

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

ALBANY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023

(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
KIPP Capital Region Public Charter Schools

Report on the Financial Statements

Opinion

We have audited the financial statements of KIPP Capital Region Public Charter Schools (the "Charter School") which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Capital Region Public Charter Schools as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KIPP Capital Region Public Charter Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter- Merger and Name Change

As outlined on Note A, effective July 1, 2022, KIPP Albany Community Public Charter Schools merged with True North Troy Preparatory Charter School, renamed KIPP Troy Prep Charter School, with KIPP Albany Community Public Charter Schools being the surviving education corporation, under the amended name KIPP Capital Region Public Charter Schools. The financial statements for the year ended June 30, 2023 include all three schools; KIPP Tech Valley Charter School, Albany Community Charter School and KIPP Troy Prep Charter School. The financial statements for the year ended June 30, 2022 include only two schools; KIPP Tech Valley Charter School and Albany Community Charter School. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP Capital Region Public Charter Schools' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KIPP Capital Region Public Charter Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KIPP Capital Region Public Charter Schools' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Charter Schools' June 30, 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 December 21, 2023 on our consideration of KIPP Capital Region Public Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Capital Region Public Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
December 21, 2023

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>ASSETS</u>	June 30,	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 16,414,231	\$ 12,242,566
Grants and contracts receivable	5,996,488	2,783,398
Accounts receivable, net of allowance for uncollectible accounts of \$1,180,000 and \$800,000 respectively	716,727	1,245,602
Prepaid expenses	235,128	92,481
Inventory	75,838	87,902
TOTAL CURRENT ASSETS	23,438,412	16,451,949
<u>PROPERTY AND EQUIPMENT, net</u>	33,670,767	28,782,919
<u>OTHER ASSETS</u>		
Restricted cash - debt services reserve fund	131,665	131,665
Cash designated by Board for operating reserve	356,384	351,393
Cash in escrow	175,335	150,335
Security deposits	-	3,280
	663,384	636,673
TOTAL ASSETS	<u>\$ 57,772,563</u>	<u>\$ 45,871,541</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of loan payable	\$ 701,489	\$ 389,985
Accounts payable and accrued expenses	1,851,572	998,096
Accrued payroll and benefits	1,141,736	711,912
Deferred revenue	-	5,000
TOTAL CURRENT LIABILITIES	3,694,797	2,104,993
<u>OTHER LIABILITIES</u>		
Long-term debt including loan premium of \$4,166,198 and \$4,318,156, net of loan issuance costs of \$284,908 and \$295,299, respectively	30,019,313	27,610,164
TOTAL LIABILITIES	33,714,110	29,715,157
<u>NET ASSETS</u>		
Without donor restrictions	24,037,397	16,123,132
With donor restrictions	21,056	33,252
TOTAL NET ASSETS	24,058,453	16,156,384
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,772,563</u>	<u>\$ 45,871,541</u>

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Without donor restrictions	With donor restrictions	Year ended June 30,	
			2023	2022
			Total	Total
Operating revenue and support:				
Public School District:				
Resident student enrollment	\$ 36,791,969	\$ -	\$ 36,791,969	\$ 25,040,203
Students with disabilities	1,063,499	-	1,063,499	363,711
Grants and contracts:				
Federal - Title and IDEA	1,030,394	-	1,030,394	665,870
Federal - Other	5,319,045	-	5,319,045	3,541,328
Food service / Child Nutrition Program	2,581,527	-	2,581,527	1,529,210
TOTAL OPERATING REVENUE AND SUPPORT	46,786,434	-	46,786,434	31,140,322
Expenses:				
Program services:				
Regular education	34,956,190	-	34,956,190	21,939,085
Special education	2,949,884	-	2,949,884	1,957,631
Management and general	8,720,459	-	8,720,459	5,860,542
TOTAL EXPENSES	46,626,533	-	46,626,533	29,757,258
SURPLUS FROM SCHOOL OPERATIONS	159,901	-	159,901	1,383,064
Other income (expense):				
Fundraising	-	-	-	21,127
Contributions	38,133	20,000	58,133	241,734
Interest income	178,435	-	178,435	141
Other income	152,290	-	152,290	160,056
Net assets released from restriction	32,196	(32,196)	-	-
	401,054	(12,196)	388,858	423,058
CHANGE IN NET ASSETS	560,955	(12,196)	548,759	1,806,122
Net assets at beginning of year	16,123,132	33,252	16,156,384	14,350,262
Transfer in of True North Troy Preparatory				
Charter School net assets at beginning of year	7,353,310	-	7,353,310	-
	23,476,442	33,252	23,509,694	14,350,262
NET ASSETS AT END OF YEAR	\$ 24,037,397	\$ 21,056	\$ 24,058,453	\$ 16,156,384

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

		Year ended June 30,					
		2023				2022	
	No. of Positions	Program Services			Supporting Services	Total	Total
		Regular Education	Special Education	Sub-total	Management and General		
Personnel services costs:							
Administrative staff personnel	109	\$ 8,482,082	\$ 543,854	\$ 9,025,936	\$ 2,508,247	\$ 11,534,183	\$ 7,110,259
Instructional personnel	202	10,955,178	1,398,211	12,353,389	-	12,353,389	7,926,331
Non-instructional personnel	32	-	-	-	876,864	876,864	625,633
Total salaries and staff	343	19,437,260	1,942,065	21,379,325	3,385,111	24,764,436	15,662,223
Fringe benefits and payroll taxes		2,647,593	164,487	2,812,080	2,825,228	5,637,308	3,517,338
Retirement		381,219	22,856	404,075	405,624	809,699	582,233
Staff development		1,075,462	66,555	1,142,017	43,306	1,185,323	519,130
Supplies / Materials		859,711	53,834	913,545	-	913,545	385,404
Food services		1,064,958	-	1,064,958	-	1,064,958	683,520
Legal services		-	-	-	107,021	107,021	116,911
Accounting services		-	-	-	105,662	105,662	53,090
Other Purchased / Professional / Consulting Services		1,029,968	68,375	1,098,343	25,431	1,123,774	1,060,560
Office expense		166,859	11,469	178,328	275,672	454,000	418,673
Depreciation		1,669,334	118,880	1,788,214	198,690	1,986,904	1,264,643
Utilities		550,194	37,940	588,134	63,662	651,796	425,248
Equipment / Furnishings		275,650	17,109	292,759	63,141	355,900	146,042
Repairs and maintenance		1,332,179	98,576	1,430,755	158,974	1,589,729	850,755
Insurance		236,563	14,761	251,324	252,145	503,469	291,966
Interest		1,001,837	55,225	1,057,062	117,453	1,174,515	1,067,423
Marketing / Recruitment		167,287	10,375	177,662	-	177,662	266,689
Student services		2,295,547	219,188	2,514,735	83,399	2,598,134	1,291,935
Bad debt expense		-	-	-	199,170	199,170	371,000
Dues and subscriptions		710,179	44,734	754,913	170,161	925,074	756,886
Other		54,390	3,455	57,845	240,609	298,454	25,589
		<u>\$ 34,956,190</u>	<u>\$ 2,949,884</u>	<u>\$ 37,906,074</u>	<u>\$ 8,720,459</u>	<u>\$ 46,626,533</u>	<u>\$ 29,757,258</u>

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,	
	2023	2022
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 548,759	\$ 1,806,122
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt expense	199,170	371,000
Depreciation and amortization	1,986,904	1,264,643
Loan premium accretion reducing interest expense	(151,958)	(151,959)
Amortization of loan issuance costs included in interest expense	10,391	10,392
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(2,832,459)	(1,553,211)
Accounts receivable	498,285	(701,905)
Prepaid expenses	(139,920)	7,578
Inventory	12,064	48,191
Security deposits	3,280	-
Accounts payable and accrued expenses	598,292	146,266
Accrued payroll and benefits	429,824	167,429
Deferred revenue	(181,273)	5,000
NET CASH PROVIDED FROM OPERATING ACTIVITIES	981,359	1,419,546
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(5,922,319)	(1,372,240)
Transfer of cash from True North Troy Preparatory Charter School	6,203,800	-
Transfer of dissolution escrow from True North Troy Preparatory Charter School	76,596	-
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	358,077	(1,372,240)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on long term debt	3,323,738	-
Repayment of long term debt	(461,518)	(371,005)
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	2,862,220	(371,005)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	4,201,656	(323,699)
Cash, cash equivalents, and restricted cash at beginning of year	12,875,959	13,199,658
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 17,077,615</u>	<u>\$ 12,875,959</u>

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,	
	2023	2022
<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	\$ 16,414,231	\$ 12,242,566
Restricted cash - debt service reserve fund	131,665	131,665
Cash designated by Board for operating reserve	356,384	351,393
Cash in escrow	<u>175,335</u>	<u>150,335</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 17,077,615</u>	<u>\$ 12,875,959</u>
Cash paid during the year for interest	<u>\$ 1,292,442</u>	<u>\$ 1,208,990</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchase of property and equipment through accounts payable	<u>\$ 365,359</u>	<u>\$ 70,660</u>
Non-cash transactions:		
Transfer of assets and liabilities from True North Troy Preparatory Charter School to KIPP Capital Region Public Charter Schools:		
Grants and contracts receivable	\$ 380,631	\$ -
Accounts receivable	168,580	-
Prepaid expenses	2,727	-
Property and equipment, net	1,317,792	-
Accounts payable and accrued expenses	(620,543)	-
Deferred revenue	(176,273)	-
Net assets, without donor restrictions	<u>(7,353,310)</u>	<u>-</u>
Cash received	<u>\$ (6,280,396)</u>	<u>\$ -</u>

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

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

The Charter School

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

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

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.

KIPP Troy Prep was organized in 2008 to operate a charter school for grades K-12, pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York. During the year ended June 30, 2019, the charter was approved for a full term renewal for a period of five years to commence August 1, 2019. Effective July 1, 2022, True North Troy Preparatory Charter School was renamed KIPP Troy Prep Charter School. In October 2023, the charter was approved for a full term renewal for a period of five years, expiring July 31, 2029.

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

Basis of accounting

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Classification of net assets

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions were \$21,056 and \$33,252 at June 30, 2023 and 2022 respectively.

Revenue recognition

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

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

State and local per pupil revenue

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Contract balances consisted of \$716,727, net of allowances, \$1,245,602, net of allowances, and \$914,697, net of allowances, of accounts receivable at June 30, 2023, 2022, and 2021, 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.

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 \$175,335 and \$150,335 at June 30, 2023 and 2022, respectively. 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 \$1,180,000 and \$800,000 as of June 30, 2023 and 2022, respectively.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Inventory

Inventory consists of student uniforms and clothing available for use in the Charter School's everyday operation. The inventory is stated at the lower of cost (on a first-in, first-out basis) or net realizable value and is based on a physical inventory taken by management at June 30, 2023 and 2022.

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. The Charter School received donated services from unpaid volunteers who assisted in fundraising, office administration and program activities. The Charter School was unable to determine a value for these services. In addition, the Charter School received donated transportation and other services from the local school district as part of their responsibilities to the students residing in their district.

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 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 \$177,600 and \$266,700 for the years ended June 30, 2023 and 2022 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, 2023 and 2022.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Use of estimates in the preparation of financial statements

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

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. 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.

Adoption of new accounting standard – 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 implemented this standard with no impact to the financial statements.

Comparatives for year ended June 30, 2022

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2022, 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 December 21, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note A.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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 2023 and 2022.

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, 2023 and 2022:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 16,414,231	\$ 12,242,566
Grants and contracts receivable	5,996,488	2,783,398
Accounts receivable, net	<u>716,727</u>	<u>1,245,602</u>
Total financial assets available to management within one year	23,127,446	16,271,566
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Donor restrictions	<u>(21,056)</u>	<u>(33,252)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 23,106,390</u>	<u>\$ 16,238,314</u>

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE C: NET ASSETS

At June 30, 2023 and 2022, net assets without donor restrictions consisted of the following

	June 30,	
	2023	2022
Undesignated	\$ 16,564,850	\$ 10,670,813
Cash designated by Board for operating reserve	356,384	351,393
Invested in property and equipment, net of related debt excluding premium	7,116,163	5,100,926
	<u>\$ 24,037,397</u>	<u>\$ 16,123,132</u>

At June 30, 2023 and 2022, net assets with donor restrictions are as follows:

	June 30,	
	2023	2022
KIPP Foundation - Rebranding	\$ 6,166	\$ 14,477
Relay GSE Leadership Program	-	18,775
3M Life Science Grant	14,890	-
	<u>\$ 21,056</u>	<u>\$ 33,252</u>

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	June 30,	
	2023	2022
Land	\$ 3,567,025	\$ 3,430,892
Buildings and improvements	34,835,538	28,551,596
Other depreciable property	-	72,044
Furniture and equipment	6,722,059	3,373,668
	45,124,622	35,428,200
Less accumulated depreciation and amortization	11,453,855	6,645,281
	<u>\$ 33,670,767</u>	<u>\$ 28,782,919</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$1,986,904 and \$1,264,643 respectively.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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, 2023 and 2022, approximately 100% of grants and contracts receivable were due from federal agencies relating to certain grants. In addition, 69% and 63% of gross accounts receivable is due from three school districts at June 30, 2023 and 2022, respectively.

For the years ended June 30, 2023 and 2022, approximately 81% and 82% 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: LOANS PAYABLE

On December 1, 2020, the Charter School obtained financing of \$24,537,152 from Equitable Facilities Fund, Inc. ("Fund"). In order to facilitate this refinance, the Fund issued a bond, Obligation #1. The proceeds from the bond issuance were loaned to the Charter School. The loan requires monthly payments including interest at a coupon rate of 5% and are secured by mortgages on the buildings. Loan payable consists of the following at June 30, 2023 and 2022:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Obligation #1, coupon rate of 5%, due through December 2050	\$ 23,587,307	\$ 23,977,292
Add: unaccreted loan premium	4,166,198	4,318,156
Less: debt issuance costs, net of accumulated amortization	<u>(284,908)</u>	<u>(295,299)</u>
	27,468,597	28,000,149
Less: current portion of loan payable	<u>(409,937)</u>	<u>(389,985)</u>
	<u>\$ 27,058,660</u>	<u>\$ 27,610,164</u>

Unaccreted loan premium related to the issuance of Obligation #1 was \$4,166,198 and \$4,318,156 at June 30, 2023 and 2022, respectively. The unaccreted premium costs are accreted over the term of the indebtedness of the total amount issued and are included in loan payable in the statement of financial position. Debt issuance costs, net of accumulated amortization total \$284,908 and \$295,299 as of June 30, 2023 and 2022, respectively, and are recorded as a reduction in loan payable on the accompanying statement of financial position.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: LOANS PAYABLE, Cont'd

Debt issuance costs consist of the following at June 30, 2023 and 2022:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Debt issuance costs	\$ 311,753	\$ 311,753
Less: accumulated amortization	<u>26,845</u>	<u>16,454</u>
	<u>\$ 284,908</u>	<u>\$ 295,299</u>

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

The aggregate amount of principal payments subsequent to June 30, 2023 are approximately as follows assuming the loan due to Troy Prep Foundation, Inc. is not extended:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 701,489
2025	731,330
2026	3,113,190
2027	476,131
2028	500,491
Thereafter	<u>21,316,881</u>
	<u>\$ 26,839,512</u>

In connection with the loan payable, the Charter School is required to maintain certain financial covenants. At June 30, 2023, the Charter School is in compliance with these covenants.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE H: RETIREMENT PLAN

Albany Community Charter School

KIPP ACCS 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 Capital Region Public Charter Schools 403(b) Plan (formerly, The KIPP Tech Valley Charter School 403(b) Plan)

The Charter School has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the Charter School and its employees. Effective July 1, 2022, the plan's name was changed to KIPP Capital Region Public Charter Schools 403(b) plan. The KIPP Troy Prep employees became eligible to contribute into the 403(b) plan on July 1, 2022. During the years ended June 30, 2023 and 2022, employee contributions totaled \$809,699 and \$582,233, respectively.

NOTE I: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$2,650,168 and \$1,773,959 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, the Charter School has approximately \$2,589,000 of ESSER grants available for expenditure through September 30, 2024.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
KIPP Capital Region Public Charter Schools

We have audited the financial statements of KIPP Capital Region Public Charter Schools as of and for the year ended June 30, 2023, and we have issued our report thereon dated December 21, 2023, 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 2023 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, 2023, as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
December 21, 2023

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

STATEMENT OF ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2023

	KIPP Tech Valley Charter School	Albany Community Charter School	KIPP Troy Prep Charter School	Total
Operating revenue and support:				
Public School District:				
Resident student enrollment	\$ 14,435,687	\$ 10,882,614	\$ 11,473,668	\$ 36,791,969
Students with disabilities	401,089	132,399	530,011	1,063,499
Grants and contracts				
Federal - Title and IDEA	396,500	319,454	314,440	1,030,394
Federal - Other	1,202,647	1,733,166	2,383,232	5,319,045
Food service / Child Nutrition Program	1,006,796	748,643	826,089	2,581,527
TOTAL OPERATING REVENUE AND SUPPORT	17,442,719	13,816,276	15,527,439	46,786,434
Expenses:				
Program services:				
Regular education	12,832,892	10,987,462	11,135,836	34,956,190
Special education	1,251,688	510,022	1,188,174	2,949,884
Management and general	3,382,823	2,644,736	2,692,900	8,720,459
TOTAL EXPENSES	17,467,403	14,142,220	15,016,910	46,626,533
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	(24,684)	(325,944)	510,529	159,901
Other income:				
Contributions	16,859	22,672	18,603	58,133
Interest income	51,746	69,590	57,099	178,435
Other income	44,164	59,393	48,733	152,290
TOTAL OTHER INCOME	112,769	151,655	124,435	388,858
CHANGE IN NET ASSETS	\$ 88,085	\$ (174,289)	\$ 634,964	\$ 548,759

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

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

YEAR ENDED JUNE 30, 2023

		Program Services			Supporting Services	
	No. of Positions	Regular Education	Special Education	Sub-total	Management and General	Total
Personnel services costs:						
Administrative staff personnel	38	\$ 2,954,895	\$ 158,672	\$ 3,113,567	\$ 947,289	\$ 4,060,856
Instructional personnel	76	3,949,295	718,212	4,667,507	-	4,667,507
Non-instructional personnel	13	-	-	-	420,408	420,408
Total salaries and staff	127	6,904,190	876,884	7,781,074	1,367,697	9,148,771
Fringe benefits and payroll taxes		1,036,750	55,672	1,092,422	1,048,832	2,141,254
Retirement		159,092	8,543	167,635	160,946	328,581
Staff development		389,184	20,898	410,082	8,218	418,300
Supplies / Materials		196,559	10,555	207,114	-	207,114
Food services		427,924	-	427,924	-	427,924
Legal services		-	-	-	41,677	41,677
Accounting services		-	-	-	41,252	41,252
Other Purchased / Professional / Consulting Services		354,849	18,734	373,583	12,954	386,537
Office expense		45,598	2,575	48,173	101,398	149,571
Depreciation		663,325	39,019	702,344	78,038	780,382
Utilities		171,924	9,765	181,689	19,530	201,219
Equipment / Furnishings		129,629	6,966	136,595	33,129	169,724
Repairs and maintenance		359,850	21,168	381,018	42,335	423,353
Insurance		96,331	5,173	101,504	97,454	198,958
Interest		522,465	30,733	553,198	61,467	614,665
Marketing / Recruitment		68,322	3,669	71,991	-	71,991
Student services		996,184	123,871	1,120,055	32,478	1,152,533
Bad debt expense		-	-	-	77,563	77,563
Dues and subscriptions		286,816	16,179	302,995	66,433	369,428
Other		23,900	1,284	25,184	91,422	116,606
		<u>\$ 12,832,892</u>	<u>\$ 1,251,688</u>	<u>\$ 14,084,580</u>	<u>\$ 3,382,823</u>	<u>\$ 17,467,403</u>

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

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

YEAR ENDED JUNE 30, 2023

		Program Services			Supporting Services	
	No. of Positions	Regular Education	Special Education	Sub-total	Management and General	Total
Personnel services costs:						
Administrative staff personnel	31	\$ 2,621,422	\$ 71,944	\$ 2,693,366	\$ 792,133	\$ 3,485,499
Instructional personnel	61	3,222,545	279,848	3,502,393	-	3,502,393
Non-instructional personnel	10	-	-	-	219,169	219,169
Total salaries and staff	102	5,843,967	351,792	6,195,759	1,011,302	7,207,061
Fringe benefits and payroll taxes		806,830	22,143	828,973	876,849	1,705,822
Retirement		119,870	3,290	123,160	130,272	253,432
Staff development		352,467	9,673	362,140	19,471	381,611
Supplies / Materials		351,042	9,634	360,676	-	360,676
Food services		305,938	-	305,938	-	305,938
Legal services		-	-	-	31,382	31,382
Accounting services		-	-	-	30,933	30,933
Other Purchased / Professional / Consulting Services		279,852	7,559	287,411	5,992	293,403
Office expense		63,358	2,023	65,381	65,381	130,762
Depreciation		506,977	17,482	524,459	58,273	582,732
Utilities		202,724	6,839	209,563	22,796	232,359
Equipment / Furnishings		73,582	2,116	75,698	14,476	90,174
Repairs and maintenance		487,567	16,813	504,380	56,044	560,424
Insurance		68,800	1,888	70,688	74,770	145,458
Interest		391,425	13,498	404,923	44,992	449,915
Marketing / Recruitment		49,308	1,353	50,661	-	50,661
Student services		822,945	35,932	858,877	24,455	883,332
Bad debt expense		-	-	-	58,402	58,402
Dues and subscriptions		246,934	7,607	254,541	50,127	304,668
Other		13,876	380	14,256	68,819	83,075
		<u>\$ 10,987,462</u>	<u>\$ 510,022</u>	<u>\$ 11,497,484</u>	<u>\$ 2,644,736</u>	<u>\$ 14,142,220</u>

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

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

YEAR ENDED JUNE 30, 2023

		Program Services			Supporting Services	
	No. of Positions	Regular Education	Special Education	Sub-total	Management and General	Total
Personnel services costs:						
Administrative staff personnel	40	\$ 2,905,765	\$ 313,238	\$ 3,219,003	\$ 768,825	\$ 3,987,828
Instructional personnel	65	3,783,338	400,151	4,183,489	-	4,183,489
Non-instructional personnel	9	-	-	-	237,287	237,287
Total salaries and staff	114	6,689,103	713,389	7,402,492	1,006,112	8,408,604
Fringe benefits and payroll taxes		804,013	86,672	890,685	899,547	1,790,232
Retirement		102,257	11,023	113,280	114,406	227,686
Staff development		333,811	35,984	369,795	15,617	385,412
Supplies / Materials		312,110	33,645	345,755	-	345,755
Food services		331,096	-	331,096	-	331,096
Legal services		-	-	-	33,962	33,962
Accounting services		-	-	-	33,477	33,477
Other Purchased / Professional / Consulting Services		395,267	42,082	437,349	6,485	443,834
Office expense		57,903	6,871	64,774	108,893	173,667
Depreciation		499,032	62,379	561,411	62,379	623,790
Utilities		175,546	21,336	196,882	21,336	218,218
Equipment / Furnishings		72,439	8,027	80,466	15,536	96,002
Repairs and maintenance		484,762	60,595	545,357	60,595	605,952
Insurance		71,432	7,700	79,132	79,921	159,053
Interest		87,947	10,994	98,941	10,994	109,935
Marketing / Recruitment		49,657	5,353	55,010	-	55,010
Student services		476,418	59,385	535,803	26,466	562,269
Bad debt expense		-	-	-	63,205	63,205
Dues and subscriptions		176,429	20,948	197,377	53,601	250,978
Other		16,614	1,791	18,405	80,368	98,773
		<u>\$ 11,135,836</u>	<u>\$ 1,188,174</u>	<u>\$ 12,324,010</u>	<u>\$ 2,692,900</u>	<u>\$ 15,016,910</u>

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

ALBANY, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023



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BUSINESS
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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 Capital Region Public Charter Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of KIPP Capital Region Public Charter Schools, which comprise the statement of financial position as of June 30, 2023 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 21, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2023-001 that we consider to be a material weakness.

Compliance and Other Matters

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

KIPP Capital Region Public Charter Schools' Response to Findings

KIPP Capital Region Public Charter Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KIPP Capital Region Public Charter Schools' response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 21, 2023



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

Board of Trustees
KIPP Capital Region Public Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP Capital Region Public Charter Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of KIPP Capital Region Public Charter Schools' major federal programs for the year ended June 30, 2023. KIPP Capital Region Public Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, KIPP Capital Region Public Charter Schools' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to KIPP Capital Region Public Charter Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KIPP Capital Region Public Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of KIPP Capital Region Public Charter Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of KIPP Capital Region Public Charter Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of KIPP Capital Region Public Charter Schools as of and for the year ended June 30, 2023, and have issued our report thereon dated December 21, 2023, 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 21, 2023

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

	<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	\$ 859,909
Title IIA - Supporting Effective Instruction State Grant	84.367	0147	108,347
Title IV - Student Support and Academic Enrichment Program	84.424	0204	62,138
<u>Education Stabilization Funds -</u>			
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	671,323
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	5880	<u>1,978,845</u>
<i>Total Education Stabilization Funds</i>			<u>2,650,168</u>
<u>Passed through KIPP Foundation:</u>			
Charter School Program - Replication and Expansion of High-Quality Charter Schools	84.282M	U282M190024	<u>2,331,334</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			6,011,896
Federal Communications Commission:			
Emergency Connectivity Fund Program - COVID	32.009	16067880	<u>337,543</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION			337,543
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	010100860867	709,270
National School Lunch Program	10.555	010100860867	1,770,090
Emergency Operational Cost - COVID	10.555	010100860867	<u>55,001</u>
<i>Total Child Nutrition Cluster</i>			<u>2,534,361</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,534,361</u>
TOTAL ALL PROGRAMS			<u>\$ 8,883,800</u>

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2023

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

AL Number:

84.425D

84.425U

Name of Federal Program or 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? x yes no

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

FINDING 2023-01 –ACCOUNTING RECORDS

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

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

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

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

Repeat finding: No.

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

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

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

Views of responsible officials:

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

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

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

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

Corrective Action:

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

1. Beginning in September 2023, the Charter School has increased the scope of work provided by its external accounting consultant firm. The increased scope includes additional senior accounting personnel to support month end processes, account reconciliation, system implementation and training, and identifying best practices for all fiscal policies and procedures. This additional support played an important role in reconciling accounts for the audit and the additional team members will continue to provide expertise and rigorous review of our accounting processes throughout the fiscal year.

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

2. Working with this external accounting team, the Charter School is implementing a strong month end and quarter end accounting process. Specifically, the Charter School will undergo an internal audit of all financial statements each quarter to ensure account balances are accurate and current. This internal audit is meant to imitate the external audit that the organization has at the end of the fiscal year. This process will result in year end closing processes operating efficiently to ensure that there are no delays in future audits, and the Charter School can meet the November 1st deadline moving forward.
3. The Charter School is also taking necessary steps to increase the capacity of the internal accounting team. In addition to focused development for the current team members, the Charter Schools has posted a vacancy for an additional position on the Financial Management team that will manage the payroll process. This addition will increase the capacity of all members of the accounting team including those charged with financial oversight and reporting responsibilities.

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

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE

KIPP CAPITAL REGION PUBLIC CHARTER SCHOOLS

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS

December 21, 2023

Finance Committee
KIPP Capital Region Public Charter Schools

We have audited the financial statements of KIPP Capital Region Public Charter Schools as of and for the year then ended June 30, 2023, and have issued our report thereon dated **Opinion Date**. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 7, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of KIPP Capital Region Public Charter Schools solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and material weaknesses and other matters noted during our audit in a separate report to you dated December 21, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to management.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Chief Operating Officer, Chief Executive Officer and Director of Finance who review draft financial statements prior to issuance and accept responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

- Management override
- Improper revenue recognition
- Improper allocation of expenses to grants
- Misappropriation of assets

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by KIPP Capital Region Public Charter Schools is included in Note A to the financial statements. As described in Note A to the financial statements, during the year, the Charter School adopted new guidance for leases (ASU 2016-02) with no impact. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of costs for the statement of functional expenses, property and equipment useful lives, and the collectability of accounts receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting KIPP Capital Region Public Charter Schools' financial statements relate to revenue and support recognition and bonds payable which are referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

Other than delays in the overall audit process due to the lack of reconciled general ledger accounts and turnover within the accounting department, we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to KIPP Capital Region Public Charter Schools' financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with KIPP Capital Region Public Charter Schools, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as KIPP Capital Region Public Charter Schools' auditors.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

Should you desire further information concerning these matters, Ray Jacobi or Kate VanBramer will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of KIPP Capital Region Public Charter Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP