

# **KIPP DC and Affiliates**

Uniform Guidance  
Supplementary Financial Report  
Year Ended June 30, 2017

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RSM US LLP

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
KIPP DC

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 DC and Affiliates (KIPP DC), which comprise the consolidated balance sheets as of June 30, 2017, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered KIPP DC'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 DC's internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP DC'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 entity's 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, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether KIPP DC's consolidated 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 consolidated 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 results of that testing, and not to provide an opinion on the effectiveness of KIPP DC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP DC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Washington, D.C.  
October 31, 2017

**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report  
on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Directors  
KIPP DC

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

We have audited KIPP DC's and Affiliates' (KIPP DC) 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 DC's major federal programs for the year ended June 30, 2017. KIPP DC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of KIPP DC'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 DC'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 DC's compliance.

**Opinion on Each Major Federal Program**

In our opinion, KIPP DC 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 DC 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 DC'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 DC'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 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the consolidated financial statements of KIPP DC as of and for the year ended June 30, 2017, and have issued our report thereon dated October 31, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RSM US LLP*

Washington, D.C.  
October 31, 2017

**KIPP DC and Affiliates**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Race to the Top – District Grants	84.416A	N/A	\$ 2,784,593
Pass-through:			
District of Columbia Office of the State Superintendent of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	3,337,242
Special Education – Grants to States	84.027A	62027A	833,361
Supporting Effective Educator Development (SEED)	84.367D	N/A	118,644
Scholarships for Opportunity and Results Act (SOAR Act)	84.370C	N/A	278,222
KIPP Foundation:			
Charter Schools Program (CSP)	84.282M	U282M100010/12/14	426,645
			7,778,707
<b>Corporation for National and Community Service</b>			
Pass-through:			
Venture Philanthropy Partners:			
Social Innovation Fund (SIF)	94.019	N/A	100,617
<b>U.S. Department of Agriculture</b>			
Pass-through:			
District of Columbia Office of the State Superintendent of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	4,441,350
Child Nutrition Direct Certification Performance Awards	10.589	N/A	230,419
DoD Fresh FAVORS	10.XXX	N/A	258,111
Healthy Schools Act FY15	10.XXX	N/A	199,393
			5,129,273
<b>Total expenditures of federal awards</b>			<b>\$ 13,008,597</b>

See notes to schedule of expenditures of federal awards.

## KIPP DC and Affiliates

### Notes to Schedule of Expenditures of Federal Awards

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of KIPP DC programs of the federal government for the year ended June 30, 2017. The information in the 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*. Because the Schedule presents only a selected portion of the operations of KIPP DC, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of KIPP DC.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. KIPP DC did not elect to use the 10% de minimis cost rate as covered in §200.414 indirect (F&A) costs. There are no subrecipient expenditures.



**KIPP DC and Affiliates**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

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**Section II. Financial Statement Findings**

None Reported.

**Section III. Findings and Questioned Costs for Federal Awards**

None Reported.

**KIPP DC and Affiliates**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017**

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There were no findings reported for the year ended June 30, 2016.