

**KIPP ALBANY COMMUNITY PUBLIC CHARTER
SCHOOLS**

ALBANY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
KIPP Albany Community Public Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP Albany Community Public Charter Schools, which comprise the statement of financial position as of June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Albany Community Public Charter Schools as of June 30, 2021, and the changes in their net assets, and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021 on our consideration of KIPP Albany Community 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP Albany Community Public Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 22, 2021

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 12,566,300
Grants and contracts receivable	1,230,187
Accounts receivable, net of allowance for uncollectible accounts of \$429,000	914,697
Prepaid expenses	100,059
Inventory	136,093
TOTAL CURRENT ASSETS	14,947,336

PROPERTY AND EQUIPMENT, net

28,604,662

OTHER ASSETS

Restricted cash - debt services reserve fund	131,666
Cash designated by Board for operating reserve	351,357
Cash in escrow	150,335
Security deposits	3,280
	636,638
TOTAL ASSETS	\$ 44,188,636

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of loan payable	\$ 371,004
Accounts payable	698,724
Accrued expenses	82,446
Accrued payroll and benefits	544,483
TOTAL CURRENT LIABILITIES	1,696,657

OTHER LIABILITIES

Long-term debt including loan premium of \$4,470,115, net of loan issuance costs of \$305,691	28,141,717
	28,141,717
TOTAL LIABILITIES	29,838,374

NET ASSETS

Without donor restrictions	14,321,068
With donor restrictions	29,194
TOTAL NET ASSETS	14,350,262

TOTAL LIABILITIES AND NET ASSETS \$ 44,188,636

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

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Without donor restrictions	With donor restrictions	Total
Operating revenue and support:			
Public School District:			
Resident student enrollment	\$ 22,973,680	\$ -	\$ 22,973,680
Students with disabilities	232,978	-	232,978
Grants and contracts:			
Federal - Title and IDEA	606,169	-	606,169
Federal - Other	1,240,870	-	1,240,870
Food service / Child Nutrition Program	490,959	-	490,959
TOTAL OPERATING REVENUE AND SUPPORT	25,544,656	-	25,544,656
Expenses:			
Program services:			
Regular education	14,724,994	-	14,724,994
Special education	617,365	-	617,365
Other education	2,824,796	-	2,824,796
Management and general	4,527,888	-	4,527,888
TOTAL EXPENSES	22,695,043	-	22,695,043
SURPLUS FROM SCHOOL OPERATIONS	2,849,613	-	2,849,613
Other income (expense):			
Fundraising	34,027	-	34,027
Contributions	253,659	-	253,659
Interest income	1,744	-	1,744
Other income	96,925	-	96,925
Debt issuance costs written off and loan prepayment fees	(1,053,697)	-	(1,053,697)
Paycheck Protection Program loan forgiveness	1,171,320	-	1,171,320
Net assets released from restriction	282,030	(282,030)	-
	786,008	(282,030)	503,978
CHANGE IN NET ASSETS	\$ 3,635,621	\$ (282,030)	\$ 3,353,591
Net assets at beginning of year, KIPP Tech			
Valley Charter School	713,614	311,224	1,024,838
Transfer in of Albany Community Charter School			
net assets at beginning of year	9,971,833	-	9,971,833
	10,685,447	311,224	10,996,671
NET ASSETS AT END OF YEAR	\$ 14,321,068	\$ 29,194	\$ 14,350,262

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

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

		Year ended June 30,					
		2021					
		Program Services				Supporting Services	Total
		Regular Education	Special Education	Other Education	Sub-total	Management and General	
	No. of Positions						
Personnel services costs:							
Administrative Staff Personnel	54	\$ 1,875,625	\$ 30,851	\$ 435,507	\$ 2,341,983	\$ 1,289,982	\$ 3,631,965
Instructional Personnel	143	6,739,942	375,427	-	7,115,369	-	7,115,369
Non-Instructional Personnel	19	-	-	401,327	401,327	1,273,797	1,675,124
Total salaries and staff	216	8,615,567	406,278	836,834	9,858,679	2,563,779	12,422,458
Fringe benefits and payroll taxes		1,928,792	51,356	761,595	2,741,743	304,638	3,046,381
Retirement		324,993	8,728	128,354	462,075	51,342	513,417
Legal services		-	-	-	-	33,501	33,501
Accounting / Audit services		-	-	-	-	107,391	107,391
Other purchased / professional / consulting services		637,515	72,132	94,390	804,037	382,992	1,187,029
Repairs and maintenance		447,610	11,848	176,715	636,173	70,686	706,859
Insurance		-	-	-	-	209,018	209,018
Utilities		185,412	5,143	73,291	263,846	29,317	293,163
Supplies / materials		537,719	11,420	-	549,139	-	549,139
Leased equipment		42,210	348	6,691	49,249	27,837	77,086
Staff development		131,608	-	-	131,608	14,624	146,232
Marketing / recruitment		-	-	-	-	83,577	83,577
Food service		-	-	173,973	173,973	-	173,973
Student services		423,655	10,350	-	434,005	-	434,005
Bad debt		-	-	-	-	310,230	310,230
Office expense		63,890	1,706	25,231	90,827	101,476	192,303
Depreciation and amortization		613,338	16,926	242,410	872,674	96,964	969,638
Interest		620,946	16,774	245,276	882,996	98,111	981,107
Dues and subscriptions		151,739	4,356	60,036	216,131	24,014	240,145
Other		-	-	-	-	18,391	18,391
		<u>\$ 14,724,994</u>	<u>\$ 617,365</u>	<u>\$ 2,824,796</u>	<u>\$ 18,167,155</u>	<u>\$ 4,527,888</u>	<u>\$ 22,695,043</u>

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

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 3,353,591
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Bad debt expense	310,230
Depreciation and amortization	969,638
Bond trust account written off	1,000
Unamortized debt issuance costs written off	872,435
Loan premium accretion reducing interest expense	88,643
Prepayment fees included as part of debt refinancing	181,262
Paycheck Protection Program loan forgiveness	(1,171,320)
Amortization of loan issuance costs included in interest expense	6,062
Changes in certain assets and liabilities affecting operations:	
Grants and contracts receivable	(873,648)
Accounts receivable	(664,579)
Prepaid expenses	(59,755)
Inventory	42,947
Accounts payable and accrued expenses	486,620
Accrued payroll and benefits	135,354
	<hr/>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	3,678,480

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	(576,438)
Transfer of cash from Albany Community Charter School	7,225,399
Transfer of restricted cash from Albany Community Charter School	360,095
Transfer of dissolution escrow from Albany Community Charter School	75,050
	<hr/>
NET CASH PROVIDED FROM INVESTING ACTIVITIES	7,084,106

CASH FLOWS - FINANCING ACTIVITIES

Borrowings on long term debt	54,537,152
Premium received as part of debt refinancing	4,558,757
Repayment of long term debt	(57,224,439)
Termination of interest rate swap as part of debt refinancing	(1,374,860)
Debt issuance costs incurred	(350,890)
Loan issuance costs incurred	(311,753)
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NET CASH USED FOR FINANCING ACTIVITIES	(166,033)

NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	10,596,553
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Cash, cash equivalents, and restricted cash at beginning of year	<u>2,603,105</u>
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CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 13,199,658</u></u>
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KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2021

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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	\$ 12,566,300
Restricted cash - debt service reserve fund	131,666
Cash designated by Board for operating reserve	351,357
Cash in escrow	<u>150,335</u>

Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 13,199,658</u>
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Cash paid during the year for interest	1,037,727
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Non-cash transactions:

Transfer of assets and liabilities from Albany Community
Charter School to KIPP Tech Valley Charter School:

Accounts receivable	\$ 248,909
Inventory	175,846
Security deposit	3,280
Property and equipment	12,227,757
Accounts payable and accrued expenses	(120,699)
Accrued payroll and benefits	(199,981)
Long-term debt	(9,042,227)
Paycheck Protection Program loan payable	(1,151,800)
Unamortized debt issuance costs	170,204
Unrestricted net assets	<u>(9,971,833)</u>
Cash received	<u>\$ (7,660,544)</u>

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

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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

The Charter School

KIPP Albany Community Public Charter Schools (the “Charter School”) is an education corporation operating charter schools in Albany, New York.

The Charter School is comprised of Albany Community Charter School (“ACCS”) and KIPP Tech Valley Charter School (“KIPP Tech Valley”). 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.

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, 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.

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”).

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.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

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

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 \$29,194 at June 30, 2021.

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.

Contract balances consisted of \$914,697, net of allowances, and \$356,539 of grants and contracts receivable at June 30, 2021 and 2020, 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 unrestricted support whenever the restrictions are met in the same year the grants are received.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

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

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 high 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 \$150,335 at June 30, 2021. 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

Grants, contracts and accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. Management has recorded an allowance of \$429,000 as of June 30, 2021.

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, 2021.

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 are removed from the accounts and the related gain or loss is reflected in operations.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

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

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. In addition, 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.

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 Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2018 through June 30, 2021 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing costs approximated \$84,000 for the year ended June 30, 2021.

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 year ended June 30, 2021.

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.

New accounting pronouncements

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020 to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

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

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School's financial statements.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 22, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

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 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 teaching, 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 2021.

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, 2021:

Cash and cash equivalents	\$ 12,566,300
Grants and contracts receivable	1,230,187
Accounts receivable	<u>914,697</u>
Total financial assets available to management within one year	14,711,184
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Donor restrictions	<u>(29,194)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 14,681,990</u>

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

NOTE C: NET ASSETS

At June 30, 2021, net assets with donor restrictions consisted of the following

	<u>Amount</u>
KIPP Foundation - Rebranding	\$ 23,000
KIPP Foundation - COVID-19	<u>6,194</u>
	<u>\$ 29,194</u>

At June 30, 2021, net assets without donor restrictions are as follows:

	<u>Amount</u>
Undesignated	\$ 9,403,343
Cash designated by Board for operating reserve	351,357
Invested in property and equipment, net of related debt excluding premium	<u>4,562,056</u>
	<u>\$ 14,321,068</u>

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 consisted of the following:

Land	\$ 3,430,892
Buildings and improvements	28,198,170
Other depreciable property	72,044
Furniture and equipment	<u>2,284,194</u>
	33,985,300
Less accumulated depreciation and amortization	<u>5,380,638</u>
	<u>\$ 28,604,662</u>

Depreciation and amortization expense for the year ended June 30, 2021 was \$969,638.

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.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

NOTE F: CONCENTRATIONS

At June 30, 2021 approximately 100% of grants and contracts receivable were due from federal agencies relating to certain grants. In addition, 67% of gross accounts receivable is due from two school districts at June 30, 2021.

For the year ended June 30, 2021, approximately 91% 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: LOAN PAYABLE

On July 1, 2020, the Charter School refinanced and consolidated all of the debt of both ACCS and KIPP Tech Valley. The total amount of the bridge loan was \$30,000,000, with payments of interest only starting August 2020, at an interest rate of LIBOR plus 3%, with a floor of 1% LIBOR.

This consolidation resulted in the termination of an interest rate swap agreement of \$1,374,860.

In addition, the Charter School wrote off all unamortized debt issuance costs of approximately \$522,000 associated with the debt refinanced July 1, 2020. The Charter School incurred prepayment penalties of approximately \$181,000. These amounts are included in debt issuance costs written off and loan prepayment fees on the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

On December 1, 2020, the Charter School obtained financing of \$24,537,152 from Equitable Facilities Fund, Inc. ("Fund") to refinance the bridge loan. 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. Loan payable consists of the following at June 30, 2021:

Obligation #1, coupon rate of 5%, due through December 2050	\$ 24,348,297
Add: unaccredited loan premium	4,470,115
Less: debt issuance costs, net of accumulated amortization	<u>(305,691)</u>
	28,512,721
Less: current portion of loan payable	<u>(371,004)</u>
	<u><u>\$ 28,141,717</u></u>

Unaccredited loan premium related to the issuance of Obligation #1 is \$4,470,115. The unaccredited premium costs are accredited 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 \$305,691 as of June 30, 2021 and are recorded as a reduction in loan payable on the accompanying statement of financial position.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

NOTE G: LOAN PAYABLE, Cont'd

Debt issuance costs consist of the following at June 30, 2021:

Debt issuance costs	\$ 311,753
Less: accumulated amortization	<u>(6,062)</u>
	<u>\$ 305,691</u>

The aggregate amount of principal payments subsequent to June 30, 2021 are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 371,000
2023	390,000
2024	410,000
2025	431,000
2026	453,000
Thereafter	<u>22,293,000</u>
	<u>\$ 24,348,000</u>

In addition, the Charter School wrote off all unamortized debt issuance costs of approximately \$351,000 associated with the debt refinanced December 1, 2020. These amounts are included in debt issuance costs written off and loan prepayment fees on the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

In connection with the loan payable, the Charter School is required to maintain certain financial covenants. At June 30, 2021, the Charter School is in compliance with these covenants.

NOTE H: OPERATING LEASES

The Charter School leases office equipment under non-cancelable operating leases that expire through 2025. The monthly lease payments are approximately \$6,800.

Lease expense was \$77,086 for the year ended June 30, 2021. The approximate minimum annual lease payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 28,300
2023	23,700
2024	23,700
2025	<u>5,900</u>
	<u>\$ 81,600</u>

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

NOTE I: RETIREMENT PLAN

Albany Community Charter School

The School has adopted a profit-sharing plan under IRC §401(k) covering all eligible employees. The School contributes a matching contribution to each eligible employee's profit-sharing plan at the rate of 4% of the employee's gross compensation for the calendar year.

KIPP Tech Valley Charter School

The School has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the School and its employees.

The related 401(k) and 403(b) expense for the year ended June 30, 2021 was \$513,417.

NOTE J: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, in April 2020 the Kipp Tech Valley Charter School and Albany Community Charter School applied for and were approved by banks for loans of \$1,167,900 and \$1,151,800, respectively, through the Paycheck Protection Program established by the Small Business Administration. The loans had a maturity of 2 years and an interest rate of 1%. The loans had the potential for forgiveness provided certain requirements are met by the Charter School. The loans were funded in April 2020. On December 31, 2020, Kipp Tech Valley Charter School's loan was forgiven in full by the Small Business Administration. \$1,148,380 of the loan was recognized as revenue for the year ended June 30, 2020. The remaining \$19,520 was recognized as revenue for the year ended June 30, 2021 and is reported as Paycheck Protection Program loan forgiveness on the accompanying statement of activities and changes in net assets for the year ended June 30, 2021. On June 2, 2021, the Albany Community Charter School's loan was forgiven in full by the Small Business Administration, which is reported as Paycheck Protection Program loan forgiveness on the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

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 \$429,949 of revenue relative to ESSER grants during the year ended June 30, 2021.

NOTE K: CHARTER SCHOOL MERGER

On June 16, 2021, the Charter School's Board of Trustees voted to approve and authorize the merger with True North Troy Preparatory Charter School effective July 1, 2022. KIPP Albany Community Charter Schools will be the surviving education corporation.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

OTHER CONSOLIDATING FINANCIAL INFORMATION



INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
KIPP Albany Community Public Charter Schools

We have audited the financial statements of KIPP Albany Community Public Charter Schools as of and for the year ended June 30, 2021, and we have issued our report thereon dated October 22, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2021 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, 2021, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 22, 2021

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF ACTIVITIES BY SCHOOL

JUNE 30, 2021

	<u>KIPP Tech Valley Charter School</u>	<u>Albany Community Charter School</u>	<u>Total</u>
Operating revenue and support:			
Public School District:			
Resident student enrollment	\$ 12,776,760	\$ 10,196,920	\$ 22,973,680
Students with disabilities	174,511	58,467	232,978
Grants and contracts			
Federal - Title and IDEA	320,198	285,971	606,169
Federal - Other	235,471	1,005,399	1,240,870
Food service / Child Nutrition Program	<u>265,118</u>	<u>225,841</u>	<u>490,959</u>
TOTAL OPERATING REVENUE AND SUPPORT	13,772,058	11,772,598	25,544,656
Expenses:			
Program services:			
Regular education	7,295,604	7,429,390	14,724,994
Special education	402,287	215,078	617,365
Other education	1,509,498	1,315,298	2,824,796
Management and general	<u>2,431,927</u>	<u>2,095,961</u>	<u>4,527,888</u>
TOTAL EXPENSES	<u>11,639,316</u>	<u>11,055,727</u>	<u>22,695,043</u>
SURPLUS FROM SCHOOL OPERATIONS	<u>2,132,742</u>	<u>716,871</u>	<u>2,849,613</u>
Other income (expense):			
Fundraising	19,762	14,265	34,027
Contributions	136,976	116,683	253,659
Interest income	942	802	1,744
Other income	64,361	32,564	96,925
Debt closing costs written off and loan prepayment fees	(883,493)	(170,204)	(1,053,697)
Paycheck Protection Program Loan forgiveness	<u>19,520</u>	<u>1,151,800</u>	<u>1,171,320</u>
TOTAL OTHER INCOME (EXPENSE)	<u>(641,932)</u>	<u>1,145,910</u>	<u>503,978</u>
CHANGE IN NET ASSETS	<u>\$ 1,490,810</u>	<u>\$ 1,862,781</u>	<u>\$ 3,353,591</u>

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

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

JUNE 30, 2021

		Program Services				Supporting Services	
	No. of Positions	Regular Education	Special Education	Other Education	Sub-total	Management and General	Total
Personnel services costs:							
Administrative Staff Personnel	28	\$ 1,072,172	\$ 22,108	\$ 267,379	\$ 1,361,659	\$ 519,716	\$ 1,881,375
Instructional Personnel	68	3,103,151	247,584	-	3,350,735	-	3,350,735
Non-Instructional Personnel	11	-	-	216,717	216,717	839,881	1,056,598
Total salaries and staff	107	4,175,323	269,692	484,096	4,929,111	1,359,597	6,288,708
Fringe benefits and payroll taxes		964,169	31,670	383,015	1,378,854	153,206	1,532,060
Retirement		168,434	5,533	66,910	240,877	26,764	267,641
Legal services		-	-	-	-	18,131	18,131
Accounting / Audit services		-	-	-	-	57,789	57,789
Other purchased / professional / consulting services		285,428	42,863	26,522	354,813	227,155	581,968
Repairs and maintenance		218,115	7,164	86,646	311,925	34,659	346,584
Insurance		-	-	-	-	89,877	89,877
Utilities		109,273	3,589	43,409	156,271	17,364	173,635
Supplies / materials		214,865	7,057	-	221,922	-	221,922
Leased equipment		25,162	-	-	25,162	25,161	50,323
Staff development		77,864	-	-	77,864	8,652	86,516
Marketing / recruitment		-	-	-	-	47,468	47,468
Food service		-	-	94,037	94,037	-	94,037
Student services		239,190	7,857	-	247,047	-	247,047
Bad debts		-	-	-	-	170,224	170,224
Office expense		32,319	1,062	12,840	46,221	61,140	107,361
Depreciation and amortization		354,487	11,643	140,820	506,950	56,328	563,278
Interest		329,720	10,831	130,980	471,531	52,392	523,923
Dues and subscriptions		101,255	3,326	40,223	144,804	16,089	160,893
Other		-	-	-	-	9,931	9,931
		<u>\$ 7,295,604</u>	<u>\$ 402,287</u>	<u>\$ 1,509,498</u>	<u>\$ 9,207,389</u>	<u>\$ 2,431,927</u>	<u>\$ 11,639,316</u>

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY SCHOOL – ALBANY COMMUNITY CHARTER SCHOOL

JUNE 30, 2021

		Program Services				Supporting Services	
	No. of Positions	Regular Education	Special Education	Other Education	Sub-total	Management and General	Total
Personnel services costs:							
Administrative Staff Personnel	26	\$ 803,453	\$ 8,743	\$ 168,128	\$ 980,324	\$ 770,266	\$ 1,750,590
Instructional Personnel	75	3,636,791	127,843	-	3,764,634	-	3,764,634
Non-Instructional Personnel	8	-	-	184,610	184,610	433,916	618,526
Total salaries and staff	109	4,440,244	136,586	352,738	4,929,568	1,204,182	6,133,750
Fringe benefits and payroll taxes		964,623	19,686	378,580	1,362,889	151,432	1,514,321
Retirement		156,559	3,195	61,444	221,198	24,578	245,776
Legal services		-	-	-	-	15,370	15,370
Accounting / Audit services		-	-	-	-	49,602	49,602
Other purchased / professional / consulting services		352,087	29,269	67,868	449,224	155,837	605,061
Repairs and maintenance		229,495	4,684	90,069	324,248	36,027	360,275
Insurance		-	-	-	-	119,141	119,141
Utilities		76,139	1,554	29,882	107,575	11,953	119,528
Supplies / materials		322,854	4,363	-	327,217	-	327,217
Leased equipment		17,048	348	6,691	24,087	2,676	26,763
Staff development		53,744	-	-	53,744	5,972	59,716
Marketing / recruitment		-	-	-	-	36,109	36,109
Food service		-	-	79,936	79,936	-	79,936
Student services		184,465	2,493	-	186,958	-	186,958
Bad debts		-	-	-	-	140,006	140,006
Office expense		31,571	644	12,391	44,606	40,336	84,942
Depreciation and amortization		258,851	5,283	101,590	365,724	40,636	406,360
Interest		291,226	5,943	114,296	411,465	45,719	457,184
Dues and subscriptions		50,484	1,030	19,813	71,327	7,925	79,252
Other		-	-	-	-	8,460	8,460
		<u>\$ 7,429,390</u>	<u>\$ 215,078</u>	<u>\$ 1,315,298</u>	<u>\$ 8,959,766</u>	<u>\$ 2,095,961</u>	<u>\$ 11,055,727</u>