the loans payable, the Charter School is required to maintain certain financial covenants. At June 30, 2024, the Charter School was in compliance with these covenants.

In addition, on March 29, 2023, the Charter School obtained financing of \$3,323,738 from Troy Prep Foundation, Inc. to finance the purchase of a building. The loan required monthly payments of \$32,094, which was based on a ten year amortization schedule, including interest of 3% and was secured by the building. The original maturity date was July 1, 2025. The Charter School could exercise its right to extend the original maturity date to July 1, 2026 with interest at the greater of prime or 4% from July 1, 2025 through October 31, 2025 and interest at the greater of prime plus 2% or 4.5% from November 1, 2025 through July 1, 2026. This loan was repaid in full in June 2024 with part of the proceeds from the loan payable disclosed above.

NOTE I: RESTRICTED CASH

Restricted cash includes amounts the Charter School is required to segregate in connection with the issuance of the Revenue Bonds Series 2024, as described in Note H. There was no restricted cash at June 30, 2023. At June 30, 2024, restricted cash consists of the following:

| | |
|---------------------------------|----------------------|
| (A) Repair and replacement fund | \$ 100,000 |
| (B) Project fund | 42,850,330 |
| (C) Debt service reserve fund | <u>1,999,983</u> |
| | <u>\$ 44,950,313</u> |

- (A) The repair and replacement fund was created for the funding of repairs and replacements for the initial project facility. This amount is to be funded subsequent to June 30, 2024.
- (B) The project fund was created for the purpose of disbursing payments for project costs. Included in the project fund are capitalized interest funds for the Series 2024 Bonds.
- (C) The debt service reserve fund was created for the payment of principal and interest on the Series 2024 Bonds to the extent revenues of the Charter School are insufficient to make such payments.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE J: RETIREMENT PLAN

The Charter School has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the Charter School and its employees. During the years ended June 30, 2024 and 2023, employer contributions totaled \$909,620 and \$809,699, respectively.

NOTE K: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$2,712,223 and \$2,650,168 of revenue relative to ESSER grants during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the Charter School has approximately \$24,000 of ESSER grants available for expenditure through September 30, 2024.

NOTE L: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE M: RENEWAL PROCESS

KIPP Tech Valley is currently in the process of renewing its charter as granted by The New York State Board of Regents. The Charter currently expires June 30, 2025. The renewal process includes review by New York State Department of Education (NYSED) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. The Charter School is in the process of submitting its application for renewal. Upon review of the application and results, the NYSED will determine if the charter school will be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
KIPP Capital Region Public Charter Schools

We have audited the financial statements of KIPP Capital Region Public Charter Schools as of and for the year ended June 30, 2024, and we have issued our report thereon dated October 25, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The 2024 other financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2024, as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2024

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2024

| | <u>KIPP Tech Valley Charter School</u> | <u>Albany Community Charter School</u> | <u>KIPP Troy Prep Charter School</u> | <u>Total</u> |
|--|--|--|--|-------------------|
| Operating revenue and support: | | | | |
| Public School District: | | | | |
| Resident student enrollment | \$ 13,607,498 | \$ 10,968,729 | \$ 11,786,787 | \$ 36,363,014 |
| Students with disabilities | 316,975 | 184,796 | 665,731 | 1,167,502 |
| Grants and contracts | | | | |
| Federal - Title and IDEA | 467,696 | 424,669 | 390,928 | 1,283,293 |
| Federal - Other | 1,212,631 | 1,172,232 | 2,435,243 | 4,820,106 |
| Food service / Child Nutrition Program | <u>882,383</u> | <u>731,117</u> | <u>907,594</u> | <u>2,521,094</u> |
| TOTAL OPERATING REVENUE AND SUPPORT | 16,487,183 | 13,481,543 | 16,186,283 | 46,155,009 |
| Expenses: | | | | |
| Program services: | | | | |
| Regular education | 12,560,617 | 11,000,643 | 12,153,309 | 35,714,569 |
| Special education | 1,278,408 | 600,442 | 1,229,307 | 3,108,157 |
| Management and general | <u>2,790,228</u> | <u>2,363,675</u> | <u>2,843,528</u> | <u>7,997,431</u> |
| TOTAL EXPENSES | <u>16,629,253</u> | <u>13,964,760</u> | <u>16,226,144</u> | <u>46,820,157</u> |
| DEFICIT FROM SCHOOL OPERATIONS | <u>(142,070)</u> | <u>(483,217)</u> | <u>(39,861)</u> | <u>(665,148)</u> |
| Other income: | | | | |
| Contributions | 21,876 | 18,126 | 22,502 | 62,504 |
| Interest income | 266,585 | 220,884 | 274,201 | 761,670 |
| Other income | <u>157,630</u> | <u>130,608</u> | <u>162,134</u> | <u>450,372</u> |
| TOTAL OTHER INCOME | <u>446,091</u> | <u>369,618</u> | <u>458,837</u> | <u>1,274,546</u> |
| CHANGE IN NET ASSETS | <u>\$ 304,021</u> | <u>\$ (113,599)</u> | <u>\$ 418,976</u> | <u>\$ 609,398</u> |

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – KIPP TECH VALLEY CHARTER SCHOOL

YEAR ENDED JUNE 30, 2024

| | No. of Positions | Program Services | | | Supporting Services | Total |
|--|---------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|
| | | Regular Education | Special Education | Sub-total | Management and General | |
| Personnel services costs: | | | | | | |
| Administrative staff personnel | 42 | \$ 3,469,355 | \$ 187,891 | \$ 3,657,246 | \$ 485,550 | \$ 4,142,796 |
| Instructional personnel | 58 | 3,372,802 | 791,200 | 4,164,002 | - | 4,164,002 |
| Non-instructional personnel | 16 | - | - | - | 328,931 | 328,931 |
| Total salaries and staff | 116 | 6,842,157 | 979,091 | 7,821,248 | 814,481 | 8,635,729 |
| Fringe benefits and payroll taxes | | 898,548 | 48,663 | 947,211 | 1,017,210 | 1,964,421 |
| Retirement | | 143,029 | 7,746 | 150,775 | 161,918 | 312,693 |
| Staff development | | 332,639 | 18,015 | 350,654 | 10,075 | 360,729 |
| Supplies / Materials | | 161,428 | 8,742 | 170,170 | - | 170,170 |
| Food services | | 372,769 | - | 372,769 | - | 372,769 |
| Legal services | | - | - | - | 31,261 | 31,261 |
| Accounting services | | - | - | - | 47,199 | 47,199 |
| Other Purchased / Professional / Consulting Services | | 480,024 | 25,997 | 506,021 | 127,814 | 633,835 |
| Office expense | | 6,119 | 354 | 6,473 | 128,990 | 135,463 |
| Depreciation and amortization | | 647,242 | 38,073 | 685,315 | 76,146 | 761,461 |
| Utilities | | 146,848 | 8,638 | 155,486 | 17,276 | 172,762 |
| Equipment / Furnishings | | 43,016 | 2,329 | 45,345 | 13,032 | 58,377 |
| Repairs and maintenance | | 498,247 | 29,309 | 527,556 | 58,617 | 586,173 |
| Insurance | | 101,913 | 5,519 | 107,432 | 115,372 | 222,804 |
| Interest | | 486,582 | 28,623 | 515,205 | 57,245 | 572,450 |
| Marketing / Recruitment | | 81,460 | 4,411 | 85,871 | - | 85,871 |
| Student services | | 1,018,105 | 55,618 | 1,073,723 | 29,399 | 1,103,122 |
| Credit loss expense | | - | - | - | 9,844 | 9,844 |
| Dues and subscriptions | | 302,121 | 17,368 | 319,489 | 68,098 | 387,587 |
| Other | | (1,630) | (88) | (1,718) | 6,251 | 4,533 |
| | | <u>\$ 12,560,617</u> | <u>\$ 1,278,408</u> | <u>\$ 13,839,025</u> | <u>\$ 2,790,228</u> | <u>\$ 16,629,253</u> |

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – KIPP ALBANY COMMUNITY CHARTER SCHOOL

YEAR ENDED JUNE 30, 2024

| | No. of Positions | Program Services | | | Supporting Services | Total |
|--|---------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|
| | | Regular Education | Special Education | Sub-total | Management and General | |
| Personnel services costs: | | | | | | |
| Administrative staff personnel | 30 | \$ 2,929,020 | \$ 111,505 | \$ 3,040,525 | \$ 471,088 | \$ 3,511,613 |
| Instructional personnel | 51 | 3,113,352 | 291,951 | 3,405,303 | - | 3,405,303 |
| Non-instructional personnel | 19 | - | - | - | 281,357 | 281,357 |
| Total salaries and staff | 100 | 6,042,372 | 403,456 | 6,445,828 | 752,445 | 7,198,273 |
| Fringe benefits and payroll taxes | | 752,946 | 28,664 | 781,610 | 870,590 | 1,652,200 |
| Retirement | | 113,568 | 4,323 | 117,891 | 131,312 | 249,203 |
| Staff development | | 312,039 | 11,879 | 323,918 | 17,063 | 340,981 |
| Supplies / Materials | | 276,812 | 10,538 | 287,350 | - | 287,350 |
| Food services | | 304,447 | - | 304,447 | - | 304,447 |
| Legal services | | - | - | - | 25,532 | 25,532 |
| Accounting services | | - | - | - | 38,548 | 38,548 |
| Other Purchased / Professional / Consulting Services | | 381,923 | 14,539 | 396,462 | 105,882 | 502,344 |
| Office expense | | 36,428 | 1,680 | 38,108 | 43,418 | 81,526 |
| Depreciation and amortization | | 594,450 | 27,649 | 622,099 | 69,122 | 691,221 |
| Utilities | | 201,701 | 9,381 | 211,082 | 23,454 | 234,536 |
| Equipment / Furnishings | | 62,145 | 2,376 | 64,521 | 8,824 | 73,345 |
| Repairs and maintenance | | 364,419 | 16,950 | 381,369 | 42,374 | 423,743 |
| Insurance | | 81,750 | 3,112 | 84,862 | 94,523 | 179,385 |
| Interest | | 396,363 | 18,435 | 414,798 | 46,089 | 460,887 |
| Marketing / Recruitment | | 65,924 | 2,510 | 68,434 | - | 68,434 |
| Student services | | 732,490 | 32,638 | 765,128 | 24,010 | 789,138 |
| Credit loss expense | | - | - | - | 8,040 | 8,040 |
| Dues and subscriptions | | 278,123 | 12,208 | 290,331 | 57,488 | 347,819 |
| Other | | 2,743 | 104 | 2,847 | 4,961 | 7,808 |
| | | <u>\$ 11,000,643</u> | <u>\$ 600,442</u> | <u>\$ 11,601,085</u> | <u>\$ 2,363,675</u> | <u>\$ 13,964,760</u> |

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – KIPP TROY PREP CHARTER SCHOOL

YEAR ENDED JUNE 30, 2024

| | No. of Positions | Program Services | | | Supporting Services | Total |
|--|---------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|
| | | Regular Education | Special Education | Sub-total | Management and General | |
| Personnel services costs: | | | | | | |
| Administrative staff personnel | 41 | \$ 3,336,714 | \$ 367,203 | \$ 3,703,917 | \$ 582,863 | \$ 4,286,780 |
| Instructional personnel | 58 | 4,153,307 | 369,409 | 4,522,716 | - | 4,522,716 |
| Non-instructional personnel | 16 | - | - | - | 333,520 | 333,520 |
| Total salaries and staff | 115 | 7,490,021 | 736,612 | 8,226,633 | 916,383 | 9,143,016 |
| Fringe benefits and payroll taxes | | 942,416 | 103,712 | 1,046,128 | 1,068,699 | 2,114,827 |
| Retirement | | 154,953 | 17,053 | 172,006 | 175,718 | 347,724 |
| Staff development | | 330,537 | 36,375 | 366,912 | 24,306 | 391,218 |
| Supplies / Materials | | 258,296 | 28,426 | 286,722 | - | 286,722 |
| Food services | | 376,348 | - | 376,348 | - | 376,348 |
| Legal services | | - | - | - | 31,562 | 31,562 |
| Accounting services | | - | - | - | 47,653 | 47,653 |
| Other Purchased / Professional / Consulting Services | | 526,153 | 57,903 | 584,056 | 135,038 | 719,094 |
| Office expense | | 56,325 | 6,938 | 63,263 | 72,682 | 135,945 |
| Depreciation and amortization | | 484,976 | 60,622 | 545,598 | 60,622 | 606,220 |
| Utilities | | 164,335 | 20,543 | 184,878 | 20,542 | 205,420 |
| Equipment / Furnishings | | 55,192 | 6,074 | 61,266 | 17,592 | 78,858 |
| Repairs and maintenance | | 483,795 | 60,474 | 544,269 | 60,474 | 604,743 |
| Insurance | | 85,273 | 9,384 | 94,657 | 96,699 | 191,356 |
| Interest | | 73,442 | 9,173 | 82,615 | 9,179 | 91,794 |
| Marketing / Recruitment | | 69,136 | 7,608 | 76,744 | - | 76,744 |
| Student services | | 404,931 | 44,562 | 449,493 | 29,681 | 479,174 |
| Credit loss expense | | - | - | - | 9,940 | 9,940 |
| Dues and subscriptions | | 207,684 | 24,998 | 232,682 | 60,597 | 293,279 |
| Other | | (10,504) | (1,150) | (11,654) | 6,161 | (5,493) |
| | | <u>\$ 12,153,309</u> | <u>\$ 1,229,307</u> | <u>\$ 13,382,616</u> | <u>\$ 2,843,528</u> | <u>\$ 16,226,144</u> |

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

ADVISORY COMMENT LETTER

JUNE 30, 2024



BUSINESS
ADVISORS
AND CPAS



BUSINESS
ADVISORS
AND CPAS

October 25, 2024

Board of Directors
KIPP Capital Region Public Charter Schools

In planning and performing our audit of the financial statements of KIPP Capital Region Public Charter Schools (the “Charter School”) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered KIPP Capital Region Public Charter Schools's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter School’s financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

During the course of our audit of the financial statements of the Charter School for the year ended June 30, 2024, we have updated the following comments which were included in our letter dated December 21, 2023 relating to previous audits and are included in our current letter for informational purposes.

Accounting records

During our 2023 audit, we noted that although the Charter School continues to grow in size and number of schools, there has not been a proportional increase in the accounting department’s staffing. This has led to the lack of timely reconciliations of account balances, improper recording of the merger of KIPP Troy Prep Charter School and subsequent activity, and preparedness for auditors. This was compounded by turnover within the accounting department, the implementation of new accounting software, new third party payroll provider software, and the additional volume of transactions and activity related to the merger of KIPP Troy Prep Charter School. This resulted in the Charter School requesting an extension of required deadline from the authorizer. This also resulted in the auditors restarting the audit procedures once the reconciliation process had been complete for the fiscal year end.

Recommendation

In order to provide accurate accounting information, we recommend the Charter School establishes a more effective review and reconciliation process as a customary part of the accounting process. This would involve preparing monthly reconciliations of all significant accounts and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend management reviews the year-end closing entries to ensure all appropriate accruals and payables have been recorded. Finally, the Charter School should ensure their internal accounting records are in agreement with the audited financial statements.

Status at June 30, 2024

Management had consistency in the accounting department staffing and consultants during fiscal 2024, which resulted in a more efficient and accurate year-end close process.

* * * * *

This communication is intended solely for the information and use management of KIPP Capital Region Public Charter Schools, others within the organization, and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

ALBANY, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

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

Board of Trustees
KIPP Capital Region Public Charter Schools

We have audited, 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, the financial statements of KIPP Capital Region Public Charter Schools, which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KIPP Capital Region Public Charter Schools' internal control over financial reporting (internal control) as a basis for designing 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 Capital Region Public Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP Capital Region Public Charter Schools' 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIPP Capital Region Public Charter Schools' 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2024



BUSINESS
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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
KIPP Capital Region Public Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP Capital Region Public Charter Schools’ compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of KIPP Capital Region Public Charter Schools’ major federal programs for the year ended June 30, 2024. KIPP Capital Region Public Charter Schools’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, KIPP Capital Region Public Charter Schools’ complied, in all material respects, with the 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, 2024.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Capital Region Public Charter Schools 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 Capital Region Public Charter Schools’ compliance with the compliance requirements referred to above.

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 Capital Region Public Charter Schools' federal programs.

Auditor's 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 Capital Region Public Charter Schools' 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 GAAS, *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 Capital Region Public Charter Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Capital Region Public Charter Schools' 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 Capital Region Public Charter Schools' 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 Capital Region Public Charter Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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 a 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.

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

We have audited the financial statements of KIPP Capital Region Public Charter Schools as of and for the year ended June 30, 2024, and have issued our report thereon dated October 25, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed 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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2024

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

| | <u>Federal AL Number</u> | <u>Pass-through Grantor's Number</u> | <u>Total Federal Expenditures</u> |
|---|----------------------------------|--|---|
| U.S. Department of Education: | | | |
| <u>Passed through New York State Education Department:</u> | | | |
| Title I - Grants to Local Educational Agencies | 84.010 | 0021 | \$ 903,971 |
| Title IIA - Supporting Effective Instruction State Grant | 84.367 | 0147 | 138,942 |
| Title IV - Student Support and Academic Enrichment Program | 84.424 | 0204 | 63,397 |
| <u>Education Stabilization Funds -</u> | | | |
| ESSER II - Elementary and Secondary School Emergency Relief Fund | 84.425D | 5891 | 422,154 |
| ARP ESSER - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund | 84.425U | 5880 | <u>2,290,069</u> |
| <i>Total Education Stabilization Funds</i> | | | <u>2,712,223</u> |
| <u>Passed through KIPP Foundation:</u> | | | |
| Charter School Program - Replication and Expansion of High-Quality Charter Schools | 84.282M | U282M190024 | <u>2,128,637</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>5,947,170</u> |
| U.S. Department of Agriculture: | | | |
| <u>Passed through New York State Education Department:</u> | | | |
| <i>Child Nutrition Cluster</i> | | | |
| School Breakfast Program | 10.553 | 010100860867 | 753,329 |
| National School Lunch Program | 10.555 | 010100860867 | 1,732,159 |
| Emergency Operational Cost - COVID | 10.555 | 010100860867 | 66,311 |
| Summer Food Service Program for Children | 10.559 | 010100860867 | <u>1,499</u> |
| <i>Total Child Nutrition Cluster</i> | | | <u>2,553,298</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>2,553,298</u> |
| TOTAL ALL PROGRAMS | | | <u>\$ 8,500,468</u> |

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2024

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of KIPP Capital Region Public Charter Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

KIPP Capital Region Public Charter Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x 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)? _____ yes x no

Identification of major program:

AL Number:

84.010

84.282M

Name of Federal Program or Cluster:

Title I - Grants to Local Education Agencies

Charter School Program - Replication and Expansion of High-Quality Charter Schools

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

Auditee qualified as low-risk auditee? x yes _____ no

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

- NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2023-01 – Accounting Records

Financial statement audit

Criteria: During our 2023 audit, we identified the need for certain significant adjustments to properly state financial statement balances in accordance with accounting principles generally accepted in the United States of America (GAAP). We consider this to be a material weakness in internal control over financial reporting.

Condition: The adjustments were pervasive to many accounts within the Charter School and required all accounts to be re-reconciled prior to the completion of the audit.

Cause: During the 2023 fiscal year, the internal finance team did not record certain transactions or reconcile certain accounts on a routine basis throughout the year, resulting in significant adjustments at year-end to properly state financial statement balances in accordance with GAAP.

Effect or Potential Effect: Certain financial statement balances were misstated, and audit adjustments were required. Management may not have accurate financial information when making decisions if transactions are not properly recorded.

Repeat finding: No.

Context: During our 2023 audit, we noted that although the Charter School continues to grow in size and number of schools, there has not been a proportional increase in the accounting department's staffing. This has led to the lack of timely reconciliations of account balances, improper recording of the merger of KIPP Troy Prep Charter School and subsequent activity, and preparedness for auditors. This was compounded by turnover within the accounting department, the implementation of new accounting software, new third party payroll provider software, and the additional volume of transactions and activity related to the merger of KIPP Troy Prep Charter School. This resulted in the Charter School requesting an extension of the required deadline from their authorizer. This also resulted in a pause on the audit process and the auditors restarting the audit once the reconciliation process had been completed for the fiscal year end.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2024

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, Cont'd

Finding 2023-01 – Accounting Records, Cont'd

Recommendation: In order to provide accurate accounting information, we recommend the Charter School establishes a more effective review and reconciliation process as a customary part of the accounting process. This would involve preparing monthly reconciliations of all significant accounts and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend management reviews the year-end closing entries to ensure all appropriate accruals and payables have been recorded. Finally, the Charter School should ensure their internal accounting records are in agreement with the audited financial statements. In order to accomplish these improvements, we recommend the Charter School increase the financial staffing either internally or with external assistance.

Views of responsible officials:

The Charter School management team agrees with this finding. During the 2022-23 fiscal year, the Charter School experienced significant organizational growth through the merger of three schools into the education corporation. As a result, the Charter School needed to quickly scale systems and personnel to ensure strong accounting procedures and policies as well as prepare for this first audit. Due to staffing challenges and the work required to implement new systems, the Charter School experienced an uncharacteristic lag in readiness for the annual audit.

Specifically, at the beginning of the fiscal year, the Charter School transitioned to new accounting software to better ensure the long-term fiscal health of the education corporation. This software provides a more sophisticated accounting system and has been a major upgrade for the Charter School. However, the migration of data and transition to the new system has required continued training and professional development to ensure the system was implemented in an effective way that strengthened the Charter School's accounting processes. The Charter School's accounting team has engaged consultants familiar with the software that have provided ongoing system functionality training and best practices to implement while using the software.

Second, the departure of the Director of Accounting in the midst of audit preparation further delayed the closeout of the prior fiscal year and preparation for the audit. Additionally, efforts to grow the team took a longer recruitment process than initially hoped for in order to find qualified candidates; however, the Charter School did hire a new Accounting Coordinator at the end of July to support the various accounting and finance functions of the Charter School's team. These vacancies and transitions resulted in the decreased capacity of the team to ensure accounts were reconciled timely while also managing the increased transactions in the organization. The Charter School has taken necessary steps in recent months to increase the capacity of the accounting team which is summarized in the Corrective Action Section below.

The Charter School is confident in its strengthened Financial Management Team and that the organization is now positioned well to effectively implement strong policies and procedures.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2024

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, Cont'd

Finding 2023-01 – Accounting Records, Cont'd

Corrective Action:

Since fiscal year end, the Charter School has enacted processes that ensure account reconciliations are completed timely and that adjusting entries each month are minimal. Additionally, the Charter School has grown the capacity of the accounting team with additional support from its external contracted accounting consultant to support the accounting processes of the organization. These corrective actions are summarized in more detail below:

1. Beginning in September 2023, the Charter School has increased the scope of work provided by its external accounting consultant firm. The increased scope includes additional senior accounting personnel to support month end processes, account reconciliation, system implementation and training, and identifying best practices for all fiscal policies and procedures. This additional support played an important role in reconciling accounts for the audit and the additional team members will continue to provide expertise and rigorous review of our accounting processes throughout the fiscal year.
2. Working with this external accounting team, the Charter School is implementing a strong month end and quarter end accounting process. Specifically, the Charter School will undergo an internal audit of all financial statements each quarter to ensure account balances are accurate and current. This internal audit is meant to imitate the external audit that the organization has at the end of the fiscal year. This process will result in year end closing processes operating efficiently to ensure that there are no delays in future audits, and the Charter School can meet the November 1st deadline moving forward.
3. The Charter School is also taking necessary steps to increase the capacity of the internal accounting team. In addition to focused development for the current team members, the Charter Schools has posted a vacancy for an additional position on the Financial Management team that will manage the payroll process. This addition will increase the capacity of all members of the accounting team including those charged with financial oversight and reporting responsibilities.

The Charter School thanks our auditors for these recommendations and we believe our corrective action plan will ensure that we have strong internal controls of our financial procedures going forward.

Current status

For the year ended June 30, 2024, the Charter School's strengthened financial management team significantly improved their review and reconciliation policies and procedures resulting in no significant adjustments being necessary to properly state financial statement balances in accordance with accounting principles generally accepted in the United States of America.