KIPP NYC PUBLIC CHARTER SCHOOLS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

CliftonLarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

KIPP NYC PUBLIC CHARTER SCHOOLS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
KIPP NYC Public Charter Schools
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP NYC Public Charter Schools (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

A member of Nexia International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP NYC Public Charter Schools as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Other Information – Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules, which comprise the schedule of financial position by school, schedule of activities by school and schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Merger

As discussed in Note 1 to the financial statements, as of July 1, 2016, KIPP Infinity Charter School and KIPP AMP Academy Charter School merged their financial books and records and ceased operating as separate entities. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the KIPP NYC Public Charter Schools' basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
KIPP NYC Public Charter Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of KIPP NYC Public Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of KIPP NYC Public Charter School'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 NYC Public Charter Schools' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 26, 2017

KIPP NYC PUBLIC CHARTER SCHOOLS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 5,638,315	$ 4,752,580
Grants and Contracts Receivable	2,743,383	439,597
Due from Related Parties	960,000	-
Prepaid Expenses and Other Assets	762,464	279,782
Property and Equipment	5,819,239	2,102,136
Total Assets	$ 15,923,401	$ 7,574,095
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 2,636,309	$ 616,053
Due to Related Parties	189,610	468,192
Refundable Advances	30,976	-
Total Liabilities	2,856,895	1,084,245
NET ASSETS		
Unrestricted	12,929,750	6,489,267
Temporarily Restricted	136,756	583
Total Net Assets	13,066,506	6,489,850
Total Liabilities and Net Assets	$ 15,923,401	$ 7,574,095

See accompanying Notes to Financial Statements.

KIPP NYC PUBLIC CHARTER SCHOOLS
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
OPERATING REVENUE						
State and Local Per Pupil Operating Revenue	$ 61,906,955	$ -	$ 61,906,955	$ 25,699,528	$ -	$ 25,699,528
Government Grants and Contracts	4,308,694	-	4,308,694	1,362,132	539,401	1,901,533
Total Operating Revenue	66,215,649	-	66,215,649	27,061,660	539,401	27,601,061
OPERATING EXPENSES						
Program Services	59,296,310	-	59,296,310	25,123,766	-	25,123,766
Supporting Services	7,175,910	-	7,175,910	2,955,591	-	2,955,591
Total Operating Expenses	66,472,220	-	66,472,220	28,079,357	-	28,079,357
SCHOOL OPERATING SURPLUS (DEFICIT)	(256,571)	-	(256,571)	(1,017,697)	539,401	(478,296)
OTHER REVENUE						
Contributions and Other Grants	471,737	111,764	583,501	1,161,805	23,793	1,185,598
Interest and Other Income – Net	666,776	-	666,776	247,826	-	247,826
Donated Goods and Services	771	-	771	2,600	-	2,600
Total Other Revenue	1,139,284	111,764	1,251,048	1,412,231	23,793	1,436,024
NET ASSETS RELEASED FROM RESTRICTIONS	15,832	(15,832)	-	569,461	(569,461)	-
CHANGE IN NET ASSETS BEFORE MERGER	898,545	95,932	994,477	963,995	(6,267)	957,728
NET ASSETS TRANSFERRED FROM MERGER						
Transfer of Net Assets of KIPP AMP Academy to PCS	2,419,643	2,967	2,422,610	-	-	-
Transfer of Net Assets of KIPP Infinity to PCS	3,122,295	37,274	3,159,569	-	-	-
Total Net Assets Transferred from Merger	5,541,938	40,241	5,582,179	-	-	-
CHANGE IN NET ASSETS	6,440,483	136,173	6,576,656	963,995	(6,267)	957,728
Net Assets – Beginning of Year	6,489,267	583	6,489,850	5,525,272	6,850	5,532,122
NET ASSETS – END OF YEAR	$ 12,929,750	$ 136,756	$ 13,066,506	$ 6,489,267	$ 583	$ 6,489,850

See accompanying Notes to Financial Statements.

KIPP NYC PUBLIC CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	2017				
	Program Services			Supporting Services	
	Regular Education	Special Education	Total	Management and General	Total Expenses
Employee Wages	$ 32,551,697	$ 5,715,732	$ 38,267,429	$ -	$ 38,267,429
Payroll Taxes and Employee Benefits	8,182,329	1,257,862	9,440,191	-	9,440,191
Licensing and Management Fee	262,182	-	262,182	7,175,910	7,438,092
Litigation and Legal Services Fee	82,631	-	82,631	-	82,631
Accounting and Audit Services Fees	58,656	-	58,656	-	58,656
Other Professional Fees	1,268,320	-	1,268,320	-	1,268,320
Consultant Fees	160,212	70,530	230,742	-	230,742
Grants to Related Entities	1,663	-	1,663	-	1,663
Academic Programming	1,002,144	10,262	1,012,406	-	1,012,406
Alumni Programming	2,967	-	2,967	-	2,967
Field Lessons	551,727	-	551,727	-	551,727
Professional Development	704,794	697	705,491	-	705,491
Equipment and Maintenance	710,185	-	710,185	-	710,185
Student Transportation and Other Services	148,588	-	148,588	-	148,588
Supplies and Materials	1,577,500	-	1,577,500	-	1,577,500
Technology Equipment and Materials	1,270,313	174	1,270,487	-	1,270,487
Events	215,545	-	215,545	-	215,545
Printing and Publications	59,061	-	59,061	-	59,061
Occupancy	530,442	-	530,442	-	530,442
Telephone and Internet	920,563	-	920,563	-	920,563
Insurance	598,584	-	598,584	-	598,584
Memberships and Subscriptions	86,207	-	86,207	-	86,207
Postage and Shipping	14,262	-	14,262	-	14,262
Bank and Other Fees	1,893	-	1,893	-	1,893
Candidate Recruiting	8,867	-	8,867	-	8,867
Miscellaneous	9,659	50	9,709	-	9,709
Donated Goods and Services	771	-	771	-	771
Depreciation and Amortization	1,207,997	-	1,207,997	-	1,207,997
Uncollectible Receivables	29,282	-	29,282	-	29,282
Prior Period Adjustments	17,340	4,622	21,962	-	21,962
Total Functional Expenses	$ 52,236,381	$ 7,059,929	$ 59,296,310	$ 7,175,910	$ 66,472,220

See accompanying Notes to Financial Statements.

KIPP NYC PUBLIC CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	2016				
	Program Services			Supporting Services	
	Regular Education	Special Education	Total	Management and General	Total Expenses
Employee Wages	$ 13,281,580	$ 2,829,625	$ 16,111,205	$ -	$ 16,111,205
Payroll Taxes and Employee Benefits	3,099,437	660,773	3,760,210	-	3,760,210
Licensing and Management Fee	126,158	-	126,158	2,955,591	3,081,749
Litigation and Legal Services Fee	3,591	-	3,591	-	3,591
Accounting and Audit Services Fees	28,269	-	28,269	-	28,269
Other Professional Fees	476,677	7,207	483,884	-	483,884
Consultant Fees	90,814	27,270	118,084	-	118,084
Grants to Related Entities	3,060	-	3,060	-	3,060
Academic Programming	496,736	5,781	502,517	-	502,517
Alumni Programming	1,313	-	1,313	-	1,313
Field Lessons	340,432	-	340,432	-	340,432
Professional Development	250,754	9,209	259,963	-	259,963
Equipment and Maintenance	341,755	-	341,755	-	341,755
Student Transportation and Other Services	48,440	-	48,440	-	48,440
Supplies and Materials	720,815	387	721,202	-	721,202
Technology Equipment and Materials	514,198	-	514,198	-	514,198
Events	74,000	-	74,000	-	74,000
Printing and Publications	34,514	-	34,514	-	34,514
Occupancy	203,468	-	203,468	-	203,468
Telephone and Internet	618,500	-	618,500	-	618,500
Insurance	253,905	-	253,905	-	253,905
Memberships and Subscriptions	42,362	-	42,362	-	42,362
Postage and Shipping	7,830	-	7,830	-	7,830
Bank and Other Fees	68	-	68	-	68
Candidate Recruiting	5,781	248	6,029	-	6,029
Miscellaneous	56,091	134	56,225	-	56,225
Donated Goods and Services	2,600	-	2,600	-	2,600
Depreciation and Amortization	399,554	-	399,554	-	399,554
Uncollectible Receivables	60,430	-	60,430	-	60,430
Total Functional Expenses	$ 21,583,132	$ 3,540,634	$ 25,123,766	$ 2,955,591	$ 28,079,357

See accompanying Notes to Financial Statements.

KIPP NYC PUBLIC CHARTER SCHOOLS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Local, State, and Federal Sources	$ 64,494,685	$ 27,535,158
Receipts from Others	2,197,203	1,436,024
Payments to Suppliers and Vendors	(26,695,189)	(11,791,589)
Payments to Employees	(38,267,429)	(16,111,205)
Net Cash Provided by Operating Activities	1,729,270	1,068,388
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(1,890,096)	(1,116,991)
Net Cash Used by Capital and Related Financing Activities	(1,890,096)	(1,116,991)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(160,826)	(48,603)
Cash and Cash Equivalents – Beginning of Year	5,799,141	4,801,183
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 5,638,315	$ 4,752,580
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 994,477	$ 957,728
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,207,997	399,554
Change in Assets and Liabilities:		
Grants and Contracts Receivable	(1,720,964)	(65,903)
Prepaid Expenses and Other Assets	(194,777)	91,586
Due from Related Parties	946,155	-
Accounts Payable and Accrued Expenses	1,235,684	232,323
Due to Related Parties	(764,542)	(546,900)
Refundable Advances	25,240	-
Net Cash Provided by Operating Activities	$ 1,729,270	$ 1,068,388

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

KIPP NYC Public Charter Schools (the School) is an education corporation that is the consolidation of the former KIPP NYC Washington Heights Academy Charter School (Washington Heights), KIPP STAR College Prep Charter School (STAR), KIPP Infinity Charter School (Infinity) and KIPP AMP Academy Charter School (AMP). As of July 1, 2013, Washington Heights and STAR combined their financial books and records as a business combination accounted for as a merger and ceased operating as two entities. As of July 1, 2016, Infinity and AMP combined their financial books and records with the School and ceased operating as two separate entities. The total assets, total liabilities, unrestricted, and temporary restricted net assets of the former schools at July 1, 2016 were $3,664,457, $504,888, $3,122,295, and $37,274 for Infinity and $3,193,990, $771,380, $2,419,643, and $2,967 for AMP, respectively. Through their mergers, the charter entities seek to achieve substantial operational efficiencies in governance and accounting workflow, enhanced buying power, and shared resources, all of which will provide for a more streamlined, cost efficient organization for students, families, and staff. The School's mission is to equip students with the academic and character skills necessary to succeed in high school, college and the competitive world beyond. The School holds the four charters for each of the legacy charter entities, which continue to be renewed on their separate schedules.

In preparation for the July 2016 merger, KIPP NYC Public Charter Schools created four, wholly owned subsidiary LLCs, Washington Heights PCS, LLC, STAR Harlem PCS, LLC, Infinity PCS, LLC, and AMP PCS, LLC. These disregarded entities were formed to segregate assets of the four legacy charter entities of KIPP NYC Public Charter Schools (Washington Heights, STAR, AMP, and Infinity)

In fiscal years 2016 and 2017, the School operated for students in grades kindergarten through twelve.

The major source of revenue and support for the School is from state and local funding on per pupil basis. The New York City Department of Food Services provides free and reduced-price lunches and the New York City Department of Transportation provides transportation vouchers directly to a majority of the School's students. Amounts with respect to these items are not included in these financial statements.

Financial Statement Presentation

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with established accounting standards for nonprofit entities. The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. Temporarily restricted net assets contain donor-imposed restrictions that permit the School to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the School. Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently but permit the School to use or expend part or all of the income derived from the restricted assets for either specified or unspecified purposes. The School only has unrestricted and temporarily restricted net assets.

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 of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits.

Grants and Contract Receivables

Grants and contract receivables primarily consist of amounts due from the New York Department of Education for federal and state subsidy programs and private grants. Grants and contract receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2017 and 2016, an allowance was not warranted.

Governmental Funding

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and state funds are recognized by the School when expenditures are incurred and billable.

Revenue from other government grants to which the School is entitled is recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by the School.

Federal and state funds received prior to the services provided or the related expenditures being incurred are deferred and recorded as refundable advances.

Contributions

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

Donated goods and services are recorded at their fair value when such services are rendered or goods are donated. Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) required specialized skills and are performed by people with those skills and would otherwise be purchased by the School and (c) are measurable.

A number of volunteers have made a contribution of their time to the School. These in-kind contributions have not been reflected in the financial statements since they do not meet the criteria for recognition under accounting standards for contributions.

Equipment, Improvements, and Depreciation

Property and equipment is recorded at cost. The School capitalizes purchases of equipment in excess of $2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Property and equipment acquired with certain government contract funds are recorded as expenses when the grantor retains title.

Improvements to the facility are amortized over the useful life as there is no set lease term for the school building.

Expense Allocation

The costs of providing services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated to the program and support services benefited.

Concentration of Credit Risk

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Income Taxes

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable income tax regulations of the state of New York. No provision for income taxes has been established, as the School has no unrelated business activity.

The School follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. This standard had no impact on the School's financial statements.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 26, 2017, the date the financial statements were available to be issued.

NOTE 2 RELATED PARTY TRANSACTIONS

The Knowledge is Power Program Foundation (KIPP Foundation) is a national, nonprofit organization that trains school leaders to open and run academically rigorous public schools. The School is a member of KIPP Foundation's KIPP Network of Schools and, as such, is eligible for a range of benefits and fee-based services. See Note 7 for additional information about the license fee agreement.

KIPP NYC, LLC (LLC) is the sole member of KIPP New York, Inc. (KNYI). The School received grants from KNYI in the amounts of $-0- and $1,401,000 for the years ended June 30, 2017 and 2016, respectively. Amounts due to and from related parties represent short-term timing differences of grants received and expenses incurred on behalf of the School that have not been paid or received as of the financial statement date.

LLC is considered a related party due to the usage of the LLC shared services team who handles the back-office functions for the School. In July 2013, the School entered into a shared services fee agreement with LLC for the back-office functions. The management fee is 11% of the revenue as defined in the shared services agreement. The School incurred a management fee to LLC in the amount of $7,181,086 and $2,955,591 for the years ended June 30, 2017 and 2016, respectively.

KIPP New York, Inc. (KNYI) is the sole member of KTC NYC, LLC (KTC). Amounts due to and from related parties represent short-term timing differences of grants received and expenses incurred on behalf of the School that have not been paid or received as of the financial statement date.

KTC is considered a related party due to the services they provide to the KIPP New York charter schools and school alumni to prepare them for college. The services KTC provides are college advisory, counseling and placement, transition programs, collage scholars, and career preparation. There were no transactions between KTC and the School during the year.

KIPP NYC Facilities II LLC (Facilities) is a single member limited liability company with KIPP NYC Facility Holdings, Inc. as its sole member. KIPP NYC Facility Holdings Inc. is a Delaware nonstock charitable membership corporation with a mission of securing long-term facilities for KIPP charter schools operating in New York City. KIPP NY Inc., KIPP Academy, and KIPP NYC Public Charter Schools are members of KIPP NYC Facility Holdings Inc. There were no transactions between Facilities and the School during the years ended June 30, 2017 and 2016.

The School and KIPP Academy Charter School share common membership on their board of directors.

NOTE 3 EQUIPMENT AND IMPROVEMENTS

Equipment and improvements consists of the following at June 30:

	2017	2016
Furniture and Fixtures	$ 469,555	$ 117,272
Technology	3,469,330	1,437,050
Equipment	219,099	62,390
Leasehold Improvements	6,107,961	1,549,558
Construction in Progress	146,226	230,038
Total	10,412,171	3,396,308
Less: Accumulated Depreciation and Amortization	(4,592,932)	(1,294,172)
Total Property and Equipment	$ 5,819,239	$ 2,102,136

NOTE 4 RESTRICTIONS ON NET ASSET BALANCES

Temporarily restricted net assets were available for the following purposes at June 30:

	2017	2016
Athletic Programs	$ 142	$ 86
Music Programs	66,939	273
Academic Programs	69,675	224
Total	$ 136,756	$ 583

NOTE 5 PENSION EXPENSE

The School is part of the KIPP NYC 403(b) Retirement Plan, a multi-employer defined contribution plan, under Section 403(b) of the IRC which employees of the School can elect to contribute. Employees, who choose this plan, can contribute up to the level set by the Internal Revenue Service. The Employer match is a discretionary contribution. The employer contributions to this Plan amounted $1,065,810 and $313,826 for the years ended June 30, 2017 and 2016, respectively.

The School also contributes to the Teachers Retirement System of the City of New York, a multi-employer defined benefit pension plan (the Plan), on behalf of eligible teachers. The Plan provides New York City educators with retirement, disability, and death benefit services. The School's participation in the plan constitutes less than 1% of total plan contributions. The funded status of the Plan was 55.7% at June 30, 2014, the date of the most recent actuarial calculation as indicated in the June 30, 2016 plan audit. The amount charged to operations for contributions to this Plan amounted to $984,857 and $87,476 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 SCHOOL FACILITY

The School occupies several facilities. The School has an agreement with the New York City Department of Education for this dedicated and shared space at P.S. 125, a New York City public school, located at West 123rd Street, New York City, New York, P.S 115, New York City public school, located at West 177th Street, New York City, New York, I.S. 90, a New York City public school, located at Jumel Place, New York City, New York, M.S. 390, a New York City public school, located at 1224 Park Place, Brooklyn, New York, and M.S. 195, a New York City public school, located at 625 West 133rd Streee, New York City, New York. The School is responsible for any overtime-related costs for services provided beyond regular opening hours in both facilities. These costs have been included in contracted services in the accompanying statement of functional expenses. The School also jointly occupies approximately 132,500 square feet of space at 201 East 144th St in the South Bronx where the joint high school for KIPP NYC Public Charter Schools and KIPP Academy Charter School resides.

The facility was provided to the School at no cost, but the School must provide for continuing maintenance and operating expenses. The expenses are also included in building costs in the accompanying statement of functional expenses.

NOTE 7 TRADEMARK LICENSE AGREEMENT

The School has entered into a trademark license agreement with KIPP Foundation subject to a license fee of 1% per pupil operating revenue not to exceed $30,000 per elementary school, middle school, or high school. The School incurred licensing fees amounting to $262,182 and $126,158 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 OPERATING EXPENSES

Operating expenses are presented in the statement of functional expenses classified according to the significant program activity related to the purpose for which the school exists or supporting service.

The significant activities are:

Program Services – Regular Education and Special Education

Represents work (time and materials) that is specifically related to or necessary for the programming aspects of the School under the regular education and special education areas. The activities and related costs directly affecting students or parents fall under these program areas.

NOTE 8 OPERATING EXPENSES (CONTINUED)

The significant supporting services are:

Management and General

Time and materials relating to operating the nonprogrammatic/back-end operational functions of the School are reflected as management and general expenses. These expenses include, but are not limited to, human resources, finance, and technology activities.

Fundraising

Represents work (time and materials) associated with the School's fund-raising program including but not limited to annual mailings, donor meeting, and events. The fundraising expenses were incurred by KIPP NYC, LLC.

NOTE 9 CONTINGENCY

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

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	KIPP Star College Prep	KIPP NYC Washington Heights Academy	KIPP AMP Academy	KIPP Infinity	Total
ASSETS					
Cash and Cash Equivalents	$ 613,742	$ 4,064,620	$ 296,161	$ 663,792	$ 5,638,315
Grants and Contracts Receivable	287,693	1,740,682	296,048	418,960	2,743,383
Due from Related Parties	800,000	-	160,000	-	960,000
Prepaid Expenses and Other Assets	91,677	165,968	89,938	414,881	762,464
Property and Equipment	916,142	1,447,932	2,242,598	1,212,567	5,819,239
Total Assets	$ 2,709,254	$ 7,419,202	$ 3,084,745	$ 2,710,200	$ 15,923,401
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	$ 233,941	$ 1,497,027	$ 425,439	$ 479,902	$ 2,636,309
Due to / (from) Related Parties	1,608,102	(434,754)	133,373	(1,117,111)	189,610
Refundable Advances	28,544	-	2,432	-	30,976
Total Liabilities	1,870,587	1,062,273	561,244	(637,209)	2,856,895
NET ASSETS					
Unrestricted	822,605	6,353,499	2,514,234	3,239,412	12,929,750
Temporarily Restricted	16,062	3,430	9,267	107,997	136,756
Total Net Assets	838,667	6,356,929	2,523,501	3,347,409	13,066,506
Total Liabilities and Net Assets	$ 2,709,254	$ 7,419,202	$ 3,084,745	$ 2,710,200	$ 15,923,401

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF ACTIVITIES BY SCHOOL
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	KIPP Star College Prep			KIPP NYC Washington Heights Academy		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE						
State and Local Per Pupil Operating Revenue	$ 13,659,189	$ -	$ 13,659,189	$ 15,099,470	$ -	$ 15,099,470
Government Grants and Contracts	999,342	-	999,342	941,140	-	941,140
Total Operating Revenue	14,658,531	-	14,658,531	16,040,610	-	16,040,610
OPERATING EXPENSES						
Program Services	14,184,944	-	14,184,944	13,073,385	-	13,073,385
Supporting Services	1,587,183	-	1,587,183	1,734,529	-	1,734,529
Total Operating Expenses	15,772,127	-	15,772,127	14,807,914	-	14,807,914
SCHOOL OPERATING SURPLUS (DEFICIT)	(1,113,596)	-	(1,113,596)	1,232,696	-	1,232,696
OTHER REVENUE						
Contributions and Other Grants	192,233	17,150	209,383	29,656	3,979	33,635
Interest and Other Income – Net	141,447	-	141,447	201,850	-	201,850
Donated Goods and Services	249	-	249	82	-	82
Total Other Revenue, Net	333,929	17,150	351,079	231,588	3,979	235,567
NET ASSETS RELEASED FROM RESTRICTIONS	1,671	(1,671)	-	549	(549)	-
CHANGE IN NET ASSETS BEFORE MERGER	(777,996)	15,479	(762,517)	1,464,833	3,430	1,468,263
NET ASSETS TRANSFERRED FROM MERGER						
Transfer of Net Assets to PCS	-	-	-	-	-	-
Total Net Assets Transferred from Merger	-	-	-	-	-	-
CHANGE IN NET ASSETS	(777,996)	15,479	(762,517)	1,464,833	3,430	1,468,263
Net Assets – Beginning of Year	1,600,601	583	1,601,184	4,888,666	-	4,888,666
NET ASSETS – END OF YEAR	$ 822,605	$ 16,062	$ 838,667	$ 6,353,499	$ 3,430	$ 6,356,929

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	KIPP AMP Academy			KIPP Infinity			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE							
State and Local Per Pupil Operating Revenue	$ 13,640,760	$ -	$ 13,640,760	$ 19,507,536	$ -	$ 19,507,536	$ 61,906,955
Government Grants and Contracts	977,139	-	977,139	1,391,073	-	1,391,073	4,308,694
Total Operating Revenue	14,617,899	-	14,617,899	20,898,609	-	20,898,609	66,215,649
OPERATING EXPENSES							
Program Services	13,170,027	-	13,170,027	18,867,954	-	18,867,954	59,296,310
Supporting Services	1,580,701	-	1,580,701	2,273,497	-	2,273,497	7,175,910
Total Operating Expenses	14,750,728	-	14,750,728	21,141,451	-	21,141,451	66,472,220
SCHOOL OPERATING SURPLUS (DEFICIT)	(132,829)	-	(132,829)	(242,842)	-	(242,842)	(256,571)
OTHER REVENUE							
Contributions and Other Grants	82,240	7,425	89,665	167,608	83,210	250,818	583,501
Interest and Other Income – Net	143,904	-	143,904	179,575	-	179,575	666,776
Donated Goods and Services	151	-	151	289	-	289	771
Total Other Revenue, Net	226,295	7,425	233,720	347,472	83,210	430,682	1,251,048
NET ASSETS RELEASED FROM RESTRICTIONS	1,125	(1,125)	-	12,487	(12,487)	-	-
CHANGE IN NET ASSETS BEFORE MERGER	94,591	6,300	100,891	117,117	70,723	187,840	994,477
NET ASSETS TRANSFERRED FROM MERGER							
Transfer of Net Assets to PCS	2,419,643	2,967	2,422,610	3,122,295	37,274	3,159,569	5,582,179
Total Net Assets Transferred from Merger	2,419,643	2,967	2,422,610	3,122,295	37,274	3,159,569	5,582,179
CHANGE IN NET ASSETS	2,514,234	9,267	2,523,501	3,239,412	107,997	3,347,409	6,576,656
Net Assets – Beginning of Year	-	-	-	-	-	-	6,489,850
NET ASSETS – END OF YEAR	$ 2,514,234	$ 9,267	$ 2,523,501	$ 3,239,412	$ 107,997	$ 3,347,409	$ 13,066,506

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF FUNCTIONAL EXPENSES
KIPP STAR COLLEGE PREP CHARTER SCHOOL
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services			Supporting Services	
	Regular Education	Special Education	Total	Management and General	Total Expenses
Employee Wages	$ 7,539,945	$ 1,478,309	$ 9,018,254	$ -	$ 9,018,254
Payroll Taxes and Employee Benefits	1,750,932	305,776	2,056,708	-	2,056,708
Licensing and Management Fee	67,161	-	67,161	1,587,183	1,654,344
Litigation and Legal Services Fee	33,577	-	33,577	-	33,577
Accounting and Audit Services Fees	11,617	-	11,617	-	11,617
Other Professional Services	330,209	-	330,209	-	330,209
Consultant Fees	48,165	22,651	70,816	-	70,816
Grants to Related Entities	537	-	537	-	537
Academic Programming	252,861	2,222	255,083	-	255,083
Alumni Programming	644	-	644	-	644
Field Lessons	122,769	-	122,769	-	122,769
Professional Development	158,269	-	158,269	-	158,269
Equipment and Maintenance	261,227	-	261,227	-	261,227
Student Transportation and Other Services	33,913	-	33,913	-	33,913
Supplies and Materials	421,565	-	421,565	-	421,565
Technology Equipment and Materials	302,052	56	302,108	-	302,108
Events	73,891	-	73,891	-	73,891
Printing and Publications	24,009	-	24,009	-	24,009
Occupancy	164,863	-	164,863	-	164,863
Telephone and Internet	241,375	-	241,375	-	241,375
Insurance	146,025	-	146,025	-	146,025
Memberships and Subscriptions	23,751	-	23,751	-	23,751
Postage and Shipping	4,271	-	4,271	-	4,271
Bank and Other Fees	491	-	491	-	491
Candidate Recruiting	2,236	-	2,236	-	2,236
Miscellaneous	2,114	3	2,117	-	2,117
Use of Donated Materials and Services	249	-	249	-	249
Depreciation and Amortization	349,735	-	349,735	-	349,735
Uncollectible Receivables	6,182	-	6,182	-	6,182
Prior Period Adjustments	1,292	-	1,292	-	1,292
Total Functional Expenses	$ 12,375,927	$ 1,809,017	$ 14,184,944	$ 1,587,183	$ 15,772,127

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF FUNCTIONAL EXPENSES
KIPP NYC WASHINGTON HEIGHTS ACADEMY CHARTER SCHOOL
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services			Supporting Services	
	Regular Education	Special Education	Total	Management and General	Total Expenses
Employee Wages	$ 7,671,945	$ 1,225,546	$ 8,897,491	$ -	$ 8,897,491
Payroll Taxes and Employee Benefits	1,768,515	269,247	2,037,762	-	2,037,762
Licensing and Management Fee	62,352	-	62,352	1,734,529	1,796,881
Litigation and Legal Services Fee	4,855	-	4,855	-	4,855
Accounting and Audit Services Fees	10,802	-	10,802	-	10,802
Other Professional Services	137,559	-	137,559	-	137,559
Consultant Fees	16,466	8,442	24,908	-	24,908
Grants to Related Entities	176	-	176	-	176
Academic Programming	229,485	2,692	232,177	-	232,177
Alumni Programming	1,112	-	1,112	-	1,112
Field Lessons	139,245	-	139,245	-	139,245
Professional Development	128,188	1,535	129,723	-	129,723
Equipment and Maintenance	80,411	-	80,411	-	80,411
Student Transportation and Other Services	22,335	-	22,335	-	22,335
Supplies and Materials	216,773	-	216,773	-	216,773
Technology Equipment and Materials	278,768	21	278,789	-	278,789
Events	45,906	-	45,906	-	45,906
Printing and Publications	12,079	-	12,079	-	12,079
Occupancy	60,773	-	60,773	-	60,773
Telephone and Internet	282,046	-	282,046	-	282,046
Insurance	137,847	-	137,847	-	137,847
Memberships and Subscriptions	17,201	-	17,201	-	17,201
Postage and Shipping	1,348	-	1,348	-	1,348
Bank and Other Fees	464	-	464	-	464
Candidate Recruiting	226	-	226	-	226
Miscellaneous	1,879	1	1,880	-	1,880
Use of Donated Materials and Services	82	-	82	-	82
Depreciation and Amortization	230,679	-	230,679	-	230,679
Uncollectible Receivables	4,855	-	4,855	-	4,855
Prior Period Adjustments	1,529	-	1,529	-	1,529
Total Functional Expenses	$ 11,565,901	$ 1,507,484	$ 13,073,385	$ 1,734,529	$ 14,807,914

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF FUNCTIONAL EXPENSES
KIPP AMP ACADEMY CHARTER SCHOOL
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services			Supporting Services	
	Regular Education	Special Education	Total	Management and General	Total Expenses
Employee Wages	$ 7,243,406	$ 1,116,589	$ 8,359,995	$ -	$ 8,359,995
Payroll Taxes and Employee Benefits	1,811,562	240,557	2,052,119	-	2,052,119
Licensing and Management Fee	64,347	-	64,347	1,580,701	1,645,048
Litigation and Legal Services Fee	29,012	-	29,012	-	29,012
Accounting and Audit Services Fees	16,264	-	16,264	-	16,264
Other Professional Services	354,743	-	354,743	-	354,743
Consultant Fees	26,233	12,931	39,164	-	39,164
Grants to Related Entities	326	-	326	-	326
Academic Programming	253,134	1,096	254,230	-	254,230
Alumni Programming	462	-	462	-	462
Field Lessons	89,735	-	89,735	-	89,735
Professional Development	152,530	53	152,583	-	152,583
Equipment and Maintenance	165,199	-	165,199	-	165,199
Student Transportation and Other Services	44,272	-	44,272	-	44,272
Supplies and Materials	450,896	-	450,896	-	450,896
Technology Equipment and Materials	275,679	32	275,711	-	275,711
Events	28,833	-	28,833	-	28,833
Printing and Publications	12,032	-	12,032	-	12,032
Occupancy	103,151	-	103,151	-	103,151
Telephone and Internet	169,603	-	169,603	-	169,603
Insurance	126,431	-	126,431	-	126,431
Memberships and Subscriptions	17,397	-	17,397	-	17,397
Postage and Shipping	3,583	-	3,583	-	3,583
Bank and Other Fees	460	-	460	-	460
Candidate Recruiting	4,414	-	4,414	-	4,414
Miscellaneous	3,822	43	3,865	-	3,865
Use of Donated Materials and Services	151	-	151	-	151
Depreciation and Amortization	325,933	-	325,933	-	325,933
Uncollectible Receivables	7,694	-	7,694	-	7,694
Prior Period Adjustments	12,800	4,622	17,422	-	17,422
Total Functional Expenses	$ 11,794,104	$ 1,375,923	$ 13,170,027	$ 1,580,701	$ 14,750,728

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF FUNCTIONAL EXPENSES
KIPP INFINITY ACADEMY CHARTER SCHOOL
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services			Supporting Services	
	Regular Education	Special Education	Total	Management and General	Total Expenses
Employee Wages	$ 10,096,401	$ 1,895,288	$ 11,991,689	$ -	$ 11,991,689
Payroll Taxes and Employee Benefits	2,851,320	442,282	3,293,602	-	3,293,602
Licensing and Management Fee	68,322	-	68,322	2,273,497	2,341,819
Litigation and Legal Services Fee	15,187	-	15,187	-	15,187
Accounting and Audit Services Fees	19,973	-	19,973	-	19,973
Other Professional Services	445,809	-	445,809	-	445,809
Consultant Fees	69,348	26,506	95,854	-	95,854
Grants to Related Entities	624	-	624	-	624
Academic Programming	266,664	4,252	270,916	-	270,916
Alumni Programming	749	-	749	-	749
Field Lessons	199,978	-	199,978	-	199,978
Professional Development	265,807	(891)	264,916	-	264,916
Equipment and Maintenance	203,348	-	203,348	-	203,348
Student Transportation and Other Services	48,068	-	48,068	-	48,068
Supplies and Materials	488,266	-	488,266	-	488,266
Technology Equipment and Materials	413,814	65	413,879	-	413,879
Events	66,915	-	66,915	-	66,915
Printing and Publications	10,941	-	10,941	-	10,941
Occupancy	201,655	-	201,655	-	201,655
Telephone and Internet	227,539	-	227,539	-	227,539
Insurance	188,281	-	188,281	-	188,281
Memberships and Subscriptions	27,858	-	27,858	-	27,858
Postage and Shipping	5,060	-	5,060	-	5,060
Bank and Other Fees	478	-	478	-	478
Candidate Recruiting	1,991	-	1,991	-	1,991
Miscellaneous	1,844	3	1,847	-	1,847
Use of Donated Materials and Services	289	-	289	-	289
Depreciation and Amortization	301,650	-	301,650	-	301,650
Uncollectible Receivables	10,551	-	10,551	-	10,551
Prior Period Adjustments	1,719	-	1,719	-	1,719
Total Functional Expenses	$ 16,500,449	$ 2,367,505	$ 18,867,954	$ 2,273,497	$ 21,141,451

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant/ Contract Period	Grant Amount	Accrued or (Deferred) Revenue at 7/1/16	Total Received for the Year	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/17
U.S. Department of Education:									
Pass-through New York Department of Education:									
Title I Grant - Improving Academic Achievement	I	84.010A	0021-164294	9/1/15-8/31/16	$ 326,358	$ -	$ 41,302	$ 41,302	$ -
Title I Grant - Improving Academic Achievement	I	84.010A	0021-174294	9/1/16-8/31/17	432,979	-	343,370	343,370	-
Title I Grant - Improving Academic Achievement	I	84.010A	0021-164296	9/1/15-8/31/16	552,440	(1,986)	83,520	83,539	(1,967)
Title I Grant - Improving Academic Achievement	I	84.010A	0021-174296	9/1/16-8/31/17	526,283	-	420,555	420,555	-
Title I Grant - Improving Academic Achievement	I	84.010A	0021-164282	9/1/15-8/31/16	223,034	-	37,172	37,172	-
Title I Grant - Improving Academic Achievement	I	84.010A	0021-174282	9/1/16-8/31/17	278,975	-	226,189	226,189	-
Title I Grant - Improving Academic Achievement	I	84.010A	0021-164160	9/1/15-8/31/16	283,373	-	31,752	31,752	-
Title I Grant - Improving Academic Achievement	I	84.010A	0021-174160	9/1/16-8/31/17	319,965	-	275,415	275,415	-
Total Title I Grant - Improving Academic Achievement						(1,986)	1,459,275	1,459,294	(1,967)
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-164294	9/1/15-8/31/16	11,610	-	1,934	1,934	-
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-174294	9/1/16-8/31/17	11,264	-	9,387	9,387	-
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-164296	9/1/15-8/31/16	9,097	-	1,516	1,516	-
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-174296	9/1/16-8/31/17	8,075	-	6,729	6,729	-
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-164282	9/1/15-8/31/16	19,457	-	(1,297)	-	1,297
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-174282	9/1/16-8/31/17	19,262	-	16,052	16,052	-
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-164160	9/1/15-8/31/16	7,832	-	1,305	1,305	-
Title II Grant - Teaching, Principal Training, Recruitment	I	84.367A	0147-174160	9/1/16-8/31/17	7,357	-	6,131	6,131	-
Total Title II Grant - Teaching, Principal Training, Recruitment						-	41,757	43,054	1,297
Supporting Effective Educator Development	I	84.367D	U367D150018	7/1/16-6/30/17	18,750	-	18,750	18,750	-
Supporting Effective Educator Development	I	84.367D	U367D150018	7/1/16-6/30/17	37,500	-	37,500	37,500	-
Total Supporting Effective Educator Development						-	56,250	56,250	-
Total U.S. Department of Education						(1,986)	1,557,282	1,558,598	(670)
U.S. Department of Agriculture:									
Pass-through New York Department of Education:									
School Food Program	I	10.555	n/a	7/1/16-6/30/17		-	74,048	64,991	(9,057)
School Food Program	I	10.555	n/a	7/1/16-6/30/17		3,242	126,695	133,219	9,766
School Food Program	I	10.555	n/a	7/1/16-6/30/17		-	114,448	113,844	(604)
School Food Program	I	10.555	n/a	7/1/16-6/30/17		-	45,912	42,428	(3,484)
Total School Food Program						3,242	361,103	354,482	(3,379)
Total U.S. Department of Agriculture						3,242	361,103	354,482	(3,379)
Total Expenditures of Federal Awards						$ 1,256	$ 1,918,385	$ 1,913,080	$ (4,049)

I – Indirect Funding

KIPP NYC PUBLIC CHARTER SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1 GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities of the federal financial assistance programs of KIPP NYC Public Charter Schools (the School). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The schedule of expenditures of federal awards presents only a selected portion of the activities of the School. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's statement of activities and statement of revenue, expenditures, and changes in fund balance – governmental funds.

NOTE 4 INDIRECT COST RATE

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

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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 NYC Public Charter Schools
New York, New York

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 financial statements of KIPP NYC Public Charter Schools, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KIPP NYC Public Charter Schools' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPP NYC Public Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP NYC Public Charter Schools' internal control.

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

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

Board of Directors
KIPP NYC Public Charter Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIPP NYC Public Charter Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 result 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.

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Plymouth Meeting, Pennsylvania
October 26, 2017

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

Board of Directors
KIPP NYC Public Charter Schools
Bronx, New York

Report on Compliance for Each Major Federal Program

We have audited KIPP NYC Public Charter Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KIPP NYC Public Charter Schools' major federal programs for the year ended June 30, 2017. KIPP NYC Public Charter Schools' 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of KIPP NYC Public Charter Schools' 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 NYC Public Charter Schools' 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 NYC Public Charter Schools' compliance.

Board of Directors
KIPP NYC Public Charter Schools

Opinion on Each Major Federal Program

In our opinion, KIPP NYC Public Charter Schools 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, 2017.

Report on Internal Control Over Compliance

Management of KIPP NYC Public Charter Schools 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 NYC Public Charter Schools' 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 NYC Public Charter Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Plymouth Meeting, Pennsylvania
October 26, 2017

KIPP NYC PUBLIC CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditors' Results

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 that are not considered to be material weakness(es)? _____ 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 that are not considered to be material weakness(es)? _____ yes ___X___ none reported
2. Type of auditor's 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

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	U.S. Department of Education – Title I – Basic, Concentration, Targeted and Education Finance Incentive Grants
10.555	U.S. Department of Education – School Food Program

Dollar threshold used to distinguish between Type A or Type B programs was: $ 750,000

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

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with the Federal Single Audit Act.

Section IV – Prior Audit Findings

There were no prior year findings required to be reported under the Federal Single Audit Act.

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Wealth Advisors, LLC, an SEC-registered investment advisor.