

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

ALBANY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2022

(With Comparative Totals for 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

Opinion

We have audited the financial statements of KIPP Albany Community Public Charter Schools which comprise the statement of financial position as of June 30, 2022 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 accompanying financial statements present fairly, in all material respects, the financial position of KIPP Albany Community Public Charter Schools as of June 30, 2022, 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 Albany Community 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 Albany Community 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 Albany Community 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 Albany Community 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 KIPP Albany Community Public Charter Schools' June 30, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 27, 2022 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 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 27, 2022

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals for 2021)

| <u>ASSETS</u> | June 30, | |
|--|----------------------|----------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents | \$ 12,242,566 | \$ 12,566,300 |
| Grants and contracts receivable | 2,783,398 | 1,230,187 |
| Accounts receivable, net of allowance for uncollectible accounts of \$800,000 and \$429,000, respectively | 1,245,602 | 914,697 |
| Prepaid expenses | 92,481 | 100,059 |
| Inventory | <u>87,902</u> | <u>136,093</u> |
| TOTAL CURRENT ASSETS | 16,451,949 | 14,947,336 |
| <u>PROPERTY AND EQUIPMENT, net</u> | 28,782,919 | 28,604,662 |
| <u>OTHER ASSETS</u> | | |
| Restricted cash - debt services reserve fund | 131,665 | 131,666 |
| Cash designated by Board for operating reserve | 351,393 | 351,357 |
| Cash in escrow | 150,335 | 150,335 |
| Security deposits | <u>3,280</u> | <u>3,280</u> |
| | <u>636,673</u> | <u>636,638</u> |
| TOTAL ASSETS | <u>\$ 45,871,541</u> | <u>\$ 44,188,636</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Current portion of loan payable | \$ 389,985 | \$ 371,004 |
| Accounts payable | 890,669 | 698,724 |
| Accrued expenses | 107,427 | 82,446 |
| Accrued payroll and benefits | 711,912 | 544,483 |
| Deferred revenue | <u>5,000</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | 2,104,993 | 1,696,657 |
| <u>OTHER LIABILITIES</u> | | |
| Long-term debt including loan premium of \$4,318,156 and \$4,470,115, respectively, net of loan issuance costs of \$295,299 and \$305,691, respectively | <u>27,610,164</u> | <u>28,141,717</u> |
| TOTAL LIABILITIES | 29,715,157 | 29,838,374 |
| <u>NET ASSETS</u> | | |
| Without donor restrictions | 16,123,132 | 14,321,068 |
| With donor restrictions | <u>33,252</u> | <u>29,194</u> |
| TOTAL NET ASSETS | <u>16,156,384</u> | <u>14,350,262</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 45,871,541</u> | <u>\$ 44,188,636</u> |

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, 2022
(With Comparative Totals for 2021)

| | Without donor restrictions | With donor restrictions | Year ended June 30, | |
|--|----------------------------------|-------------------------------|---------------------|---------------|
| | | | 2022 | 2021 |
| | | | Total | Total |
| Operating revenue and support: | | | | |
| Public School District: | | | | |
| Resident student enrollment | \$ 25,040,203 | \$ - | \$ 25,040,203 | \$ 22,973,680 |
| Students with disabilities | 363,711 | - | 363,711 | 232,978 |
| Grants and contracts: | | | | |
| Federal - Title and IDEA | 665,870 | - | 665,870 | 606,169 |
| Federal - Other | 3,541,328 | - | 3,541,328 | 1,240,870 |
| Food service / Child Nutrition Program | 1,529,210 | - | 1,529,210 | 490,959 |
| TOTAL OPERATING REVENUE AND SUPPORT | 31,140,322 | - | 31,140,322 | 25,544,656 |
| Expenses: | | | | |
| Program services: | | | | |
| Regular education | 19,793,302 | - | 19,793,302 | 14,724,994 |
| Special education | 1,421,185 | - | 1,421,185 | 617,365 |
| Other education | 2,682,229 | - | 2,682,229 | 2,824,796 |
| Management and general | 5,860,542 | - | 5,860,542 | 4,527,888 |
| TOTAL EXPENSES | 29,757,258 | - | 29,757,258 | 22,695,043 |
| SURPLUS FROM SCHOOL OPERATIONS | 1,383,064 | - | 1,383,064 | 2,849,613 |
| Other income (expense): | | | | |
| Fundraising | 21,127 | - | 21,127 | 34,027 |
| Contributions | 208,959 | 32,775 | 241,734 | 253,659 |
| Interest income | 141 | - | 141 | 1,744 |
| Other income | 160,056 | - | 160,056 | 96,925 |
| Debt issuance costs written off and loan prepayment fees | - | - | - | (1,053,697) |
| Paycheck Protection Program loan forgiveness | - | - | - | 1,171,320 |
| Net assets released from restriction | 28,717 | (28,717) | - | - |
| | 419,000 | 4,058 | 423,058 | 503,978 |
| CHANGE IN NET ASSETS | 1,802,064 | 4,058 | 1,806,122 | 3,353,591 |
| Net assets at beginning of year | 14,321,068 | 29,194 | 14,350,262 | - |
| Net assets at beginning of year, KIPP Tech Valley Charter School | - | - | - | 1,024,838 |
| Transfer in of Albany Community Charter School net assets at beginning of year | - | - | - | 9,971,833 |
| | 14,321,068 | 29,194 | 14,350,262 | 10,996,671 |
| NET ASSETS AT END OF YEAR | \$ 16,123,132 | \$ 33,252 | \$ 16,156,384 | \$ 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, 2022
(With Comparative Totals for 2021)

| | | Year ended June 30, | | | | | | |
|--|-----|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------------|----------------------|
| | | 2022 | | | | | 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 | 89 | \$ 2,892,766 | \$ 289,277 | \$ 578,554 | \$ 3,760,597 | \$ 2,746,429 | \$ 6,507,026 | \$ 4,636,903 |
| Instructional Personnel | 135 | 7,033,460 | 754,176 | - | 7,787,636 | - | 7,787,636 | 7,115,369 |
| Non-Instructional Personnel | 31 | - | - | 496,923 | 496,923 | 345,864 | 842,787 | 670,186 |
| Total salaries and staff | 255 | 9,926,226 | 1,043,453 | 1,075,477 | 12,045,156 | 3,092,293 | 15,137,449 | 12,422,458 |
| Fringe benefits and payroll taxes | | 2,800,355 | 91,999 | 361,545 | 3,253,899 | 361,545 | 3,615,444 | 3,046,381 |
| Retirement | | 450,543 | 15,244 | 58,223 | 524,010 | 58,223 | 582,233 | 513,417 |
| Legal services | | - | - | - | - | 116,991 | 116,991 | 33,501 |
| Accounting / Audit services | | - | - | - | - | 141,144 | 141,144 | 107,391 |
| Other purchased / professional / consulting services | | 632,874 | 90,901 | 28,395 | 752,170 | 550,959 | 1,303,129 | 1,187,029 |
| Repairs and maintenance | | 756,604 | 24,021 | 97,578 | 878,203 | 97,578 | 975,781 | 706,859 |
| Insurance | | - | - | - | - | 193,797 | 193,797 | 209,018 |
| Utilities | | 333,724 | 9,304 | 43,106 | 386,134 | 43,106 | 429,240 | 293,163 |
| Supplies / materials | | 461,982 | 15,074 | - | 477,056 | - | 477,056 | 549,139 |
| Leased equipment | | 70,307 | 967 | 4,833 | 76,107 | 37,445 | 113,552 | 77,086 |
| Staff development | | 467,273 | - | - | 467,273 | 51,920 | 519,193 | 146,232 |
| Marketing / recruitment | | - | - | - | - | 100,494 | 100,494 | 83,577 |
| Food service | | - | - | 683,520 | 683,520 | - | 683,520 | 173,973 |
| Student services | | 1,380,632 | 47,297 | - | 1,427,929 | - | 1,427,929 | 434,005 |
| Bad debt expense | | - | - | - | - | 371,000 | 371,000 | 310,230 |
| Board expenses | | - | - | - | - | 11,000 | 11,000 | 16,151 |
| Office expense | | 162,091 | 5,201 | 20,912 | 188,204 | 329,496 | 517,700 | 192,303 |
| Depreciation and amortization | | 979,508 | 32,207 | 126,464 | 1,138,179 | 126,464 | 1,264,643 | 969,638 |
| Interest | | 826,400 | 27,539 | 106,742 | 960,681 | 106,742 | 1,067,423 | 981,107 |
| Dues and subscriptions | | 544,783 | 17,978 | 70,345 | 633,106 | 70,345 | 703,451 | 240,145 |
| Other | | - | - | 5,089 | 5,089 | - | 5,089 | 2,240 |
| | | <u>\$ 19,793,302</u> | <u>\$ 1,421,185</u> | <u>\$ 2,682,229</u> | <u>\$ 23,896,716</u> | <u>\$ 5,860,542</u> | <u>\$ 29,757,258</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, 2022
(With Comparative Totals for 2021)

| | Year ended June 30, | |
|---|----------------------|----------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 1,806,122 | \$ 3,353,591 |
| Adjustments to reconcile change in net assets to net cash provided from operating activities: | | |
| Bad debt expense | 371,000 | 310,230 |
| Depreciation and amortization | 1,264,643 | 969,638 |
| Bond trust account written off | - | 1,000 |
| Unamortized debt issuance costs written off | - | 872,435 |
| Loan premium accretion reducing interest expense | (151,959) | 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 | 10,392 | 6,062 |
| Changes in certain assets and liabilities affecting operations: | | |
| Grants and contracts receivable | (1,553,211) | (873,648) |
| Accounts receivable | (701,905) | (664,579) |
| Prepaid expenses | 7,578 | (59,755) |
| Inventory | 48,191 | 42,947 |
| Accounts payable and accrued expenses | 146,266 | 486,620 |
| Accrued payroll and benefits | 167,429 | 135,354 |
| Deferred revenue | 5,000 | - |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | <u>1,419,546</u> | <u>3,678,480</u> |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (1,372,240) | (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 |
| NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES | <u>(1,372,240)</u> | <u>7,084,106</u> |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Borrowings on long term debt | - | 54,537,152 |
| Premium received as part of debt refinancing | - | 4,558,757 |
| Repayment of long term debt | (371,005) | (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) |
| NET CASH USED FOR FINANCING ACTIVITIES | <u>(371,005)</u> | <u>(166,033)</u> |
| NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | <u>(323,699)</u> | <u>10,596,553</u> |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>13,199,658</u> | <u>2,603,105</u> |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR | <u>\$ 12,875,959</u> | <u>\$ 13,199,658</u> |

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

| | <u>Year ended June 30,</u> | |
|--|----------------------------|-----------------------|
| | <u>2022</u> | <u>2021</u> |
| <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 | \$ 12,242,566 | \$ 12,566,300 |
| Restricted cash - debt service reserve fund | 131,665 | 131,666 |
| Cash designated by Board for operating reserve | 351,393 | 351,357 |
| Cash in escrow | <u>150,335</u> | <u>150,335</u> |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | <u>\$ 12,875,959</u> | <u>\$ 13,199,658</u> |
| Cash paid during the year for interest | <u>\$ 1,208,990</u> | <u>\$ 1,037,727</u> |
| <u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u> | | |
| Purchase of property and equipment through accounts payable | <u>\$ 70,660</u> | <u>\$ -</u> |
| 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>-</u> | <u>(9,971,833)</u> |
| Cash received | <u>\$ -</u> | <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, 2022

(With Comparative Totals for 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.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

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 \$33,252 and \$29,194 at June 30, 2022 and 2021 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.

Contract balances consisted of \$1,245,602, net of allowances, \$914,697, net of allowances, and \$356,539 of grants and contracts receivable at June 30, 2022, 2021, and 2020, respectively.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

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.

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 both June 30, 2022 and 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 probable 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 \$800,000 as of June 30, 2022 and 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, 2022 and 2021.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

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.

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, 2019 through June 30, 2022 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 \$100,000 and \$84,000 for the years ended June 30, 2022 and 2021 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, 2022 and 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.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Adoption of new accounting standard - 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 adopted this standard during the year ended June 30, 2022 with no impact on the financial statements.

New accounting pronouncement - 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.

Comparatives for period ended June 30, 2021

The financial statements include certain prior year summarized comparative information in total but not by 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 period ended June 30, 2021, 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 27, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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 2022 and 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, 2022 and 2021:

| | | June 30, | |
|---|--|----------------------|----------------------|
| | | <u>2022</u> | <u>2021</u> |
| Cash and cash equivalents | | \$ 12,242,566 | \$ 12,566,300 |
| Grants and contracts receivable | | 2,783,398 | 1,230,187 |
| Accounts receivable | | <u>1,245,602</u> | <u>914,697</u> |
| | Total financial assets available to management within one year | 16,271,566 | 14,711,184 |
| Less: | | | |
| Amounts unavailable for general expenditures within one year, due to: | | | |
| | Donor restrictions | <u>(33,252)</u> | <u>(29,194)</u> |
| | Total financial assets available to management for general expenditures within one year | <u>\$ 16,238,314</u> | <u>\$ 14,681,990</u> |

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE C: NET ASSETS

At June 30, 2022 and 2021, net assets without donor restrictions consisted of the following

| | June 30, | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Undesignated | \$ 10,670,813 | \$ 9,407,655 |
| Cash designated by Board for operating reserve | 351,393 | 351,357 |
| Invested in property and equipment, net of related debt excluding premium | 5,100,926 | 4,562,056 |
| | <u>\$ 16,123,132</u> | <u>\$ 14,321,068</u> |

At June 30, 2022 and 2021, net assets with donor restrictions are as follows:

| | June 30, | |
|------------------------------|------------------|------------------|
| | 2022 | 2021 |
| KIPP Foundation - Rebranding | \$ 14,477 | \$ 23,000 |
| KIPP Foundation - COVID-19 | - | 6,194 |
| Relay GSE Leadership Program | 18,775 | - |
| | <u>\$ 33,252</u> | <u>\$ 29,194</u> |

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consisted of the following:

| | June 30, | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Land | \$ 3,430,892 | \$ 3,430,892 |
| Buildings and improvements | 28,551,596 | 28,198,170 |
| Other depreciable property | 72,044 | 72,044 |
| Furniture and equipment | 3,373,668 | 2,284,194 |
| | <u>35,428,200</u> | <u>33,985,300</u> |
| Less accumulated depreciation and amortization | <u>6,645,281</u> | <u>5,380,638</u> |
| | <u>\$ 28,782,919</u> | <u>\$ 28,604,662</u> |

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$1,264,643 and \$969,638 respectively.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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, 2022 and 2021, approximately 100% of grants and contracts receivable were due from federal agencies relating to certain grants. In addition, 63% of gross accounts receivable is due from three school districts at June 30, 2022 and 67% of gross accounts receivable is due from two school districts at June 30, 2021.

For the years ended June 30, 2022 and 2021, approximately 82% and 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, 2022 and 2021:

| | June 30, | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Obligation #1, coupon rate of 5%, due through December 2050 | \$ 23,977,292 | \$ 24,348,297 |
| Add: unaccreted loan premium | 4,318,156 | 4,470,115 |
| Less: debt issuance costs, net of accumulated amortization | (295,299) | (305,691) |
| | 28,000,149 | 28,512,721 |
| Less: current portion of loan payable | (389,985) | (371,004) |
| | <u>\$ 27,610,164</u> | <u>\$ 28,141,717</u> |

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE G: LOAN PAYABLE, Cont'd

Unaccreted loan premium related to the issuance of Obligation #1 is \$4,318,156 at June 30, 2022. 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 \$295,299 and \$305,691 as of June 30, 2022 and 2021, respectively and are recorded as a reduction in loan payable on the accompanying statement of financial position.

Debt issuance costs consist of the following at June 30, 2022 and 2021:

| | <u>June 30,</u> | |
|--------------------------------|-------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Debt issuance costs | \$ 311,753 | \$ 311,753 |
| Less: accumulated amortization | <u>16,454</u> | <u>(6,062)</u> |
| | <u>\$ 295,299</u> | <u>\$ 305,691</u> |

The aggregate amount of principal payments subsequent to June 30, 2022 are approximately as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|----------------------|
| 2023 | \$ 390,000 |
| 2024 | 410,000 |
| 2025 | 431,000 |
| 2026 | 453,000 |
| 2027 | 476,000 |
| Thereafter | <u>21,817,000</u> |
| | <u>\$ 23,977,000</u> |

In addition, the Charter School wrote off all unamortized debt issuance costs of approximately \$351,000 associated with the debt refinanced on 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, 2022, the Charter School is in compliance with these covenants.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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 \$113,552 and \$77,086 for the years ended June 30, 2022 and 2021 respectively. The approximate minimum annual lease payments are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2023 | \$ 39,900 |
| 2024 | 23,700 |
| 2025 | <u>5,900</u> |
| | <u>\$ 69,500</u> |

NOTE I: RETIREMENT PLAN

Albany Community Charter School

The School had adopted a profit-sharing plan under IRC §401(k) covering all eligible employees. The School contributed 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. Effective July 1, 2021, the participants of this plan were given the option to roll their balances into the KIPP Tech Valley Charter School 403(b) Plan or receive a distribution. The 401(k) plan was liquidated and closed as of September 30, 2021. No contributions were made to this plan for the year ended June 30, 2022.

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 years ended June 30, 2022 and 2021 was \$582,233 and \$513,417 respectively.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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 2023.

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 \$1,773,959 and \$429,949 of revenue relative to ESSER grants during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the Charter School has approximately \$3,476,657 of ESSER grants available for expenditure through September 30, 2024.

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, 2022, and we have issued our report thereon dated October 27, 2022, 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 2022 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, 2022, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 27, 2022

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF ACTIVITIES BY SCHOOL

JUNE 30, 2022

| | <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 | \$ 14,311,422 | \$ 10,728,781 | \$ 25,040,203 |
| Students with disabilities | 264,825 | 98,886 | 363,711 |
| Grants and contracts | | | |
| Federal - Title and IDEA | 399,695 | 266,175 | 665,870 |
| Federal - Other | 1,375,444 | 2,165,884 | 3,541,328 |
| Food service / Child Nutrition Program | <u>886,942</u> | <u>642,268</u> | <u>1,529,210</u> |
| TOTAL OPERATING REVENUE AND SUPPORT | 17,238,328 | 13,901,994 | 31,140,322 |
| Expenses: | | | |
| Program services: | | | |
| Regular education | 10,451,643 | 9,341,659 | 19,793,302 |
| Special education | 990,925 | 430,260 | 1,421,185 |
| Other education | 1,521,235 | 1,160,994 | 2,682,229 |
| Management and general | <u>3,393,502</u> | <u>2,467,040</u> | <u>5,860,542</u> |
| TOTAL EXPENSES | <u>16,357,305</u> | <u>13,399,953</u> | <u>29,757,258</u> |
| SURPLUS FROM SCHOOL OPERATIONS | <u>881,023</u> | <u>502,041</u> | <u>1,383,064</u> |
| Other income: | | | |
| Fundraising | 11,450 | 9,677 | 21,127 |
| Contributions | 140,206 | 101,528 | 241,734 |
| Interest income | 82 | 59 | 141 |
| Other income | <u>90,408</u> | <u>69,648</u> | <u>160,056</u> |
| TOTAL OTHER INCOME | <u>242,146</u> | <u>180,912</u> | <u>423,058</u> |
| CHANGE IN NET ASSETS | <u>\$ 1,123,169</u> | <u>\$ 682,953</u> | <u>\$ 1,806,122</u> |

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

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

JUNE 30, 2022

| | | 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 | 49 | \$ 1,643,378 | \$ 164,338 | \$ 328,676 | \$ 2,136,392 | \$ 1,568,831 | \$ 3,705,223 |
| Instructional Personnel | 72 | 3,491,777 | 564,228 | - | 4,056,005 | - | 4,056,005 |
| Non-Instructional Personnel | 19 | - | - | 287,960 | 287,960 | 226,246 | 514,206 |
| Total salaries and staff | 140 | 5,135,155 | 728,566 | 616,636 | 6,480,357 | 1,795,077 | 8,275,434 |
| Fringe benefits and payroll taxes | | 1,516,134 | 59,070 | 196,901 | 1,772,105 | 196,901 | 1,969,006 |
| Retirement | | 277,188 | 10,799 | 35,998 | 323,985 | 35,998 | 359,983 |
| Legal services | | - | - | - | - | 67,855 | 67,855 |
| Accounting / Audit services | | - | - | - | - | 81,864 | 81,864 |
| Other purchased / professional / consulting services | | 386,362 | 76,740 | 16,769 | 479,871 | 317,833 | 797,704 |
| Repairs and maintenance | | 346,932 | 13,517 | 45,056 | 405,505 | 45,056 | 450,561 |
| Insurance | | - | - | - | - | 112,402 | 112,402 |
| Utilities | | 152,491 | 5,451 | 19,870 | 177,812 | 19,870 | 197,682 |
| Supplies / materials | | 215,578 | 9,565 | - | 225,143 | - | 225,143 |
| Leased equipment | | 32,611 | - | - | 32,611 | 32,612 | 65,223 |
| Staff development | | 254,202 | - | - | 254,202 | 28,245 | 282,447 |
| Marketing / recruitment | | - | - | - | - | 33,721 | 33,721 |
| Food service | | - | - | 406,711 | 406,711 | - | 406,711 |
| Student services | | 746,360 | 33,115 | - | 779,475 | - | 779,475 |
| Board expenses | | - | - | - | - | 6,380 | 6,380 |
| Office expense | | 78,468 | 3,057 | 10,191 | 91,716 | 189,837 | 281,553 |
| Depreciation and amortization | | 532,435 | 20,744 | 69,147 | 622,326 | 69,147 | 691,473 |
| Interest | | 476,713 | 18,573 | 61,911 | 557,197 | 61,911 | 619,108 |
| Dues and subscriptions | | 301,014 | 11,728 | 39,093 | 351,835 | 39,093 | 390,928 |
| Bad debt expense | | - | - | - | - | 259,700 | 259,700 |
| Other | | - | - | 2,952 | 2,952 | - | 2,952 |
| | | <u>\$ 10,451,643</u> | <u>\$ 990,925</u> | <u>\$ 1,521,235</u> | <u>\$ 12,963,803</u> | <u>\$ 3,393,502</u> | <u>\$ 16,357,305</u> |

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY SCHOOL – ALBANY COMMUNITY CHARTER SCHOOL

JUNE 30, 2022

| | | 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 | 40 | \$ 1,249,388 | \$ 124,939 | \$ 249,878 | \$ 1,624,205 | \$ 1,177,598 | \$ 2,801,803 |
| Instructional Personnel | 63 | 3,541,683 | 189,948 | - | 3,731,631 | - | 3,731,631 |
| Non-Instructional Personnel | 12 | - | - | 208,963 | 208,963 | 119,618 | 328,581 |
| Total salaries and staff | 115 | 4,791,071 | 314,887 | 458,841 | 5,564,799 | 1,297,216 | 6,862,015 |
| Fringe benefits and payroll taxes | | 1,284,221 | 32,929 | 164,644 | 1,481,794 | 164,644 | 1,646,438 |
| Retirement | | 173,355 | 4,445 | 22,225 | 200,025 | 22,225 | 222,250 |
| Legal services | | - | - | - | - | 49,136 | 49,136 |
| Accounting / Audit services | | - | - | - | - | 59,280 | 59,280 |
| Other purchased / professional / consulting services | | 246,512 | 14,161 | 11,626 | 272,299 | 233,126 | 505,425 |
| Repairs and maintenance | | 409,672 | 10,504 | 52,522 | 472,698 | 52,522 | 525,220 |
| Insurance | | - | - | - | - | 81,395 | 81,395 |
| Utilities | | 181,233 | 3,853 | 23,236 | 208,322 | 23,236 | 231,558 |
| Supplies / materials | | 246,404 | 5,509 | - | 251,913 | - | 251,913 |
| Leased equipment | | 37,696 | 967 | 4,833 | 43,496 | 4,833 | 48,329 |
| Staff development | | 213,071 | - | - | 213,071 | 23,675 | 236,746 |
| Marketing / recruitment | | - | - | - | - | 66,773 | 66,773 |
| Food service | | - | - | 276,809 | 276,809 | - | 276,809 |
| Student services | | 634,272 | 14,182 | - | 648,454 | - | 648,454 |
| Board expenses | | - | - | - | - | 4,620 | 4,620 |
| Office expense | | 83,623 | 2,144 | 10,721 | 96,488 | 139,659 | 236,147 |
| Depreciation and amortization | | 447,073 | 11,463 | 57,317 | 515,853 | 57,317 | 573,170 |
| Interest | | 349,687 | 8,966 | 44,831 | 403,484 | 44,831 | 448,315 |
| Dues and subscriptions | | 243,769 | 6,250 | 31,252 | 281,271 | 31,252 | 312,523 |
| Bad debt expense | | - | - | - | - | 111,300 | 111,300 |
| Other | | - | - | 2,137 | 2,137 | - | 2,137 |
| | | <u>\$ 9,341,659</u> | <u>\$ 430,260</u> | <u>\$ 1,160,994</u> | <u>\$ 10,932,913</u> | <u>\$ 2,467,040</u> | <u>\$ 13,399,953</u> |

KIPP ALBANY COMMUNITY PUBLIC CHARTER
SCHOOLS

ALBANY, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2022



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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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 Albany Community 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 Albany Community Public Charter Schools, which comprise the statement of financial position as of June 30, 2022 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 December 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KIPP Albany Community 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 Albany Community Public Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP Albany Community 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIPP Albany Community 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, Barw & Co. LLP

Rochester, New York
December 14, 2022

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 Albany Community Public Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP Albany Community 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 Albany Community Public Charter Schools' major federal programs for the year ended June 30, 2022. KIPP Albany Community 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 Albany Community 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Albany Community 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 Albany Community 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 Albany Community 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 Albany Community 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 Albany Community 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 Albany Community 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 Albany Community 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 Albany Community 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 Albany Community Public Charter Schools as of and for the year ended June 30, 2022, and have issued our report thereon dated December 14, 2022, 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
December 14, 2022

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

| | <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 | \$ 524,433 |
| Title IIA - Supporting Effective Instruction State Grant | 84.367 | 0147 | 54,293 |
| Title IV - Student Support and Academic Enrichment Program | 84.424 | 0204 | 36,504 |
| <u>Education Stabilization Funds -</u> | | | |
| ESSER II - Elementary and Secondary School Emergency Relief Fund | 84.425D | 5891 | 656,655 |
| American Rescue Plan - Elementary and Secondary School Emergency Relief | 84.425U | 5880 | <u>1,117,304</u> |
| <i>Total Education Stabilization Funds</i> | | | <u>1,773,959</u> |
| <u>Passed through KIPP Foundation:</u> | | | |
| Charter School Program - Replication and Expansion of High-Quality Charter Schools | 84.282M | U282M190024 | <u>1,118,504</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 3,507,693 |
| U.S. Department of Agriculture: | | | |
| <u>Passed through New York State Education Department:</u> | | | |
| <i>Child Nutrition Cluster</i> | | | |
| School Breakfast Program | 10.553 | 1000001406 | 420,867 |
| National School Lunch Program | 10.555 | 1000001406 | 1,013,474 |
| Emergency Operational Cost - COVID | 10.555 | 1000001406 | <u>66,210</u> |
| <i>Total Child Nutrition Cluster</i> | | | <u>1,500,551</u> |
| State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Cost Grant | 10.649 | 1000001406 | <u>1,202</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 1,501,753 |
| Federal Communications Commission: | | | |
| <u>Passed through the Universal Service</u> | | | |
| <u>Administrative Company</u> | | | |
| Emergency Connectivity Fund Program - COVID | 32.009 | 16067880 | <u>648,865</u> |
| TOTAL FEDERAL COMMUNICATIONS COMMISSION | | | <u>648,865</u> |
| TOTAL ALL PROGRAMS | | | <u>\$ 5,658,311</u> |

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2022

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of KIPP Albany Community 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 Albany Community Public Charter Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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:

10.553 & 10.555
84.425D

84.425U

Name of Federal Program or Cluster:

Child Nutrition Cluster
ESSER II - Elementary and Secondary School
Emergency Relief Fund
American Rescue Plan - Elementary and
Secondary Emergency Relief Fund

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

\$750,000

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

KIPP ALBANY COMMUNITY PUBLIC CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

- NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE