

**KIPP SOCAL PUBLIC SCHOOLS  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**INDEPENDENT AUDITORS' REPORT AND CONSOLIDATING  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2019**

**School Success Team (SST)  
KLARE Holdings and Subsidiaries (KLARE)**

**CHARTER SCHOOLS:**

**KIPP Academy of Opportunity (KAO) - #530  
KIPP Los Angeles College Preparatory School (KLAP) - #531  
KIPP Raices Academy (KRA) - #1010  
KIPP Comienza Community Prep (KCCP) - #1196  
KIPP Empower Academy (KEA) - #1195  
KIPP Scholar Academy (KSA) - #1377  
KIPP Philosophers Academy (KPA) - #1378  
KIPP Sol Academy (KSOL) - #1379  
KIPP Iluminar Academy (KIA) - #1508  
KIPP Academy of Innovation (KAI) - #1586  
KIPP Vida Preparatory Academy (KVPA) - #1587  
KIPP Promesa Preparatory (KPP) - #1721  
KIPP Ignite Academy (KIG) - #1720  
KIPP Corazon Academy (KCA) - #1855  
KIPP Compton Community School (KCCS) - #1996  
KIPP Pueblo Unido (KPU) - #2041**



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CONSULTING**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
KIPP SoCal Public Schools  
Los Angeles, California

### **Report on the Financial Statements**

We have audited the accompanying consolidating financial statements of KIPP SoCal Public Schools (KIPP SoCal), a California nonprofit public benefit corporation, which comprise the consolidating statement of financial position as of June 30, 2019, and the related consolidating statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidating financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement. The audit of the consolidated entity, KLARE Holdings was not performed in accordance with *Government Auditing Standards*.

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

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

**Opinion**

In our opinion, the consolidating financial statements referred to on page one present fairly, in all material respects, the financial position of as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on KIPP SoCal's consolidating financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The other accompanying supplementary schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 consolidating 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 consolidating financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2019 on our consideration of KIPP SoCal's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on KIPP SoCal's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP SoCal's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Glendora, California  
November 21, 2019

**KIPP SoCAL PUBLIC SCHOOLS**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

	KIPP SoCal Public Schools	KLARE	Eliminations	Consolidated Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 33,347,254	\$ 2,472,877	\$ -	\$ 35,820,131
Investments	21,502,655	-	-	21,502,655
Restricted cash and cash equivalents	-	54,439,516	-	54,439,516
Accounts receivable - federal and state	10,851,689	-	-	10,851,689
Accounts receivable - other	661,911	1,019,452	(1,019,452)	661,911
Contributions receivable, current portion	275,000	-	-	275,000
Intercompany receivable	17,391,056	645,328	(18,036,384)	-
Prepaid expenses and other assets	318,465	310,000	-	628,465
Total current assets	<u>84,348,030</u>	<u>58,887,173</u>	<u>(19,055,836)</u>	<u>124,179,367</u>
<b>LONG-TERM ASSETS</b>				
Restricted cash and cash equivalents	-	4,233,690	-	4,233,690
Restricted investments	-	3,738,563	-	3,738,563
Investments	1,947,788	-	-	1,947,788
Contributions receivable, net of current portion	805,035	-	-	805,035
Security deposits	252,779	71,277	-	324,056
Intercompany notes receivable	5,400,000	-	(5,400,000)	-
Property, plant, and equipment, net	3,132,575	116,120,770	-	119,253,345
Total long-term assets	<u>11,538,177</u>	<u>124,164,300</u>	<u>(5,400,000)</u>	<u>130,302,477</u>
Total assets	<u>\$ 95,886,207</u>	<u>\$ 183,051,473</u>	<u>\$ (24,455,836)</u>	<u>\$ 254,481,844</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable - federal and state	\$ 1,279,557	\$ -	\$ -	\$ 1,279,557
Accounts payable - other	2,040,065	1,804,458	-	3,844,523
Accrued liabilities	3,386,575	3,935,910	(1,019,452)	6,303,033
Deferred revenue	267,169	-	-	267,169
Bonds payable, current portion	-	1,775,000	-	1,775,000
Intercompany payable	645,328	17,391,056	(18,036,384)	-
Total current liabilities	<u>7,618,694</u>	<u>24,906,424</u>	<u>(19,055,836)</u>	<u>13,469,282</u>
<b>LONG-TERM LIABILITIES</b>				
Intercompany notes payable	-	5,400,000	(5,400,000)	-
Grant fund reserve payable	-	516,000	-	516,000
Bonds payable, net current portion	-	151,568,682	-	151,568,682
Total long-term liabilities	<u>-</u>	<u>157,484,682</u>	<u>(5,400,000)</u>	<u>152,084,682</u>
Total liabilities	7,618,694	182,391,106	(24,455,836)	165,553,964
<b>NET ASSETS</b>				
Without Donor Restriction	84,424,842	660,367	-	85,085,209
With Donor Restriction	3,842,671	-	-	3,842,671
Total net assets	<u>88,267,513</u>	<u>660,367</u>	<u>-</u>	<u>88,927,880</u>
Total liabilities and net assets	<u>\$ 95,886,207</u>	<u>\$ 183,051,473</u>	<u>\$ (24,455,836)</u>	<u>\$ 254,481,844</u>

See accompanying Notes to Consolidating Financial Statements.

**KIPP SOCAL PUBLIC SCHOOLS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	KIPP SoCal Public Schools	KLARE	Eliminations	Consolidated Total
<b>REVENUES, WITHOUT DONOR RESTRICTION</b>				
State Revenue:				
Local Funding Formula Sources	\$ 71,138,735	\$ -	\$ -	\$ 71,138,735
Other State Revenue	15,887,191	-	-	15,887,191
Federal Revenue:				
Grants and Entitlements	8,707,222	-	-	8,707,222
Local Revenue:				
Contributions	12,705,022	-	-	12,705,022
Other Revenue	698,091	8,334,960	(8,302,253)	730,798
Interest and Investment Income	783,631	382,452	-	1,166,083
Total Revenues, Without Donor Restriction	<u>109,919,892</u>	<u>8,717,412</u>	<u>(8,302,253)</u>	<u>110,335,051</u>
Net Assets Released from Restriction	<u>1,428,141</u>	<u>-</u>	<u>-</u>	<u>1,428,141</u>
Total Revenues, Without Donor Restriction and Net Assets Released from Restriction	111,348,033	8,717,412	(8,302,253)	111,763,192
<b>EXPENSES</b>				
Program Services Expense:				
Educational Programs	89,933,849	6,829,091	(8,302,253)	88,460,687
Support Services Expense:				
Management and General	13,921,569	26,107	-	13,947,676
Fundraising and Development	1,689,977	-	-	1,689,977
Total Expenses	<u>105,545,395</u>	<u>6,855,198</u>	<u>(8,302,253)</u>	<u>104,098,340</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>	5,802,638	1,862,214	-	7,664,852
<b>NET ASSETS WITH DONOR RESTRICTION</b>				
Investment Return	148,097	-	-	148,097
Net Assets Released from Restriction	<u>(1,428,141)</u>	<u>-</u>	<u>-</u>	<u>(1,428,141)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>	<u>(1,280,044)</u>	<u>-</u>	<u>-</u>	<u>(1,280,044)</u>
<b>CHANGE IN NET ASSETS</b>	4,522,594	1,862,214	-	6,384,808
Net Assets, Beginning of Year	<u>83,744,919</u>	<u>(1,201,847)</u>	<u>-</u>	<u>82,543,072</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 88,267,513</u>	<u>\$ 660,367</u>	<u>\$ -</u>	<u>\$ 88,927,880</u>

See accompanying Notes to Consolidating Financial Statements.

**KIPP SOCAL PUBLIC SCHOOLS  
CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

	KIPP SoCal Public Schools	KLARE	Eliminations	Consolidated Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in Net Assets	\$ 4,522,594	\$ 1,862,214	\$ -	\$ 6,384,808
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:				
Depreciation	613,674	2,559,012	-	3,172,686
Investment Return	(670,042)	(57,479)	-	(727,521)
Bond Premium and Issue Cost Amortization	-	(251,743)	-	(251,743)
(Increase) and Decrease in Operating Assets				
Accounts Receivable - Federal and State	(2,485,580)	-	-	(2,485,580)
Accounts Receivable - Other	98,307	(215,173)	-	(116,866)
Contributions Receivable	1,337,196	-	-	1,337,196
Intercompany Receivable	(11,112,115)	(99,768)	11,211,883	-
Prepaid Expenses	253,759	303,500	-	557,259
Security Deposit	110,120	-	-	110,120
Increase and (Decrease) in Operating Liabilities:				
Accounts Payable - Federal and State	1,050,202	-	-	1,050,202
Accounts Payable - Other	(316,600)	(1,824,428)	-	(2,141,028)
Accrued Liabilities	1,635,323	(171,473)	-	1,463,850
Deferred Revenue	(256,083)	-	-	(256,083)
Intercompany Payable	99,768	11,112,115	(11,211,883)	-
Net Cash Provided (Used) by Operating Activities	(5,119,477)	13,216,777	-	8,097,300

See accompanying Notes to Consolidating Financial Statements.



**KIPP SOCAL PUBLIC SCHOOLS  
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

	KIPP SoCal Public Schools	KLARE	Eliminations	Consolidated Total
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	\$ (16,222,300)	\$ (3,729,839)	\$ -	\$ (19,952,139)
Sale of investments	16,223,550	3,762,432	-	19,985,982
Purchases of Property, Plant, and Equipment	(1,461,304)	(42,039,011)	-	(43,500,315)
Net Cash Used by Investing Activities	(1,460,054)	(42,006,418)	-	(43,466,472)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Debt Issuance Costs	-	(922,599)	-	(922,599)
Payments on Notes Payable	(166,666)	-	-	(166,666)
Proceeds from Bonds Payable	-	29,034,136	-	29,034,136
Payments on Bonds Payable	-	(1,050,000)	-	(1,050,000)
Net Cash Provided (Used) by Financing Activities	(166,666)	27,061,537	-	26,894,871
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(6,746,197)	(1,728,104)	-	(8,474,301)
Cash and Cash Equivalents - Beginning of Year	40,093,451	4,200,981	-	44,294,432
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 33,347,254</u>	<u>\$ 2,472,877</u>	<u>\$ -</u>	<u>\$ 35,820,131</u>

See accompanying Notes to Consolidating Financial Statements.

**KIPP SOCAL PUBLIC SCHOOLS  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	KIPP SoCal Public Schools				KLARE			Eliminations	Total Expenses
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Total Expenses		
Salaries and Wages	\$ 44,936,527	\$ 7,479,791	\$ 868,993	\$ 53,285,311	\$ -	\$ -	\$ -	\$ -	\$ 53,285,311
Pension Expense	1,231,031	257,100	30,458	1,518,589	-	-	-	-	1,518,589
Other Employee Benefits	4,711,669	951,408	112,063	5,775,140	-	-	-	-	5,775,140
Payroll Taxes	3,378,540	565,403	64,134	4,008,077	-	-	-	-	4,008,077
Management Fees	-	722,136	-	722,136	-	-	-	-	722,136
Legal Expenses	-	85,370	-	85,370	-	5,640	5,640	-	91,010
Accounting Expenses	-	91,596	-	91,596	-	20,467	20,467	-	112,063
Other Fees for Services	5,999,971	1,060,618	3,849	7,064,438	16,750	-	16,750	-	7,081,188
Advertising and Promotion	74,012	742,099	132,998	949,109	-	-	-	-	949,109
Office Expenses	1,286,597	153,960	7,396	1,447,953	19,338	-	19,338	-	1,467,291
Information Technology	1,259,531	312,673	42,680	1,614,884	-	-	-	-	1,614,884
Occupancy Expenses	14,274,229	187,328	25,570	14,487,127	716,187	-	716,187	(8,302,253)	6,901,061
Travel Expenses	479,377	89,588	12,229	581,194	-	-	-	-	581,194
Conferences and Meetings	692,429	120,376	16,431	829,236	-	-	-	-	829,236
Interest Expense	-	416	-	416	3,379,819	-	3,379,819	-	3,380,235
Depreciation	593,488	17,763	2,425	613,676	2,559,012	-	2,559,012	-	3,172,688
Insurance Expense	-	275,731	-	275,731	51	-	51	-	275,782
Instructional Materials	4,990,621	-	-	4,990,621	-	-	-	-	4,990,621
Other Expenses	6,025,827	808,213	370,751	7,204,791	137,934	-	137,934	-	7,342,725
Subtotal	89,933,849	13,921,569	1,689,977	105,545,395	6,829,091	26,107	6,855,198	(8,302,253)	104,098,340
Eliminations	(8,302,253)	-	-	(8,302,253)	-	-	-	8,302,253	-
Total Functional Expenses	<u>\$ 81,631,596</u>	<u>\$ 13,921,569</u>	<u>\$ 1,689,977</u>	<u>\$ 97,243,142</u>	<u>\$ 6,829,091</u>	<u>\$ 26,107</u>	<u>\$ 6,855,198</u>	<u>\$ -</u>	<u>\$ 104,098,340</u>

See accompanying Notes to Consolidating Financial Statements.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

KIPP SoCal Public Schools (KIPP SoCal), formerly KIPP LA Schools, was organized in July 2008 as a nonprofit corporation under the laws of the state of California for the purpose of operating public charter schools. KIPP SoCal currently manages 16 charter schools: KIPP Academy of Opportunity, KIPP Los Angeles College Preparatory, KIPP Raíces Academy, KIPP Comienza Community Prep, KIPP Empower Academy, KIPP Scholar Academy, KIPP Philosophers Academy, KIPP Sol Academy, KIPP Iluminar Academy, KIPP Academy of Innovation, KIPP Vida Preparatory Academy, KIPP Promesa Preparatory, KIPP Ignite Academy, KIPP Corazon Academy, KIPP Compton Community School, and KIPP Pueblo Unido. All 16 charter schools have charters approved by the state of California Department of Education through the Los Angeles Unified School District and the Compton Unified School District. KIPP SoCal is a participant in the “Knowledge is Power Program” (KIPP). KIPP SoCal charter schools are economically dependent on state and federal funding.

In addition to its schools, KIPP SoCal operates KIPP SoCal School Success Team (SST), which is designed to provide operational, financial, fundraising, advocacy and facilities services to its charter schools, allowing School Leaders to focus their efforts on instructional leadership. Additionally, the SST leads region-wide sharing best practices, data analysis and academic support, as well as oversight and accountability to ensure all schools and the region meet all state, local, and federal regulatory requirements. These financial statements also include KLARE Holdings (KLARE), a wholly owned nonprofit corporation, which was formed to finance, develop, lease, and maintain certain school facilities for the exclusive support of KIPP SoCal.

**Net Assets Classes**

Net assets, revenues, gains, and losses 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 governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*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.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets Classes (continued)**

KIPP SoCal's net assets consisted of the following at June 30, 2019:

Net Assets Without Donor Restrictions	
Undesignated	\$ 85,085,209
Total Net Assets Without Donor Restrictions	<u>\$ 85,085,209</u>
Net Assets With Donor Restrictions	
Time Restrictions	
Contributions Receivable	\$ 1,080,035
Subject to Specific Purpose	
Karsh Family Teacher Recognition Fund	2,762,636
Total Net Assets With Donor Restrictions	<u>\$ 3,842,671</u>

**Revenue Recognition**

Amounts received from the California Department of Education are recognized as revenue by KIPP SoCal based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

All retained endowment earnings associated with donor-restricted assets are classified as with donor restriction until appropriated for expenditure, even if those earnings are not restricted by the donor.

**Cash and Cash Equivalents**

KIPP SoCal defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**Investments**

In accordance with FASB *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, KIPP SoCal reports its investments in marketable securities and other investments at fair value. In addition, ASC 820 affects how KIPP SoCal measures the fair value of investments in certain entities that do not have a quoted market price but calculate net assets value (NAV) per share or its equivalent. As a practical expedient, the guidance permits, but does not require, KIPP SoCal to measure the fair value of an investment in an investee within the scope of the amendments based on the investee's NAV per share or its equivalent. As a result of applying the practical expedient, the fair value of KIPP SoCal's investments with California Community Foundation (CCF) was determined based on the NAV. See note 5 for the fair market value of KIPP SoCal's investments as of June 30, 2019.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

KIPP SoCal's investment return for the year ended June 30, 2019 was as follows:

Realized and Unrealized Gain (Loss)	\$ 310,674
Interest and Dividends	454,001
Management Fees	<u>(37,154)</u>
Total Investment Return	<u><u>\$ 727,521</u></u>

**Use of Estimates**

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

**Basis of Accounting**

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

**Functional Allocation of Expenses**

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

**Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Contributions Receivable**

Unconditional promises to give expected to be received in one year or less are recorded as contributions receivable at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded as contributions receivable at fair market value at the date of the promise.

**Accounts Receivables**

Accounts receivable represent amounts due from organizations and the state and federal government based on contractual agreements or amounts billed but not received as of June 30, 2019. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets. KIPP SoCal capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2019 was \$3,172,686.

**Consolidation**

The consolidating financial statements include the accounts of KIPP SoCal and its wholly owned subsidiary, KLARE Holdings, a California nonprofit public benefit corporation formed exclusively to support KIPP SoCal, and its single member limited liability company subsidiaries: KLA 2810 Whittier, LLC; 668 Atlantic, LLC; SOLA School 1, LLC; ChaMed, LLC; West51, LLC; Budnon LLC; SOLA 2, LLC; SeLA, LLC; BH Soto, LLC; Curiosity RE, LLC; Gratitude RE, LLC; Optimism RE, LLC; Zest RE, LLC; Grit RE, LLC; KLARE 15, LLC; KLARE 16, LLC; KLARE 17, LLC; KLARE 18, LLC; KLARE 19, LLC; and KLARE 20, LLC. All material intercompany transactions have been eliminated.

**Income Taxes**

KIPP SoCal is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes.

KIPP SoCal has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. KIPP SoCal is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. KIPP SoCal files and exempt return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. KIPP SoCal has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

**Subsequent Events**

All events subsequent to the statement of financial position date of June 30, 2019 through November 21, 2019, which is the date these financial statements were available to be issued, have been evaluated in accordance with accounting principles generally accepted in the United States of America.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and grants receivable for the total amount of \$68,836,386.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short term investments, CDs, and money market funds.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

KIPP SoCal maintains its interest-bearing cash in bank deposit accounts at various institutions. KIPP SoCal occasionally has a need to maintain a cash balance with a single financial institution in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC). KIPP SoCal has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable primarily consists of funds due from state and federal governments, and private grants receivable. All amounts are considered collectible; therefore, no provisions for uncollectible accounts were recorded.

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give expected to be received in one year or less are recorded as contributions receivable at net realizable value, which approximates fair market value. Unconditional promises to give expected to be received after one year are recorded as contributions receivable at fair value using estimated future cash flows discounted by rates ranging from 1.45% to 2.53%. At June 30, 2019, KIPP SoCal had contributions receivable expected to be received in the following periods:

In One Year or Less	\$ 275,000
Between One and Five Years	<u>850,000</u>
Total Gross Contributions Receivable	1,125,000
Less: Discount on Contributions Receivable	<u>(44,965)</u>
Net Contributions Receivable	<u><u>\$ 1,080,035</u></u>

KIPP SoCal also has conditional pledges not recorded in these financial statements totaling up to \$9,950,165 expected to be paid over the next five years.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 FAIR VALUE MEASUREMENTS**

KIPP SoCal has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy:

*Level 1* – quoted prices in an active market for identical assets.

*Level 2* – quoted prices for similar assets and market-corroborated inputs.

*Level 3* – KIPP SoCal's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The fair market value of KIPP SoCal's investments as of June 30, 2019 was as follows:

	Fair Value Measurement 2019	
	Total	Level 1
U.S. Treasury Certificates Restricted for Bond Reserves	\$ 3,738,563	\$ 3,738,563
U.S. Treasury Securities	14,592,304	14,592,304
Corporate Bonds	6,092,823	6,092,823
Certificates of Deposit	-	-
Total Investments Carried at Fair Market Value (FMV)	24,423,690	\$ 24,423,690
CCF Endowment Pool:		
Karsh Family Teacher Recognition Fund - Carried at NAV	2,762,636	
Total Investments	\$ 27,186,326	

The CCF Endowment Pool investment objectives are long-term growth and appreciation while providing a relatively predictable stream of distributions that keep pace with inflation over time. The investment allocation is 50% equities, 14% hedge funds, 22% fixed-income, and 14% real assets. Investment management fees are 66 basis points and there are no unfunded commitments, redemption period, or notice period.

The fair market value of bonds payable with fixed interest rates is based on rates assumed to be currently available for bond issues with similar terms and average maturities. As of June 30, 2019 the carrying amounts of bonds payable approximated the estimated fair market value.



**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 PROPERTY, PLANT, AND EQUIPMENT**

KIPP SoCal's property, plant, and equipment as June 30, 2019 consisted of the following:

	KIPP SoCal Schools	KLARE	Total
Construction in Progress	\$ 142,973	\$ 8,519,613	\$ 8,662,586
Land	-	31,407,229	31,407,229
Buildings	-	76,494,573	76,494,573
Leasehold Improvements	2,299,583	7,780,232	10,079,815
Furniture and Equipment	2,848,298	1,081,821	3,930,119
Total Property, Plant, and Equipment	5,290,854	125,283,468	130,574,322
Less: Accumulated Depreciation	(2,158,279)	(9,162,698)	(11,320,977)
Property, Plant, and Equipment, Net	<u>\$ 3,132,575</u>	<u>\$ 116,120,770</u>	<u>\$ 119,253,345</u>

**NOTE 8 NOTES PAYABLE**

In October 2012, KIPP SoCal obtained a \$500,000 loan from the KIPP Foundation to help fund the opening of KIPP Scholar Academy and KIPP Philosophers Academy. This loan carries a 1% interest rate and interest payments are due annually. This loan was paid off during the year ended June 30, 2019.

**NOTE 9 BONDS PAYABLE**

**Series 2014 A&B**

In June 2014, KLARE obtained financing through the California School Finance Authority (CSFA). The amount loaned to KLARE was \$28,725,000 to be applied to the construction, rehabilitation, and acquisition of educational facilities. The bonds are considered unconditional general obligations of KLARE, secured by a pledge of certain gross revenues and deeds of trust on the SoLA School 1, LLC, ChaMed, LLC, and KLA 2810 Whittier, LLC properties. The loan agreement requires KLARE to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 4.125% to 5.125%.

**Series 2015 A&B**

In September 2015, KLARE obtained financing through the CSFA. The amount loaned to KLARE was \$27,790,000 to be applied to the construction, rehabilitation, and acquisition of educational facilities. The bonds are considered unconditional general obligations of KLARE, secured by a pledge of certain gross revenues and deeds of trust on facilities owned by SOLA 2, LLC, West51, LLC, Budnon, LLC and 668 Atlantic LLC. The loan agreement requires KLARE to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 3.25% to 5%.

**Series 2017 A**

In August 2017, KLARE obtained financing through the CSFA. The amount loaned to KLARE was \$40,750,000 to be applied to the construction, rehabilitation, and acquisition of educational facilities.

**KIPP SOCIAL PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 BONDS PAYABLE (CONTINUED)**

The bonds are considered unconditional general obligations of KLARE, secured by a pledge of certain gross revenues and deeds of trust on facilities owned by BH Soto LLC, Curiosity RE LLC, and SeLA LLC. The loan agreement requires KLARE to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 4% to 5%.

**Series 2019 A**

In June 2019, KLARE obtained financing through the CSFA. The amount loaned to KLARE was \$47,715,000 to be applied to the construction, rehabilitation, and acquisition of educational facilities. The bonds are considered unconditional general obligations of KLARE, secured by a pledge of certain gross revenues and deeds of trust on facilities owned by 668 Atlantic LLC, Curiosity RE LLC, BH Soto LLC, Budnon LLC, Gratitude RE LLC, Grit RE LLC, Zest RE LLC, and SeLA LLC. The loan agreement requires KLARE to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear an interest rate of 5% per year.

**All Bond Series Issues**

For the 2014, 2015 and 2017 bonds, KLARE is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement which is calculated as the least of (a) 10% of the proceeds from the bonds (b) maximum annual debt service with respect to the bonds outstanding, (c) 125% of average annual debt service with respect to the bonds or (d) the last bond year only, the total debt service with respect to the bonds outstanding. For the 2019 bond, KLARE is required to maintain in a bond reserve cash account an amount equal to .50 times the maximum combined amount of principal and interest payable on the bond during the current or future bond year. The total reserve requirement as of June 30, 2019 is \$7,901,738.

Each June 25th and December 25th KLARE must deposit for credit to the bond revenue account an amount sufficient to pay principal and interest payable on the next ensuing payment date.

Bonds Payable are reported on the statement of financial position at a premium of \$13,962,095. The premium is being amortized over the life of the bonds. \$510,565 of amortization of the bond premium was recorded against interest expense for the year ended June 30, 2019.

In connection with the issuance of bonds as described above, KLARE incurred certain costs which are capitalized and amortized to interest expense over the term of the related debt or written-off to expense if the bonds are redeemed. These costs are netted against the associated debt on the statement of financial position. Amortization costs for the year ended June 30, 2019 and unamortized issue costs as of June 30, 2019 were \$258,822 and \$3,048,413, respectively.

A portion of the bonds are subject to early redemption at the option of KLARE on any date after July 1, 2024 together with accrued interest.

**KIPP SOCAL PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 BONDS PAYABLE (CONTINUED)**

**Grant Fund Reserve Payable**

KLARE received \$516,000 from the CSFA Charter School Facilities Credit Enhancement Grant Program (the Program) to fund part of the primary debt service reserve for the Bonds Series 2014A&B. The Program funds must be returned to CSFA when they are no longer needed to support the bond reserve, upon full maturity of the Series 2014A&B bonds or defeasance of the bonds prior to maturity, or if a charter school ceases operation of the facility.

Future maturities of bond payable are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 1,775,000
2021	1,840,000
2022	1,910,000
2023	2,590,000
2024	2,695,000
Thereafter	<u>131,620,000</u>
Total Future Maturities	142,430,000
Bond Premium	13,962,095
Unamortized Issue Costs	<u>(3,048,413)</u>
Total Bonds Payable	<u><u>\$ 153,343,682</u></u>

**NOTE 10 RESTRICTED CASH AND CASH EQUIVALENTS**

KIPP SoCal's restricted cash and cash equivalents as June 30, 2019 consisted of the following:

Restricted Bond Accounts:	
Facility Projects	\$ 32,315,592
Philosophers Academy Construction Fund	14,020,000
Bond Reserve	4,233,690
Interest	5,226,398
Repair and Replacement Reserve	925,468
Revenue Fund	138,349
Sinking Account	1,090,000
Principal Account	685,000
COI Fund	34,440
CSFA Restricted Grant for Debt Service Fund	<u>4,269</u>
Total Restricted Cash and Cash Equivalents	<u><u>\$ 58,673,206</u></u>

**NOTE 11 SUPPLEMENTAL CASH FLOW DISCLOSURES**

Cash paid for interest (net of capitalized interest) for the year ended June 30, 2019 amounted to \$3,658,346. \$1,000,225 of interest was capitalized for the year ended June 30, 2019.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12 EMPLOYEE RETIREMENT 401(K) PLAN**

KIPP SoCal has a 401(k) defined contribution plan for those employees who meet the eligibility criteria set forth in the plan. KIPP SoCal matches employee contributions based upon criteria set forth in the plan up to 6% of compensation. Contributions to the plan for the year ended June 30, 2019 totaled \$1,112,121.

**STRS and PERS**

Qualified employees of KIPP Los Angeles College Preparatory (KLAP) are covered under multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the California State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (PERS).

The risks of participating in these multi-employer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law and the Public Employees' Retirement Law, and (c) if KIPP SoCal chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. KIPP SoCal has no plans to withdraw from these multi-employer plans.

**State Teachers' Retirement System (STRS)**

**Plan Description**

KIPP SoCal contributes to the California State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State Statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018, total STRS plan net assets are \$225 billion, the total actuarial present value of accumulated plan benefits is \$374 billion, contributions from all employers totaled \$4.9 billion, and the plan is 64% funded. KIPP SoCal did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 100 Waterfront PI, West Sacramento, CA 95605, and [www.calstrs.com](http://www.calstrs.com).

**Funding Policy**

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.205% of their salary. KIPP SoCal is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established and may be amended by State Statute.

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)**

**State Teachers' Retirement System (STRS)**

Funding Policy (continued)

Starting in 2021-2022, the funding plan provides the board limited authority to adjust the employer contribution rate, if necessary, to fully fund the remaining unfunded liability by 2046. Those adjustments are limited to 1 percent annually, not to exceed 20.25 percent of creditable compensation.

**Public Employees' Retirement System (PERS)**

Plan Description

KIPP SoCal contributes to the School Employer Pool under the California Public Employees' Retirement System (PERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by PERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Comprehensive Annual Financial Report for the year ended June 30, 2018, the School Employer Pool total plan assets are \$69.4 billion, the total pension liability is \$91.5 billion, contributions from all employers totaled \$2.1 billion, and the plan is 70.8% funded. KIPP SoCal did not contribute more than 5% of the total contributions to the plan.

Copies of the PERS' annual financial reports may be obtained from the PERS Executive Office, 400 Q Street, Sacramento, CA 95811, and [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Public Employees' Retirement System (PERS)**

Funding Policy

Active plan members brought into PERS membership both before and subsequent to January 1, 2013 are required to contribute 7.00% of their salary. KIPP SoCal is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2019 was 18.062%. The contribution requirements of the plan members are established and may be amended by State Statute.

**Contribution to STRS and PERS**

<u>Year Ending June 30.</u>	<u>STRS Required Contribution</u>	<u>STRS Percent Contributed</u>	<u>PERS Required Contribution</u>	<u>PERS Percent Contributed</u>
2017	\$ 333,010	100 %	\$ 34,608	100 %
2018	\$ 288,254	100 %	\$ 24,525	100 %
2019	\$ 344,296	100 %	\$ 29,245	100 %

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13 OPERATING LEASES**

KIPP SoCal has operating leases for the school sites and office space. Applicable accounting standards require KIPP SoCal to record lease expense on a straight-line basis for those leases that have fluctuating payments throughout the lease term. Accordingly, rent expense will differ from actual rent payments made. Rent expense and actual rent payments (net of eliminations) for the year ended June 30, 2019 were \$3,554,520 and \$3,635,956, respectively.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 2,095,007
2021	1,328,106
2022	1,218,266
2023	970,838
2024	725,566
Thereafter	<u>18,509,527</u>
Total	<u><u>\$ 24,847,310</u></u>

**NOTE 14 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries for administrative functions which were allocated based on estimates of time and effort. Benefits, pension expenses, payroll taxes, certain professional services, office expenses, information technology, occupancy, depreciation, travel, conferences and meetings, and special event expenses, were allocated based on salary distribution ratios between program, management and general, and fundraising.

**NOTE 15 CONTINGENCIES**

KIPP SoCal has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

**NOTE 16 SUBSEQUENT EVENTS**

In August 2019, KIPP SoCal opened KIPP Pueblo Unido (KPU) authorized by the Los Angeles Unified School District in May 2019.

KIPP SoCal Public Schools (formerly KIPP LA Schools) merged with KIPP San Diego effective July 1, 2019.

**SUPPLEMENTARY INFORMATION**

**KIPP SOCAL PUBLIC SCHOOLS  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2019**

KIPP SoCal Public Schools is a California nonprofit public benefit corporation and operates 16 charter schools as follows:

Approved by the Los Angeles Unified School District:

- KIPP Academy of Opportunity (charter number 530) established in 2002.
- KIPP Los Angeles College Prep (charter number 531) established in 2002.
- KIPP Raíces Academy (charter number 1010) established in 2008.
- KIPP Comienza Community Prep (charter number 1196) established in 2010.
- KIPP Empower Academy (charter number 1195) established in 2010.
- KIPP Scholar Academy (charter number 1377) established in 2012.
- KIPP Philosophers Academy (charter number 1378) established in 2012.
- KIPP Sol Academy (charter number 1379) established in 2013.
- KIPP Illuminar Academy (charter number 1508) established in 2013.
- KIPP Academy of Innovation (charter number 1586) established in 2014.
- KIPP Vida Preparatory Academy (charter number 1587) established in 2014.
- KIPP Promesa Preparatory (charter number 1721) established in 2015.
- KIPP Ignite Academy (charter number 1720) established in 2015.
- KIPP Corazon Academy (charter number 1855) established in 2017.
- KIPP Pueblo Unido (charter number 2041) established in 2019  
(began serving students in the fall of 2019)

Approved by the Compton Unified School District:

- KIPP Compton Community School (charter number 1996) established in 2018.



**KIPP SOCAL PUBLIC SCHOOLS  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

The Board of Directors and the Administrators as of the year ended June 30, 2019 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires (3 year term)</u></b>
Frank Reddick	Chair	June 2020
Julie Miller	Secretary	June 2022
Norma Parraz	Member	June 2022
Randy Bishop	Member	June 2022
Mel Carlisle	Member	June 2020
Josh Goldin	Member	June 2019
Philip Feder	Member	June 2022
Lynn Jacobson	Member	June 2022
E.J. Kavounas	Member	June 2020
Luis Rodriguez	Member	June 2019
Carlos Bermudez	Member	June 2022
Margaret Armona	Member	June 2022
Heather Lord	Member	June 2021
Mike Montoya	Member	June 2022

**ADMINISTRATORS**

Marcia Aaron	Chief Executive Officer
Angella Martinez	Chief Academic Officer
Kyle Salyer	Chief Financial Officer

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2019**

	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
KIPP Academy of Opportunity				
Grade 5	54,000	77,740	181	In compliance
Grade 6	54,000	66,297	181	In compliance
Grade 7	54,000	74,090	181	In compliance
Grade 8	54,000	74,090	181	In compliance
KIPP LA Prep				
Grade 5	54,000	63,850	181	In compliance
Grade 6	54,000	76,020	181	In compliance
Grade 7	54,000	76,020	181	In compliance
Grade 8	54,000	76,020	181	In compliance
KIPP Raices Academy				
Kindergarten	36,000	63,450	180	In compliance
Grade 1	50,400	63,685	180	In compliance
Grade 2	50,400	61,485	180	In compliance
Grade 3	50,400	63,910	180	In compliance
Grade 4	54,000	64,100	180	In compliance
KIPP Comienza Community Prep				
Kindergarten	36,000	67,945	179	In compliance
Grade 1	50,400	66,370	178	In compliance
Grade 2	50,400	66,370	178	In compliance
Grade 3	50,400	66,370	178	In compliance
Grade 4	54,000	66,370	178	In compliance
Grade 5	54,000	73,834	179	In compliance
Grade 6	54,000	73,564	178	In compliance
Grade 7	54,000	73,564	178	In compliance
KIPP Empower Academy				
Kindergarten	36,000	15,615	181	Out of compliance
Grade 1	50,400	63,385	181	In compliance
Grade 2	50,400	20,298	180	Out of compliance
Grade 3	50,400	63,385	180	In compliance
Grade 4	54,000	63,385	180	In compliance
KIPP Scholar Academy				
Grade 5	54,000	75,060	180	In compliance
Grade 6	54,000	62,553	180	In compliance
Grade 7	54,000	62,790	180	In compliance
Grade 8	54,000	74,937	180	In compliance
KIPP Philosophers Academy				
Grade 5	54,000	75,520	180	In compliance
Grade 6	54,000	75,520	180	In compliance
Grade 7	54,000	63,385	180	In compliance
Grade 8	54,000	75,520	180	In compliance

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
<b>KIPP Sol Academy</b>				
Grade 5	54,000	72,374	180	In compliance
Grade 6	54,000	70,290	180	In compliance
Grade 7	54,000	70,344	180	In compliance
Grade 8	54,000	70,344	180	In compliance
<b>KIPP Illuminar Academy</b>				
Kindergarten	36,000	64,840	181	In compliance
Grade 1	50,400	62,655	180	In compliance
Grade 2	50,400	6,010	180	Out of compliance
Grade 3	50,400	60,655	180	In compliance
Grade 4	54,000	5,345	180	Out of compliance
<b>KIPP Academy of Innovation</b>				
Grade 5	54,000	71,475	179	In compliance
Grade 6	54,000	70,655	178	In compliance
Grade 7	54,000	70,655	178	In compliance
Grade 8	54,000	66,845	178	In compliance
<b>KIPP Vida Preparatory Academy</b>				
Kindergarten	36,000	67,270	180	In compliance
Grade 1	50,400	67,055	180	In compliance
Grade 2	50,400	66,825	180	In compliance
Grade 3	50,400	65,915	180	In compliance
Grade 4	54,000	65,955	180	In compliance
<b>KIPP Ignite Academy</b>				
Kindergarten	36,000	36,380	180	In compliance
Grade 1	50,400	65,160	180	In compliance
Grade 2	50,400	10,520	180	Out of compliance
Grade 3	50,400	65,320	180	In compliance
<b>KIPP Promesa Preparatory</b>				
Kindergarten	36,000	63,045	180	In compliance
Grade 1	50,400	59,905	180	In compliance
Grade 2	50,400	63,215	180	In compliance
Grade 3	50,400	63,215	180	In compliance
<b>KIPP Corazon Academy</b>				
Kindergarten	36,000	67,945	179	In compliance
Grade 1	50,400	66,370	178	In compliance
Grade 2	50,400	66,370	178	In compliance
Grade 4	54,000	61,473	179	In compliance
Grade 5	54,000	69,153	179	In compliance
<b>KIPP Compton Community School</b>				
Kindergarten	36,000	63,265	180	In compliance

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCIAL PUBLIC SCHOOLS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2019**

	Second Period Report		Annual Report	
	Classroom	Total	Classroom	Total
KIPP Academy of Opportunity				
Grades 4 - 6	203.04	203.04	200.79	200.79
Grades 7 - 8	175.14	175.14	173.82	173.82
Total	378.18	378.18	374.61	374.61
KIPP LA Prep				
Grades 4 - 6	261.56	261.56	261.21	261.21
Grades 7 - 8	232.32	232.32	231.95	231.95
Total	493.88	493.88	493.16	493.16
KIPP Raíces Academy				
TK/K - 3	441.90	441.90	441.27	441.27
Grades 4 - 6	106.22	106.22	106.04	106.04
Total	548.12	548.12	547.31	547.31
KIPP Comienza Community Prep				
TK/K - 3	446.35	446.35	445.68	445.68
Grades 4 - 6	341.04	341.04	339.61	339.61
Grades 7 - 8	106.46	106.46	105.82	105.82
Total	893.85	893.85	891.11	891.11
KIPP Empower Academy				
TK/K - 3	433.97	433.97	430.91	430.91
Grades 4 - 6	106.37	106.37	105.72	105.72
Total	540.34	540.34	536.63	536.63
KIPP Scholar Academy				
Grades 4 - 6	180.48	180.48	179.86	179.86
Grades 7 - 8	177.77	177.77	177.16	177.16
Total	358.25	358.25	357.02	357.02
KIPP Philosophers Academy				
Grades 4 - 6	114.40	114.40	113.14	113.14
Grades 7 - 8	179.63	179.63	178.07	178.07
Total	294.03	294.03	291.21	291.21

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

	Second Period Report		Annual Report	
	Classroom	Total	Classroom	Total
KIPP Sol Academy				
Grades 4 - 6	256.07	256.07	254.96	254.96
Grades 7 - 8	232.13	232.13	231.26	231.26
Total	<u>488.20</u>	<u>488.20</u>	<u>486.22</u>	<u>486.22</u>
KIPP Illuminar Academy				
TK/K - 3	436.82	436.82	436.54	436.54
Grades 4 - 6	103.31	103.31	103.42	103.42
Total	<u>540.13</u>	<u>540.13</u>	<u>539.96</u>	<u>539.96</u>
KIPP Vida Preparatory Academy				
TK/K - 3	411.82	411.82	411.64	411.64
Grades 4 - 6	95.06	95.06	94.28	94.28
Total	<u>506.88</u>	<u>506.88</u>	<u>505.92</u>	<u>505.92</u>
KIPP Academy of Innovation				
Grades 4 - 6	253.76	253.76	252.35	252.35
Grades 7 - 8	198.22	198.22	197.39	197.39
Total	<u>451.98</u>	<u>451.98</u>	<u>449.74</u>	<u>449.74</u>
KIPP Corazon Academy				
TK/K - 3	317.69	317.69	316.09	316.09
Grades 4 - 6	84.79	84.79	84.48	84.48
Total	<u>402.48</u>	<u>402.48</u>	<u>400.57</u>	<u>400.57</u>
KIPP Ignite Academy				
TK/K - 3	388.32	388.32	383.13	383.13
KIPP Promesa Preparatory				
TK/K - 3	432.27	432.27	431.24	431.24
KIPP Compton Community Charter				
TK/K - 3	99.9	99.90	98.78	98.78
ADA Total	<u><u>6,816.81</u></u>	<u><u>6,816.81</u></u>	<u><u>6,786.61</u></u>	<u><u>6,786.61</u></u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

	<u>KAO</u>	<u>KLAP</u>	<u>KRA</u>	<u>KCCP</u>	<u>KEA</u>	<u>KSA</u>	<u>KPA</u>	<u>KSOL</u>
June 30, 2019 Annual Financial Report Fund Balances (Net Assets)	\$ 528,175	\$ 4,724,452	\$ 2,969,452	\$ 3,568,472	\$ 3,472,194	\$ 684,800	\$ 392,359	\$ 3,275,587
Adjustments and Reclassifications:								
Increasing (Decreasing) the Fund Balance (Net Assets):								
Cash and Cash Equivalents	94	(6)	9,728	3,082	4,381	(210,886)	(36,319)	95
Accounts Receivable - Federal and State	-	-	-	-	-	-	-	-
Accounts receivable - Other	13,133	(396,132)	15,539	25,962	18,999	14,011	8,944	12,454
Property, Plant, and Equipment, Net	-	(5,415)	-	28,691	(5,556)	-	-	5,297
Accounts Payable - Federal and State	(1,523)	(9,405)	(2,092)	(7,796)	(534,428)	(1,555)	(2,033)	(1,657)
Accounts Payable - other	(241,717)	(6,498)	(257,295)	2,264	291,606	1,555	2,033	76,731
Deferred Revenue	(1,261)	-	(64,527)	(19,591)	(27,437)	36,518	(16,220)	-
Notes Payable	-	-	-	-	-	-	-	-
Net Adjustments and Reclassifications	<u>(231,274)</u>	<u>(417,456)</u>	<u>(298,647)</u>	<u>32,612</u>	<u>(252,435)</u>	<u>(160,357)</u>	<u>(43,595)</u>	<u>92,920</u>
June 30, 2019 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 296,901</u>	<u>\$ 4,306,996</u>	<u>\$ 2,670,805</u>	<u>\$ 3,601,084</u>	<u>\$ 3,219,759</u>	<u>\$ 524,443</u>	<u>\$ 348,764</u>	<u>\$ 3,368,507</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH (CONTINUED)  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

	<u>KIA</u>	<u>KAI</u>	<u>KVPA</u>	<u>KPP</u>	<u>KIG</u>	<u>KCA</u>	<u>KCCS</u>
June 30, 2019 Annual Financial Report Fund Balances (Net Assets)	\$ 3,244,648	\$ 548,626	\$ 990,776	\$ 1,953,713	\$ 289,493	\$ 283,255	\$ 196,281
Adjustments and Reclassifications:							
Increasing (Decreasing) the Fund Balance (Net Assets):							
Cash and Cash Equivalents	46	(24,671)	109	(100)	34	50,105	(978)
Accounts Receivable - Federal and State	-	-	-	-	(20,157)	(147,986)	50,515
Accounts receivable - Other	16,843	14,791	15,563	14,335	37,041	165,297	(50,515)
Property, Plant, and Equipment, Net	-	(12,404)	-	-	-	-	-
Accounts Payable - Federal and State	(500,211)	(3,082)	(4,043)	(1,285)	(199,741)	607,946	(9,643)
Accounts Payable - other	26,351	(18,441)	183,532	1,238	4,070	(613,477)	10,621
Deferred Revenue	-	-	-	-	-	-	-
Notes Payable	-	25,000	-	-	-	(150,000)	-
Net Adjustments and Reclassifications	<u>(456,971)</u>	<u>(18,807)</u>	<u>195,161</u>	<u>14,188</u>	<u>(178,753)</u>	<u>(88,115)</u>	<u>-</u>
June 30, 2019 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 2,787,677</u>	<u>\$ 529,819</u>	<u>\$ 1,185,937</u>	<u>\$ 1,967,901</u>	<u>\$ 110,740</u>	<u>\$ 195,140</u>	<u>\$ 196,281</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	KAO	KLAP	KRA	KCCP	KEA	KSA	KPA	KSOL	KIA	Subtotal
<b>U.S. Department of Education</b>												
Pass-Through Programs From California												
Department of Education:												
Every Child Succeeds Act:												
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 155,066	\$ 218,358	\$ 221,699	\$ 359,871	\$ 226,874	\$ 172,172	\$ 149,805	\$ 200,588	\$ 223,783	\$ 1,928,216
Title II, Part A, Improving Teacher Quality	84.367	14341	18,016	25,144	27,561	42,371	31,608	24,807	17,340	24,277	27,357	238,481
Title III, Part A, Limited English Proficiency	84.365	14346	2,457	7,905	20,296	28,842	10,896	3,846	6,196	7,050	18,587	106,075
Title IV, Part A, Student Support & Academic Enrichment	84.424	n/a	11,260	15,856	15,632	20,531	15,843	12,063	10,878	14,565	15,066	131,694
State Charter School Facilities Incentive Grant	84.282D	n/a	-	-	-	22,516	-	-	-	-	-	22,516
Special Education Cluster: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	53,486	102,531	78,695	114,908	112,175	54,600	61,039	70,198	77,998	725,630
Supporting Effective Educator Development	84.367D	n/a	-	-	-	-	-	-	-	40,000	-	40,000
Subtotal: Pass-Through Programs			<u>240,285</u>	<u>369,794</u>	<u>363,883</u>	<u>589,039</u>	<u>397,396</u>	<u>267,488</u>	<u>245,258</u>	<u>356,678</u>	<u>362,791</u>	<u>3,192,612</u>
Total U.S. Department of Education			240,285	369,794	363,883	589,039	397,396	267,488	245,258	356,678	362,791	3,192,612
<b>U.S. Department of Health and Human Services</b>												
Pass-Through Program From Los Angeles County												
Office of Education:												
Medical Assistance Program	93.778	n/a	15,475	2,056	2,486	1,824	2,868	2,708	3,628	-	1,721	32,766
Subtotal: Pass-Through Programs			<u>15,475</u>	<u>2,056</u>	<u>2,486</u>	<u>1,824</u>	<u>2,868</u>	<u>2,708</u>	<u>3,628</u>	<u>-</u>	<u>1,721</u>	<u>32,766</u>
Total U.S. Department of Health and Human Services			15,475	2,056	2,486	1,824	2,868	2,708	3,628	-	1,721	32,766
<b>U.S. Department of Agriculture</b>												
Pass-Through Program From California												
Department of Education:												
Child Nutrition Cluster:												
Especially Needy Breakfast Program	10.553	13526	37,702	25,778	39,294	63,715	47,426	28,983	30,790	27,559	25,416	326,663
National School Lunch Program	10.555	23165	136,961	214,751	266,987	363,325	233,462	137,572	121,833	180,166	223,100	1,878,157
Meal Supplements	10.555	n/a	-	-	53,474	75,326	-	-	-	-	54,096	182,896
Total Child Nutrition Cluster			<u>174,663</u>	<u>240,529</u>	<u>359,755</u>	<u>502,366</u>	<u>280,888</u>	<u>166,555</u>	<u>152,623</u>	<u>207,725</u>	<u>302,612</u>	<u>2,387,716</u>
Total U.S. Department of Agriculture			<u>174,663</u>	<u>240,529</u>	<u>359,755</u>	<u>502,366</u>	<u>280,888</u>	<u>166,555</u>	<u>152,623</u>	<u>207,725</u>	<u>302,612</u>	<u>2,387,716</u>
Total Expenditures of Federal Awards			<u>\$ 430,423</u>	<u>\$ 612,379</u>	<u>\$ 726,124</u>	<u>\$ 1,093,229</u>	<u>\$ 681,152</u>	<u>\$ 436,751</u>	<u>\$ 401,509</u>	<u>\$ 564,403</u>	<u>\$ 667,124</u>	<u>\$ 5,613,094</u>

N/A - Not Applicable and/or Not Available.

See Independent Auditors' Report and accompanying Notes to Supplementary Information



**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA	Pass-Through Entity Identifying Number	Subtotal	KAI	KVPA	KPP	KIG	KCA	KCCS	Federal Expenditures Total
<b>U.S. Department of Education</b>										
Pass-Through Programs From California										
Department of Education:										
Every Child Succeeds Act:										
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,928,216	\$ 199,852	\$ 248,564	\$ 173,480	\$ 171,865	\$ 157,905	\$ 36,981	\$ 2,916,863
Title II, Part A, Improving Teacher Quality	84.367	14341	238,481	23,957	29,049	21,565	21,052	19,662	4,687	358,453
Title III, Part A, Limited English Proficiency	84.365	14346	106,075	7,050	20,296	13,353	12,925	14,741	1,175	175,615
Title IV, Part A, Student Support & Academic Enrichment	84.282	14531	131,694	12,722	15,816	10,000	10,000	10,000	-	190,232
State Charter School Facilities Incentive Grant	84.282D	n/a	22,516	21,135	-	-	-	-	-	43,651
Special Education Cluster: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	725,630	93,830	105,189	46,800	80,621	30,782	-	1,082,852
Supporting Effective Educator Development	84.367D	n/a	40,000	-	-	-	40,000	-	-	80,000
Subtotal: Pass-Through Programs			<u>3,192,612</u>	<u>358,546</u>	<u>418,914</u>	<u>265,198</u>	<u>336,463</u>	<u>233,090</u>	<u>42,843</u>	<u>4,847,666</u>
Total U.S. Department of Education			3,192,612	358,546	418,914	265,198	336,463	233,090	42,843	4,847,666
<b>U.S. Department of Health and Human Services</b>										
Pass-Through Program From Los Angeles County										
Office of Education:										
Medical Assistance Program	93.778	n/a	32,766	837	1,437	-	-	-	-	35,040
Subtotal: Pass-Through Programs			<u>32,766</u>	<u>837</u>	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,040</u>
Total U.S. Department of Health and Human Services			32,766	837	1,437	-	-	-	-	35,040
<b>U.S. Department of Agriculture</b>										
Pass-Through Program From California										
Department of Education:										
Child Nutrition Cluster:										
Especially Needy Breakfast Program	10.553	13526	326,663	46,486	63,235	26,960	80,854	35,522	15,900	595,620
National School Lunch Program	10.555	23165	1,878,157	178,173	224,395	199,981	167,253	154,477	39,083	2,841,519
Meal Supplements	10.555	n/a	182,896	29,628	49,531	37,468	37,223	42,122	8,509	387,377
Total Child Nutrition Cluster			<u>2,387,716</u>	<u>254,287</u>	<u>337,161</u>	<u>264,409</u>	<u>285,330</u>	<u>232,121</u>	<u>63,492</u>	<u>3,824,516</u>
Total U.S. Department of Agriculture			2,387,716	254,287	337,161	264,409	285,330	232,121	63,492	3,824,516
Total Expenditures of Federal Awards			<u>\$ 5,613,094</u>	<u>\$ 613,670</u>	<u>\$ 757,512</u>	<u>\$ 529,607</u>	<u>\$ 621,793</u>	<u>\$ 465,211</u>	<u>\$ 106,335</u>	<u>\$ 8,707,222</u>

N/A - Not Applicable and/or Not Available.

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS**  
**STATEMENT OF FINANCIAL POSITION – KIPP SOCAL SCHOOLS BY CHARTER SCHOOL**  
**JUNE 30, 2019**

	KAO	KLAP	KRA	KCCP	KEA	KSA	KPA	KSOL	KIA	Subtotal
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and Cash Equivalents	\$ 52,991	\$ 3,084,528	\$ 2,142,890	\$ 1,433,522	\$ 2,656,461	\$ 21,917	\$ 22,960	\$ 2,629,797	\$ 2,500,735	\$ 14,545,801
Investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable - Federal and State	681,180	834,100	1,017,448	1,628,307	893,156	652,455	419,805	754,538	804,148	7,685,137
Accounts Receivable - Other	12,533	4,055	6,293	27,245	19,782	-	21,966	3,904	2,881	98,659
Net Contributions Receivable, Current Portion	-	-	-	-	-	-	-	-	-	-
Due from KLARE Holdings	-	-	-	-	-	-	-	-	-	-
Due from KIPP SoCal Public Schools	12,492	14,906	15,537	25,962	15,591	14,011	8,943	12,454	16,842	136,738
Prepaid Expenses and Other Assets	-	-	-	-	-	-	-	-	-	-
Total Current Assets	<u>759,196</u>	<u>3,937,589</u>	<u>3,182,168</u>	<u>3,115,036</u>	<u>3,584,990</u>	<u>688,383</u>	<u>473,674</u>	<u>3,400,693</u>	<u>3,324,606</u>	<u>22,466,335</u>
<b>LONG-TERM ASSETS</b>										
Investments	-	-	-	-	-	-	-	-	-	-
Net Contributions Receivable, Net of Current Portion	-	-	-	-	-	-	-	-	-	-
Security Deposits	1,400	40,000	-	80,976	5,000	20,500	21,973	-	10,000	179,849
Intercompany Notes Receivable	-	-	-	-	-	-	-	-	-	-
Property, Plant, and Equipment, Net	133,545	483,310	317,231	978,185	361,307	-	-	167,673	120,903	2,562,154
Total Long-Term Assets	<u>134,945</u>	<u>523,310</u>	<u>317,231</u>	<u>1,059,161</u>	<u>366,307</u>	<u>20,500</u>	<u>21,973</u>	<u>167,673</u>	<u>130,903</u>	<u>2,742,003</u>
Total Assets	<u>\$ 894,141</u>	<u>\$ 4,460,899</u>	<u>\$ 3,499,399</u>	<u>\$ 4,174,197</u>	<u>\$ 3,951,297</u>	<u>\$ 708,883</u>	<u>\$ 495,647</u>	<u>\$ 3,568,366</u>	<u>\$ 3,455,509</u>	<u>\$ 25,208,338</u>
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES</b>										
Accounts Payable - Federal And State	\$ 1,523	\$ 9,405	\$ 2,092	\$ 7,796	\$ 534,428	\$ 1,555	\$ 2,033	\$ 1,657	\$ 500,211	\$ 1,060,700
Accounts Payable - Other	87,701	91,146	143,409	210,431	118,981	82,532	92,153	136,496	112,789	1,075,638
Accrued Liabilities	302,498	35,513	596,298	265,077	32,502	45,124	36,251	43,935	37,061	1,394,259
Deferred Revenue	83,696	-	64,527	19,591	27,906	55,229	16,220	-	-	267,169
Due to KLARE Holdings	121,822	17,839	22,268	70,218	17,721	-	226	17,771	17,771	285,636
Due to KIPP SoCal Public Schools	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	<u>597,240</u>	<u>153,903</u>	<u>828,594</u>	<u>573,113</u>	<u>731,538</u>	<u>184,440</u>	<u>146,883</u>	<u>199,859</u>	<u>667,832</u>	<u>4,083,402</u>
<b>LONG-TERM LIABILITIES</b>										
Intercompany Notes Payable	-	-	-	-	-	-	-	-	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>597,240</u>	<u>153,903</u>	<u>828,594</u>	<u>573,113</u>	<u>731,538</u>	<u>184,440</u>	<u>146,883</u>	<u>199,859</u>	<u>667,832</u>	<u>4,083,402</u>
<b>NET ASSETS</b>										
Without Donor Restrictions	296,901	4,306,996	2,670,805	3,601,084	3,219,759	524,443	348,764	3,368,507	2,787,677	21,124,936
With Donor Restrictions	-	-	-	-	-	-	-	-	-	-
Total Net Assets	<u>296,901</u>	<u>4,306,996</u>	<u>2,670,805</u>	<u>3,601,084</u>	<u>3,219,759</u>	<u>524,443</u>	<u>348,764</u>	<u>3,368,507</u>	<u>2,787,677</u>	<u>21,124,936</u>
Total Liabilities and Net Assets	<u>\$ 894,141</u>	<u>\$ 4,460,899</u>	<u>\$ 3,499,399</u>	<u>\$ 4,174,197</u>	<u>\$ 3,951,297</u>	<u>\$ 708,883</u>	<u>\$ 495,647</u>	<u>\$ 3,568,366</u>	<u>\$ 3,455,509</u>	<u>\$ 25,208,338</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS**  
**STATEMENT OF FINANCIAL POSITION – KIPP SOCAL SCHOOLS BY CHARTER SCHOOL (CONTINUED)**  
**JUNE 30, 2019**

	Subtotal	KAI	KVPA	KPP	KIG	KCA	KCCS	KPU	SST	Eliminations	KIPP SoCal
<b>ASSETS</b>											
<b>CURRENT ASSETS</b>											
Cash and Cash Equivalents	\$ 14,545,801	\$ 37,267	\$ 501,052	\$ 1,404,479	\$ 504,604	\$ 331,404	\$ 9,407	\$ 12,898	\$ 16,000,342	\$ -	\$ 33,347,254
Investments	-	-	-	-	-	-	-	-	21,502,655	-	21,502,655
Accounts Receivable - Federal and State	7,685,137	631,372	739,137	661,824	380,866	609,008	144,345	-	-	-	10,851,689
Accounts Receivable - Other	98,659	54,132	15,054	5,137	21,748	148,319	78,654	116,984	123,224	-	661,911
Net Contributions Receivable, Current Portion	-	-	-	-	-	-	-	-	275,000	-	275,000
Due from Klare Holdings	-	-	39,705	-	-	-	-	-	17,351,351	-	17,391,056
Due from KIPP SoCal Public Schools	136,738	12,863	15,563	13,703	15,293	16,978	6,303	277	-	(217,718)	-
Prepaid Expenses and Other Assets	-	-	-	-	1,460	-	-	-	317,005	-	318,465
Total Current Assets	<u>22,466,335</u>	<u>735,634</u>	<u>1,310,511</u>	<u>2,085,143</u>	<u>923,971</u>	<u>1,105,709</u>	<u>238,709</u>	<u>130,159</u>	<u>55,569,577</u>	<u>(217,718)</u>	<u>84,348,030</u>
<b>LONG-TERM ASSETS</b>											
Investments	-	-	-	-	-	-	-	-	1,947,788	-	1,947,788
Net Contributions Receivable, Net of Current Portion	-	-	-	-	-	-	-	-	805,035	-	805,035
Security Deposits	179,849	4,330	3,600	-	35,000	7,800	-	-	22,200	-	252,779
Intercompany Notes Receivable	-	-	-	-	-	-	-	-	6,650,000	(1,250,000)	5,400,000
Property, Plant, and Equipment, Net	2,562,154	207,566	65,591	19,094	30,587	236,738	-	-	10,845	-	3,132,575
Total Long-Term Assets	<u>2,742,003</u>	<u>211,896</u>	<u>69,191</u>	<u>19,094</u>	<u>65,587</u>	<u>244,538</u>	<u>-</u>	<u>-</u>	<u>9,435,868</u>	<u>(1,250,000)</u>	<u>11,538,177</u>
Total Assets	<u>\$ 25,208,338</u>	<u>\$ 947,530</u>	<u>\$ 1,379,702</u>	<u>\$ 2,104,237</u>	<u>\$ 989,558</u>	<u>\$ 1,350,247</u>	<u>\$ 238,709</u>	<u>\$ 130,159</u>	<u>\$ 65,005,445</u>	<u>\$ (1,467,718)</u>	<u>\$ 95,886,207</u>
<b>LIABILITIES AND NET ASSETS</b>											
<b>CURRENT LIABILITIES</b>											
Accounts Payable - Federal And State	\$ 1,060,700	\$ 3,082	\$ 4,043	\$ 1,285	\$ 199,741	\$ 1,063	\$ 9,643	\$ -	\$ -	\$ -	\$ 1,279,557
Accounts Payable - Other	1,075,638	129,353	89,360	113,274	72,306	251,611	23,501	13,375	271,647	-	2,040,065
Accrued Liabilities	1,394,259	77,128	81,905	21,777	6,771	121,417	9,058	6,186	1,668,074	-	3,386,575
Deferred Revenue	267,169	-	-	-	-	-	-	-	-	-	267,169
Due to KLARE Holdings	285,636	58,148	18,457	-	-	281,016	226	-	1,845	-	645,328
Due to KIPP SoCal Public Schools	-	-	-	-	-	-	-	-	217,718	(217,718)	-
Total Current Liabilities	<u>4,083,402</u>	<u>267,711</u>	<u>193,765</u>	<u>136,336</u>	<u>278,818</u>	<u>655,107</u>	<u>42,428</u>	<u>19,561</u>	<u>2,159,284</u>	<u>(217,718)</u>	<u>7,618,694</u>
<b>LONG-TERM LIABILITIES</b>											
Intercompany Notes Payable	-	150,000	-	-	600,000	500,000	-	-	-	(1,250,000)	-
Total Long-Term Liabilities	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,250,000)</u>	<u>-</u>
Total Liabilities	<u>4,083,402</u>	<u>417,711</u>	<u>193,765</u>	<u>136,336</u>	<u>878,818</u>	<u>1,155,107</u>	<u>42,428</u>	<u>19,561</u>	<u>2,159,284</u>	<u>(1,467,718)</u>	<u>7,618,694</u>
<b>NET ASSETS</b>											
Without Donor Restrictions	21,124,936	529,819	1,185,937	1,967,901	110,740	195,140	196,281	110,598	59,003,490	-	84,424,842
With Donor Restrictions	-	-	-	-	-	-	-	-	3,842,671	-	3,842,671
Total Net Assets	<u>21,124,936</u>	<u>529,819</u>	<u>1,185,937</u>	<u>1,967,901</u>	<u>110,740</u>	<u>195,140</u>	<u>196,281</u>	<u>110,598</u>	<u>62,846,161</u>	<u>-</u>	<u>88,267,513</u>
Total Liabilities and Net Assets	<u>\$ 25,208,338</u>	<u>\$ 947,530</u>	<u>\$ 1,379,702</u>	<u>\$ 2,104,237</u>	<u>\$ 989,558</u>	<u>\$ 1,350,247</u>	<u>\$ 238,709</u>	<u>\$ 130,159</u>	<u>\$ 65,005,445</u>	<u>\$ (1,467,718)</u>	<u>\$ 95,886,207</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES – KIPP SOCAL SCHOOLS BY CHARTER SCHOOL  
YEAR ENDED JUNE 30, 2019**

	KAO	KLAP	KRA	KCCP	KEA	KSA	KPA	KSOL	KIA	Subtotal
<b>REVENUE, WITHOUT DONOR RESTRICTION</b>										
State Revenue:										
Local Control Funding Formula Sources	\$ 3,863,492	\$ 5,078,265	\$ 5,919,542	\$ 9,501,220	\$ 5,298,599	\$ 3,685,802	\$ 3,030,499	\$ 4,983,524	\$ 5,327,226	\$ 46,688,169
Other State Revenue	1,031,415	1,317,379	1,232,852	1,873,437	1,440,253	903,546	833,710	1,274,395	1,380,838	11,287,825
Federal Revenue:										
Grants and Entitlements	430,423	612,379	726,124	1,093,229	681,152	436,751	401,509	564,403	667,124	5,613,094
Local Revenue:										
Contributions	720,975	48,589	55,951	326,797	100,225	1,340,142	1,060,238	50,368	67,801	3,771,086
Interest	-	-	-	5,066	-	-	-	-	-	5,066
Other Revenue	54,910	41,422	50,568	43,289	24,667	48,005	47,356	37,670	22,837	370,724
Total Unrestricted Revenues	<u>6,101,215</u>	<u>7,098,034</u>	<u>7,985,037</u>	<u>12,843,038</u>	<u>7,544,896</u>	<u>6,414,246</u>	<u>5,373,312</u>	<u>6,910,360</u>	<u>7,465,826</u>	<u>67,735,964</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	-	-	-	-	-	-	-	-	-	-
Total Revenues Without Donor Restrictions and Net Assets Released from Restriction	6,101,215	7,098,034	7,985,037	12,843,038	7,544,896	6,414,246	5,373,312	6,910,360	7,465,826	67,735,964
<b>EXPENSES</b>										
Program Services:										
Educational Programs	6,137,962	6,619,265	7,820,987	12,596,701	7,067,952	6,118,899	5,238,935	6,060,735	7,064,112	64,725,548
Support Services:										
General and Administrative	258,485	285,778	282,781	469,790	269,612	249,779	238,895	259,404	286,535	2,601,059
Fundraising	3,122	11,061	25,650	34,579	19,681	1,134	4,244	10,871	30,565	140,907
Total Expenses	<u>6,399,569</u>	<u>6,916,104</u>	<u>8,129,418</u>	<u>13,101,070</u>	<u>7,357,245</u>	<u>6,369,812</u>	<u>5,482,074</u>	<u>6,331,010</u>	<u>7,381,212</u>	<u>67,467,514</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>	(298,354)	181,930	(144,381)	(258,032)	187,651	44,434	(108,762)	579,350	84,614	268,450
<b>NET ASSETS WITH DONOR RESTRICTION</b>										
Investment Return	-	-	-	-	-	-	-	-	-	-
Net assets released from Restriction	-	-	-	-	-	-	-	-	-	-
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>	-	-	-	-	-	-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	(298,354)	181,930	(144,381)	(258,032)	187,651	44,434	(108,762)	579,350	84,614	268,450
Net Assets Beginning of Year	595,255	4,125,066	2,815,186	3,859,116	3,032,108	480,009	457,526	2,789,157	2,703,063	20,856,486
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 296,901</u>	<u>\$ 4,306,996</u>	<u>\$ 2,670,805</u>	<u>\$ 3,601,084</u>	<u>\$ 3,219,759</u>	<u>\$ 524,443</u>	<u>\$ 348,764</u>	<u>\$ 3,368,507</u>	<u>\$ 2,787,677</u>	<u>\$ 21,124,936</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS**  
**STATEMENT OF ACTIVITIES – KIPP SOCAL SCHOOLS BY CHARTER SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Subtotal	KAI	KVPA	KPP	KIG	KCA	KCCS	KPU	SST	Eliminations	KIPP SoCal Total
<b>REVENUE, WITHOUT DONOR RESTRICTION</b>											
State Revenue:											
Local Control Funding Formula Sources	\$ 46,688,169	\$ 4,632,649	\$ 5,515,243	\$ 4,760,836	\$ 4,091,095	\$ 4,346,497	\$ 1,104,246	\$ -	\$ -	\$ -	\$ 71,138,735
Other State Revenue	11,287,825	1,130,301	1,166,730	724,938	649,226	857,511	58,101	-	12,559	-	15,887,191
Federal Revenue:											
Grants and Entitlements	5,613,094	613,670	757,512	529,607	621,793	465,211	106,335	-	-	-	8,707,222
Local Revenue:											
Contributions	3,771,086	105,431	65,606	65,724	318,761	1,405,570	545,624	437,812	5,989,408	-	12,705,022
Interest	5,066	-	-	-	-	-	-	-	784,565	(6,000)	783,631
Other Revenue	370,724	73,178	22,457	61,788	35,010	28,102	4,925	4,595	15,090,825	(14,993,513)	698,091
Total Unrestricted Revenues	67,735,964	6,555,229	7,527,548	6,142,893	5,715,885	7,102,891	1,819,231	442,407	21,877,357	(14,999,513)	109,919,892
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	-	-	-	-	-	-	-	-	1,428,141	-	1,428,141
Total Revenues Without Donor Restrictions and Net Assets Released from Restriction	67,735,964	6,555,229	7,527,548	6,142,893	5,715,885	7,102,891	1,819,231	442,407	23,305,498	(14,999,513)	111,348,033
<b>EXPENSES</b>											
Program Services:											
Educational Programs	64,725,548	6,809,041	6,958,907	5,090,955	5,562,257	7,144,995	1,786,588	327,782	6,521,289	(14,993,513)	89,933,849
Support Services:											
General and Administrative	2,601,059	270,138	264,299	231,798	247,294	259,108	46,442	3,927	10,003,504	(6,000)	13,921,569
Fundraising	140,907	17,398	23,222	33,707	6,531	30,844	2,844	100	1,434,424	-	1,689,977
Total Expenses	67,467,514	7,096,577	7,246,428	5,356,460	5,816,082	7,434,947	1,835,874	331,809	17,959,217	(14,999,513)	105,545,395
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>	268,450	(541,348)	281,120	786,433	(100,197)	(332,056)	(16,643)	110,598	5,346,281	-	5,802,638
<b>NET ASSETS</b>											
Investment Return	-	-	-	-	-	-	-	-	148,097	-	148,097
Net assets released from Restriction	-	-	-	-	-	-	-	-	(1,428,141)	-	(1,428,141)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>	-	-	-	-	-	-	-	-	(1,280,044)	-	(1,280,044)
<b>CHANGE IN NET ASSETS</b>	268,450	(541,348)	281,120	786,433	(100,197)	(332,056)	(16,643)	110,598	4,066,237	-	4,522,594
Net Assets, Beginning of Year	20,856,486	1,071,167	904,817	1,181,468	210,937	527,196	212,924	210,937	58,779,924	-	83,955,856
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 21,124,936</u>	<u>\$ 529,819</u>	<u>\$ 1,185,937</u>	<u>\$ 1,967,901</u>	<u>\$ 110,740</u>	<u>\$ 195,140</u>	<u>\$ 196,281</u>	<u>\$ 321,535</u>	<u>\$ 62,846,161</u>	<u>\$ -</u>	<u>\$ 88,478,450</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS**  
**STATEMENT OF CASH FLOWS – KIPP SOCAL SCHOOLS BY CHARTER SCHOOL**  
**YEAR ENDED JUNE 30, 2019**

	KAO	KLAP	KRA	KCCP	KEA	KSA	KPA	KSOL	KIA	Subtotal
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Change in Net Assets	\$ (298,354)	\$ 181,930	\$ (144,381)	\$ (258,032)	\$ 187,651	\$ 44,434	\$ (108,762)	\$ 579,350	\$ 84,614	\$ 268,450
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:										
Depreciation	30,303	76,875	75,043	183,798	62,682	-	-	29,131	21,514	479,346
Investment Return	-	-	-	-	-	-	-	-	-	-
(Increase) and Decrease in Operating Assets:										
Accounts Receivable - Federal and State	(286,232)	(167,239)	(279,010)	(705,480)	(201,625)	(201,076)	(41,137)	(43,057)	(32,345)	(1,957,201)
Accounts Receivable - Other	(11,532)	261,429	(6,043)	32,213	(18,983)	585	(21,767)	(3,338)	(2,859)	229,705
Contributions Receivable	-	-	-	-	-	-	-	-	-	-
Due from KLARE Holdings	-	-	25,580	-	-	-	-	-	-	25,580
Due from KIPP SoCal Public Schools	14,559	15,469	14,780	21,600	11,829	11,398	7,207	18,048	12,335	127,225
Prepaid Expenses	-	-	-	-	-	-	-	1,250	-	1,250
Security Deposit	-	-	-	(3,600)	-	-	-	-	-	(3,600)
Increase and (Decrease) in Operating Liabilities:										
Accounts Payable - Federal and State	(13,051)	(8,351)	(19,100)	(12,641)	507,731	(17,167)	(11,850)	(13,831)	484,234	895,974
Accounts Payable - Other	4,780	(25,892)	(3,268)	(3,251)	(48,785)	(117,237)	(26,526)	(34,081)	(100,379)	(354,639)
Accrued Liabilities	290,727	1,748	394,409	71,013	(323,929)	10,988	11,916	(93,570)	5,040	368,342
Deferred Revenue	29,372	(84,726)	(85,007)	(34,673)	(117,568)	36,519	-	-	-	(256,083)
Due to KLARE Holdings	(23,417)	13,696	(74,210)	43,862	10,117	-	226	(6,998)	(6,998)	(43,722)
Due to KIPP SoCal Public Schools	-	-	-	-	-	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(262,845)	264,939	(101,207)	(665,191)	69,120	(231,556)	(190,693)	432,904	465,156	(219,373)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Purchase of investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of investments	-	-	-	200,000	-	-	-	-	-	200,000
Issuance of Intercompany Notes Receivable	-	-	-	-	-	-	-	-	-	-
Purchases of Property, Plant, and Equipment	-	(84,524)	(98,977)	(472,961)	(108,614)	-	-	(145,448)	(77,821)	(988,345)
Net Cash Provided (Used) by Investing Activities	-	(84,524)	(98,977)	(272,961)	(108,614)	-	-	(145,448)	(77,821)	(788,345)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Payments on Intercompany Notes Payable	-	-	-	-	-	-	-	-	-	-
Payments on Notes Payable	-	-	-	-	-	(83,333)	(83,333)	-	-	(166,666)
Net Cash Provided (Used) by Financing Activities	-	-	-	-	-	(83,333)	(83,333)	-	-	(166,666)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(262,845)	180,415	(200,184)	(938,152)	(39,494)	(314,889)	(274,026)	287,456	387,335	(1,174,384)
Cash and Cash Equivalents, Beginning of Year	315,836	2,904,113	2,343,074	2,371,674	2,695,955	336,806	296,986	2,342,341	2,113,400	15,720,185
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 52,991</u>	<u>\$ 3,084,528</u>	<u>\$ 2,142,890</u>	<u>\$ 1,433,522</u>	<u>\$ 2,656,461</u>	<u>\$ 21,917</u>	<u>\$ 22,960</u>	<u>\$ 2,629,797</u>	<u>\$ 2,500,735</u>	<u>\$ 14,545,801</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>										
Cash Paid for Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208	\$ 208	\$ -	\$ -	\$ 416

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**KIPP SOCAL PUBLIC SCHOOLS**  
**STATEMENT OF CASH FLOWS – KIPP SOCAL SCHOOLS BY CHARTER SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Subtotal	KAI	KVPA	KPP	KIG	KCA	KCCS	KPU	SST	Eliminations	KIPP SoCal Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Change in Net Assets	\$ 268,450	\$ (541,348)	\$ 281,120	\$ 786,433	\$ (100,197)	\$ (332,056)	\$ (16,643)	\$ 110,598	\$ 4,066,237	\$ -	\$ 4,522,594
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:											
Depreciation	479,346	16,132	26,511	6,546	30,588	23,822	-	-	30,729	-	613,674
Investment Return	-	-	-	-	-	-	-	-	(670,042)	-	(670,042)
(Increase) and Decrease in Operating Assets:											
Accounts Receivable - Federal and State	(1,957,201)	37,817	66,462	(169,924)	83,426	(417,683)	(144,345)	-	15,868	-	(2,485,580)
Accounts Receivable - Other	229,705	(54,109)	(15,050)	22,897	(21,352)	(2,530)	62,460	(116,984)	(6,730)	-	98,307
Contributions Receivable	-	-	-	-	-	-	-	-	1,337,196	-	1,337,196
Due from KLARE Holdings	25,580	-	-	-	-	-	-	-	(11,137,695)	-	(11,112,115)
Due from KIPP SoCal Public Schools	127,225	6,248	30,425	5,915	676	(9,202)	(5,836)	(277)	-	(155,174)	-
Prepaid Expenses	1,250	-	-	-	1,459	-	-	-	251,050	-	253,759
Security Deposit	(3,600)	(1,330)	4,800	-	17,850	(7,800)	1,200	-	99,000	-	110,120
Increase and (Decrease) in Operating Liabilities:											
Accounts Payable - Federal and State	895,974	(8,305)	(27,751)	(6,159)	188,279	(1,479)	9,643	-	-	-	1,050,202
Accounts Payable - Other	(354,639)	5,961	(13,701)	29,414	(10,332)	207,237	15,784	13,375	(209,699)	-	(316,600)
Accrued Liabilities	368,342	47,203	(176,004)	5,400	(249)	98,681	4,516	6,186	1,281,248	-	1,635,323
Deferred Revenue	(256,083)	-	-	-	-	-	-	-	-	-	(256,083)
Due to KLARE Holdings	(43,722)	48,692	(117,318)	-	-	280,512	226	-	(68,622)	-	99,768
Due to KIPP SoCal Public Schools	-	-	-	-	-	-	-	-	(155,174)	155,174	-
Net Cash Provided (Used) by Operating Activities	(219,373)	(443,039)	59,494	680,522	190,148	(160,498)	(72,995)	12,898	(5,166,634)	-	(5,119,477)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Purchase of investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,222,300)	\$ -	\$ (16,222,300)
Sale of investments	200,000	-	-	-	-	-	-	-	16,023,550	-	16,223,550
Issuance of Intercompany Notes Receivable	-	-	-	-	-	-	-	-	(650,000)	650,000	-
Purchases of Property, Plant, and Equipment	(988,345)	(212,399)	-	-	-	(260,560)	-	-	-	-	(1,461,304)
Net Cash Provided (Used) by Investing Activities	(788,345)	(212,399)	-	-	-	(260,560)	-	-	(848,750)	650,000	(1,460,054)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Payments on Intercompany Notes Payable	-	150,000	-	-	-	500,000	-	-	-	(650,000)	-
Payments on Notes Payable	(166,666)	-	-	-	-	-	-	-	-	-	(166,666)
Net Cash Provided (Used) by Financing Activities	(166,666)	150,000	-	-	-	500,000	-	-	-	(650,000)	(166,666)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,174,384)	(505,438)	59,494	680,522	190,148	78,942	(72,995)	12,898	(6,015,384)	-	(6,746,197)
Cash and Cash Equivalents, Beginning of Year	15,720,185	542,705	441,558	723,957	314,456	252,462	82,402	-	22,015,726	-	40,093,451
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 14,545,801</u>	<u>\$ 37,267</u>	<u>\$ 501,052</u>	<u>\$ 1,404,479</u>	<u>\$ 504,604</u>	<u>\$ 331,404</u>	<u>\$ 9,407</u>	<u>\$ 12,898</u>	<u>\$ 16,000,342</u>	<u>\$ -</u>	<u>\$ 33,347,254</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>											
Cash Paid for Interest	\$ 416	\$ -	\$ -	\$ -	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ (6,000)	\$ 416

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS**  
**STATEMENT OF FINANCIAL POSITION – RELATED SCHOOLS**  
**YEAR ENDED JUNE 30, 2019**

<b>ASSETS</b>	<b>KLAP</b>	<b>KEA</b>	<b>KSOL</b>	<b>KIA</b>	<b>KPA</b>	<b>KAO</b>	<b>KVPA</b>	<b>KRA</b>	<b>KCCP</b>	<b>KCA</b>	<b>KAI</b>	<b>KCCS</b>	<b>Total</b>
<b>CURRENT ASSETS</b>													
Cash and Cash Equivalents	\$ 3,084,528	\$ 2,656,461	\$ 2,629,797	\$ 2,500,735	\$ 22,960	\$ 52,991	\$ 501,052	\$ 2,142,890	\$ 1,433,522	\$ 331,404	\$ 37,267	\$ 9,407	\$ 15,403,014
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable - Federal and State	834,100	893,156	754,538	804,148	419,805	681,180	739,137	1,017,448	1,628,307	609,008	631,372	144,345	9,156,544
Accounts Receivable - Other	4,055	19,782	3,904	2,881	21,966	12,533	15,054	6,293	27,245	148,319	54,132	78,654	394,818
Due from KLARE Holdings	-	-	-	-	-	-	39,705	-	-	-	-	-	39,705
Due from KIPP SoCal Public Schools	14,906	15,591	12,454	16,842	8,943	12,492	15,563	15,537	25,962	16,978	12,863	6,303	174,434
<b>Total Current Assets</b>	<b>3,937,589</b>	<b>3,584,990</b>	<b>3,400,693</b>	<b>3,324,606</b>	<b>473,674</b>	<b>759,196</b>	<b>1,310,511</b>	<b>3,182,168</b>	<b>3,115,036</b>	<b>1,105,709</b>	<b>735,634</b>	<b>238,709</b>	<b>25,168,515</b>
<b>LONG-TERM ASSETS</b>													
Security Deposits	40,000	5,000	-	10,000	21,973	1,400	3,600	-	80,976	7,800	4,330	-	175,079
Property, Plant, and Equipment, Net	483,310	361,307	167,673	120,903	-	133,545	65,591	317,231	978,185	236,738	207,566	-	3,072,049
<b>Total Long-Term Assets</b>	<b>523,310</b>	<b>366,307</b>	<b>167,673</b>	<b>130,903</b>	<b>21,973</b>	<b>134,945</b>	<b>69,191</b>	<b>317,231</b>	<b>1,059,161</b>	<b>244,538</b>	<b>211,896</b>	<b>-</b>	<b>3,247,128</b>
<b>Total Assets</b>	<b>\$ 4,460,899</b>	<b>\$ 3,951,297</b>	<b>\$ 3,568,366</b>	<b>\$ 3,455,509</b>	<b>\$ 495,647</b>	<b>\$ 894,141</b>	<b>\$ 1,379,702</b>	<b>\$ 3,499,399</b>	<b>\$ 4,174,197</b>	<b>\$1,350,247</b>	<b>\$ 947,530</b>	<b>\$ 238,709</b>	<b>\$ 28,415,643</b>
<b>LIABILITIES AND NET ASSETS</b>													
<b>CURRENT LIABILITIES</b>													
Accounts Payable - Federal And State	\$ 9,405	\$ 534,428	\$ 1,657	\$ 500,211	\$ 2,033	\$ 1,523	\$ 4,043	\$ 2,092	\$ 7,796	\$ 1,063	\$ 3,082	\$ 9,643	\$ 1,076,976
Accounts Payable - Other	91,146	118,981	136,496	112,789	92,153	87,701	89,360	143,409	210,431	251,611	129,353	23,501	1,486,931
Accrued Liabilities	35,513	32,502	43,935	37,061	36,251	302,498	81,905	596,298	265,077	121,417	77,128	9,058	1,638,643
Deferred Revenue	-	27,906	-	-	16,220	83,696	-	64,527	19,591	-	-	-	211,940
Due to KLARE Holdings	17,839	17,721	17,771	17,771	226	121,822	18,457	22,268	70,218	281,016	58,148	226	643,483
<b>Total Current Liabilities</b>	<b>153,903</b>	<b>731,538</b>	<b>199,859</b>	<b>667,832</b>	<b>146,883</b>	<b>597,240</b>	<b>193,765</b>	<b>828,594</b>	<b>573,113</b>	<b>655,107</b>	<b>267,711</b>	<b>42,428</b>	<b>5,057,973</b>
<b>LONG-TERM LIABILITIES</b>													
Intercompany Notes Payable	-	-	-	-	-	-	-	-	-	-	150,000	-	150,000
Notes Payable, Net of Current Portion	-	-	-	-	-	-	-	-	-	500,000	-	-	500,000
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>150,000</b>	<b>-</b>	<b>650,000</b>
<b>Total Liabilities</b>	<b>153,903</b>	<b>731,538</b>	<b>199,859</b>	<b>667,832</b>	<b>146,883</b>	<b>597,240</b>	<b>193,765</b>	<b>828,594</b>	<b>573,113</b>	<b>1,155,107</b>	<b>417,711</b>	<b>42,428</b>	<b>5,707,973</b>
<b>NET ASSETS</b>													
Without Donor Restriction	4,306,996	3,219,759	3,368,507	2,787,677	348,764	296,901	1,185,937	2,670,805	3,601,084	195,140	529,819	196,281	22,707,670
<b>Total Net Assets</b>	<b>4,306,996</b>	<b>3,219,759</b>	<b>3,368,507</b>	<b>2,787,677</b>	<b>348,764</b>	<b>296,901</b>	<b>1,185,937</b>	<b>2,670,805</b>	<b>3,601,084</b>	<b>195,140</b>	<b>529,819</b>	<b>196,281</b>	<b>22,707,670</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,460,899</b>	<b>\$ 3,951,297</b>	<b>\$ 3,568,366</b>	<b>\$ 3,455,509</b>	<b>\$ 495,647</b>	<b>\$ 894,141</b>	<b>\$ 1,379,702</b>	<b>\$ 3,499,399</b>	<b>\$ 4,174,197</b>	<b>\$1,350,247</b>	<b>\$ 947,530</b>	<b>\$ 238,709</b>	<b>\$ 28,415,643</b>

See Independent Auditors' Report and accompanying Notes to Supplementary Information



**KIPP SOCAL PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES – RELATED SCHOOLS  
YEAR ENDED JUNE 30, 2019**

	KLAP	KEA	KSOL	KIA	KPA	KAO	KVPA	KRA	KCCP	KCA	KAI	KCCS	Total
<b>REVENUES, WITHOUT DONOR RESTRICTION</b>													
State Revenue:													
Local Control Funding Formula Sources	\$ 5,078,265	\$ 5,298,599	\$ 4,983,524	\$ 5,327,226	\$ 3,030,499	\$ 3,863,492	\$ 5,515,243	\$ 5,919,542	\$ 9,501,220	\$ 4,346,497	\$ 4,632,649	\$ 1,104,246	\$ 58,601,002
Other State Revenue	1,317,379	1,440,253	1,274,395	1,380,838	833,710	1,031,415	1,166,730	1,232,852	1,873,437	857,511	1,130,301	58,101	13,596,922
Federal Revenue:													
Grants and Entitlements	612,379	681,152	564,403	667,124	401,509	430,423	757,512	726,124	1,093,229	465,211	613,670	106,335	7,119,071
Local Revenue:													
Contributions	48,589	100,225	50,368	67,801	1,060,238	720,975	65,606	55,951	326,797	1,405,570	105,431	545,624	4,553,175
Interest	-	-	-	-	-	-	-	-	5,066	-	-	-	5,066
Other Revenue	41,422	24,667	37,670	22,837	47,356	54,910	22,457	50,568	43,289	28,102	73,178	4,925	451,381
Total Revenues, Without Donor Restriction	7,098,034	7,544,896	6,910,360	7,465,826	5,373,312	6,101,215	7,527,548	7,985,037	12,843,038	7,102,891	6,555,229	1,819,231	84,326,617
<b>EXPENSES</b>													
Program Services:													
Educational Programs	6,619,265	7,067,952	6,060,735	7,064,112	5,238,935	6,137,962	6,958,907	7,820,987	12,596,701	7,144,995	6,809,041	1,786,588	81,306,180
Support Services:													
General and Administrative	285,778	269,612	259,404	286,535	238,895	258,485	264,299	282,781	469,790	259,108	270,138	46,442	3,191,267
Fundraising	11,061	19,681	10,871	30,565	4,244	3,122	23,222	25,650	34,579	30,844	17,398	2,844	214,081
Total Expenses	6,916,104	7,357,245	6,331,010	7,381,212	5,482,074	6,399,569	7,246,428	8,129,418	13,101,070	7,434,947	7,096,577	1,835,874	84,711,528
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>	181,930	187,651	579,350	84,614	(108,762)	(298,354)	281,120	(144,381)	(258,032)	(332,056)	(541,348)	(16,643)	(384,911)
Net Assets, Beginning of Year	4,125,066	3,032,108	2,789,157	2,703,063	457,526	595,255	904,817	2,815,186	3,859,116	527,196	1,071,167	212,924	23,092,581
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,306,996</u>	<u>\$ 3,219,759</u>	<u>\$ 3,368,507</u>	<u>\$ 2,787,677</u>	<u>\$ 348,764</u>	<u>\$ 296,901</u>	<u>\$ 1,185,937</u>	<u>\$ 2,670,805</u>	<u>\$ 3,601,084</u>	<u>\$ 195,140</u>	<u>\$ 529,819</u>	<u>\$ 196,281</u>	<u>\$ 22,707,670</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
STATEMENT OF CASH FLOWS – RELATED SCHOOLS  
YEAR ENDED JUNE 30, 2019**

	KLAP	KEA	KSOL	KIA	KPA	KAO	KVPA	KRA	KCCP	KCA	KAI	KCCS	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>													
Change in Net Assets	\$ 181,930	\$ 187,651	\$ 579,350	\$ 84,614	\$ (108,762)	\$ (298,354)	\$ 281,120	\$ (144,381)	\$ (258,032)	\$ (332,056)	\$ (541,348)	\$ (16,643)	\$ (384,911)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:													
Depreciation	76,875	62,682	29,131	21,514	-	30,303	26,511	75,043	183,798	23,822	16,132	-	545,811
(Gain)/Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
(Increase) and Decrease in Operating Assets:													
Accounts Receivable - Federal and State	(167,239)	(201,625)	(43,057)	(32,345)	(41,137)	(286,232)	66,462	(279,010)	(705,480)	(417,683)	37,817	(144,345)	(2,213,874)
Accounts Receivable - Other	261,429	(18,983)	(3,338)	(2,859)	(21,767)	(11,532)	(15,050)	(6,043)	32,213	(2,530)	(54,109)	62,460	219,891
Due from KLARE Holdings	-	-	-	-	-	-	-	25,580	-	-	-	-	25,580
Due from KIPP SoCal Public Schools	15,469	11,829	18,048	12,335	7,207	14,559	30,425	14,780	21,600	(9,202)	6,248	(5,836)	137,462
Prepaid Expenses	-	-	1,250	-	-	-	-	-	-	-	-	-	1,250
Security Deposit	-	-	-	-	-	-	4,800	-	(3,600)	(7,800)	(1,330)	1,200	(6,730)
Increase and (Decrease) in Operating Liabilities:													
Accounts Payable - Federal and State	(8,351)	507,731	(13,831)	484,234	(11,850)	(13,051)	(27,751)	(19,100)	(12,641)	(1,479)	(8,305)	9,643	885,249
Accounts Payable - Other	(25,892)	(48,785)	(34,081)	(100,379)	(26,526)	4,780	(13,701)	(3,268)	(3,251)	207,237	5,961	15,784	(22,121)
Accrued Liabilities	1,748	(323,929)	(93,570)	5,040	11,916	290,727	(176,004)	394,409	71,013	98,681	47,203	4,516	331,750
Deferred Revenue	(84,726)	(117,568)	-	-	-	29,372	-	(85,007)	(34,673)	-	-	-	(292,602)
Due to KLARE Holdings	13,696	10,117	(6,998)	(6,998)	226	(23,417)	(117,318)	(74,210)	43,862	280,512	48,692	226	168,390
Net Cash Provided (Used) by Operating Activities	264,939	69,120	432,904	465,156	(190,693)	(262,845)	59,494	(101,207)	(665,191)	(160,498)	(443,039)	(72,995)	(604,855)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>													
Sales of Property, Plant, and equipment	-	-	-	-	-	-	-	-	200,000	-	-	-	200,000
Purchases of Property, Plant, and Equipment	(84,524)	(108,614)	(145,448)	(77,821)	-	-	-	(98,977)	(472,961)	(260,560)	(212,399)	-	(1,461,304)
Net Cash Used by Investing Activities	(84,524)	(108,614)	(145,448)	(77,821)	-	-	-	(98,977)	(272,961)	(260,560)	(212,399)	-	(1,261,304)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>													
Payments on Intercompany Notes Payable	-	-	-	-	-	-	-	-	-	500,000	150,000	-	650,000
Payments on Notes Payable	-	-	-	-	(83,333)	-	-	-	-	-	-	-	(83,333)
Net Cash Provided (Used) by Financing Activities	-	-	-	-	(83,333)	-	-	-	-	500,000	150,000	-	566,667
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	180,415	(39,494)	287,456	387,335	(274,026)	(262,845)	59,494	(200,184)	(938,152)	78,942	(505,438)	(72,995)	(1,299,492)
Cash and Cash Equivalents - Beginning of Year	2,904,113	2,695,955	2,342,341	2,113,400	296,986	315,836	441,558	2,343,074	2,371,674	252,462	542,705	82,402	16,702,506
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 3,084,528</u>	<u>\$ 2,656,461</u>	<u>\$ 2,629,797</u>	<u>\$ 2,500,735</u>	<u>\$ 22,960</u>	<u>\$ 52,991</u>	<u>\$ 501,052</u>	<u>\$ 2,142,890</u>	<u>\$ 1,433,522</u>	<u>\$ 331,404</u>	<u>\$ 37,267</u>	<u>\$ 9,407</u>	<u>\$ 15,403,014</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>													
Cash Paid for Interest	\$ -	\$ -	\$ -	\$ -	\$ 208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208

See Independent Auditors' Report and accompanying Notes to Supplementary Information

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME**

This schedule presents information on the amount of instructional time offered by KIPP SoCal and whether KIPP SoCal complied with the provisions of California Education Code.

**NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE**

Average daily attendance is a measurement of the number of pupils attending classes of KIPP SoCal. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

**NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited consolidated financial statements.

**NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of KIPP SoCal under programs of the federal governmental for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of KIPP SoCal, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KIPP SoCal.

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

**KIPP SOCAL PUBLIC SCHOOLS  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**NOTE 5 STATEMENTS OF FINANCIAL POSITION, ACTIVITIES, AND CASH FLOWS – KIPP SOCAL SCHOOLS BY CHARTER SCHOOL**

These statements report the financial position, activities, and cash flows for each of KIPP SoCal's charter schools as is required to be reported by the provisions of the California Education Code.

**NOTE 6 STATEMENTS OF FINANCIAL POSITION, ACTIVITIES, AND CASH FLOWS – RELATED SCHOOLS**

These statements report the financial position, activities, and cash flows for KIPP LA Preparatory Academy, KIPP Empower Academy, KIPP Sol Academy, KIPP Iluminar Academy, KIPP Philosophers Academy, KIPP Academy of Opportunity, KIPP Vida Preparatory Academy, KIPP Raices Academy, KIPP Comienza Community Prep, KIPP Corazon Academy, KIPP Academy of Innovation, and KIPP Compton Community School defined as "Related Schools" to the "Obligated Group" in the Series 2014 A&B, 2015A&B, 2017A, and 2019A bond issues.

The Obligated Group consists of SoLA School 1, LLC; ChaMed, LLC; KLA 2810 Whittier, LLC; SoLA 2, LLC; Budnon, LLC; West51, LLC; 668 Atlantic, LLC; BH Soto, LLC; Curiosity RE, LLC; SeLA, LLC; Zest RE, LLC; and Grit RE, LLC. Each Related School has a lease with a member of the Obligated Group.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
KIPP SoCal Public Schools  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of KIPP SoCal Public Schools (KIPP SoCal), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 21, 2019.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the consolidated 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, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be a significant deficiency, see Finding 2019-002.

### **Compliance and Other Matters**


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

### **KIPP SoCal's Response to Findings**

KIPP SoCal's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KIPP SoCal's response was not subjected 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.



### **CliftonLarsonAllen LLP**

Glendora, California  
November 21, 2019



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE

Board of Directors  
KIPP SoCal Public Schools  
Los Angeles, California

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of KIPP SoCal Public Schools (KIPP SoCal) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. KIPP SoCal's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, KIPP SoCal complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**CliftonLarsonAllen LLP**

Glendora, California  
November 21, 2019





## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
KIPP SoCal Public Schools  
Los Angeles, California

We have audited KIPP SoCal Public Schools's (KIPP SoCal) compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2019. KIPP SoCal's state compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

### Auditors' Responsibility

Our responsibility is to express an opinion on KIPP SoCal's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about KIPP SoCal's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of KIPP SoCal's compliance.

### Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine KIPP SoCal's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

### **Opinion on State Compliance**

In our opinion, KIPP SoCal complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies* described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each state program is not modified with respect to these matters.

KIPP SoCal's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KIPP SoCal's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



### **CliftonLarsonAllen LLP**

Glendora, California  
November 21, 2019

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        x   no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   x   yes      \_\_\_\_\_ no

**KIPP SOCIAL PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

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***Section II – Financial Statement Findings***

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See finding 2019-002 below.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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***Section IV – Findings and Questioned Costs – State Compliance***

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**2019-001 – Teaching Credential 40000**

- KIPP Academy of Opportunity (KAO) #530**
- KIPP Corazon Academy (KCA) #1855**
- KIPP Empower Academy (KEA) #1195**
- KIPP Ignite Academy (KIG) #1720**
- KIPP Illuminar Academy (KIA) #1508**
- KIPP Los Angeles College Prep (KLAP) #531**
- KIPP Philosopher’s Academy (KPA) #1378**
- KIPP Scholar Academy (KSA) #1377**

**Criteria:** Education Code Section 47605(1) states that all teachers who are either providing classroom instruction, or who are authorized to provide classroom instruction, must possess a valid teaching credential issued from the California Commission on Teaching Credential (CCTC).

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**2019-001 – Teaching Credential (Continued)**

**40000**

**Condition:** It was noted during attendance testing that 4 teachers did not have a valid teaching credential for the period under review. After KIPP SoCal conducted a full file review the following schools were out of compliance as follows: KAO- one 6th grade science teacher for the entire instructional year. KCA- one 4th & 5th grade math teacher from the beginning of the instructional year through December 31, 2018. KEA- two 2nd grade teachers and one kinder teacher for the entire instructional year. KIG- one kinder teacher from the beginning of the instructional year through December 31, 2018. And one 2nd grade teacher for the entire instructional year. KIA- one second grade and one 4th grade teacher for the entire instructional year. KLAP- one 5th grade science teacher for the entire instructional year. KPA- one 7th grade math teacher for the entire instructional year. KSA- one 6th grade math and one 7th grade English teacher for the entire instructional year.

**Effect:** Thirteen teachers who provided classroom instruction were not credentialed for all or part of the academic calendar.

**Cause:** Internal controls for tracking teacher credentials were insufficient to ensure compliance.

**Questioned Costs:** Due to disallowed instructional time from non-credentialed teachers, KIPP SoCal had an instructional minutes finding at 2019-002, see this finding for questioned costs.

**Recommendation:** It is recommended that the School review its process for verifying teacher credentials and modify it accordingly to avoid any lapse in teaching credential periods.

**Corrective Action Plan:** As of July 2019, KIPPSocal has implemented a plan with multiple elements to ensure all teachers have the required credentials. This includes utilizing HR information systems for tracking, monitoring, and communicating credential status, compliance and needs. Other steps include increasing communication (daily, weekly, and monthly) to current teachers of upcoming renewals and required steps to ultimately obtain a clear California credential. Additionally, we have made changes to teacher selection and hiring practices to ensure all new teachers have proper credentials or have the ability to obtain a permit required for their position at the time of hire.

**2019-002 – Instructional Minutes**

**40000**

**KIPP Empower Academy (KEA) #1195  
KIPP Ignite Academy (KIG) #1720  
KIPP Illuminar Academy (KIA) #1508**

**Criteria:** Pursuant to the provisions of subdivision (a)(1) of Education Code Section 47612.5, the minimum instructional minutes offered for grades K, 1-3, and 4-6 should be 36,000, 50,400, and 54,000 respectively.

**Condition:** Due to finding 2019-001, some instructional minutes were disallowed that led to three sites listed at the beginning of this section offering insufficient instructional time.

**Effect:** After disallowing core instruction minutes for the teachers in question, the total instructional minutes to the amounts shown in the Schedule of Instructional Time. This resulted in non-compliance with the instructional minute minimum requirement.

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**2019-002 – Instructional Minutes (Continued)**

**40000**

**Cause:** Instructional time under non-credentialed teachers were subtracted from the total instructional minutes which resulted in the shortage of instructional minutes.

**Questioned Costs and Units:** The questioned cost generated from not meeting the annual minutes per site is as follows, this was determined using the penalty calculation worksheet from the California Department of Education:

- KIPP Empower Academy (KEA) - \$530,464
- KIPP Illuminar Academy (KIA) - \$498,434
- KIPP Ignite Academy (KIG) - \$195,672

The calculations for the instructional minute penalties are as follows:

<b>KIPP Empower Academy (KEA)</b>					
	<b>Instructional Time Grade Spans</b>				
	<b>K</b>	<b>1-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Affected grade levels	K	2			
Affected grade level ADA	26.79	55.64			
Derived Value of ADA by Grade Span	\$ 10,958.89	\$ 10,958.89			
Number of required minutes	36,000	50,400	54,000	54,000	64,800
Number of minutes short	20,385	30,102			
Percentage of Minutes Not Offered	57%	60%	0%	0%	0%
Affected LCFF Apportionment by Grade Span	\$ 293,589	\$ 609,753	\$ -	\$ -	\$ -
Instructional Time Penalty by Grade Span	\$ 166,259	\$ 364,205	\$ -	\$ -	\$ -
<b>Total Instructional Time Penalty</b>	<b>\$ 530,464</b>				

<b>KIPP Illuminar Academy (KIA)</b>					
	<b>Instructional Time Grade Spans</b>				
	<b>K</b>	<b>1-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Affected grade levels		2	4		
Affected grade level ADA		26.82	26.41		
Derived Value of ADA by Grade Span		\$ 10,954.61	\$ 10,071.32		
Number of required minutes	36,000	50,400	54,000	54,000	64,800
Number of minutes short		44,390	48,655		
Percentage of Minutes Not Offered	0%	88%	90%	0%	0%
Affected LCFF Apportionment by Grade Span	\$ -	\$ 293,803	\$ 265,984	\$ -	\$ -
Instructional Time Penalty by Grade Span	\$ -	\$ 258,782	\$ 239,652	\$ -	\$ -
<b>Total Instructional Time Penalty</b>	<b>\$ 498,434</b>				

<b>KIPP Ignite Academy (KIG)</b>					
	<b>Instructional Time Grade Spans</b>				
	<b>K</b>	<b>1-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
Affected grade levels		2			
Affected grade level ADA		22.40			
Derived Value of ADA by Grade Span		\$ 11,039.26			
Number of required minutes	36,000	50,400	54,000	54,000	64,800
Number of minutes short		39,880			
Percentage of Minutes Not Offered	0%	79%	0%	0%	0%
Affected LCFF Apportionment by Grade Span	\$ -	\$ 247,279	\$ -	\$ -	\$ -
Instructional Time Penalty by Grade Span	\$ -	\$ 195,672	\$ -	\$ -	\$ -
<b>Total Instructional Time Penalty</b>	<b>\$ 195,672</b>				

**KIPP SOCAL PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**2019-002 – Instructional Minutes (Continued)**

**40000**

**Recommendation:** It is recommended that a process to annually verify teaching credentials for all teachers be established along with a method to keep track of credentials to avoid instructional minutes being affected.

**Corrective Action Plan:** See corrective action plan for finding 2019-001.

**KIPP SOCAL PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

KIPP SoCal Schools respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2019.

Audit period: Fiscal year ended June 30, 2019

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

There were no financial statement findings in the prior year.

**FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

There were no federal award program audit findings in the prior year.



