

KIPP DC Public Charter Schools and Affiliates

Consolidated Financial Report
June 30, 2019

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
KIPP DC Public Charter Schools

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of KIPP DC Public Charter Schools and Affiliates (KIPP DC), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's 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 *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 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP DC as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019 KIPP DC adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to the adoption of this ASU.

As discussed in Note 1 to the financial statements, KIPP DC adopted FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and applied the standards on a modified retrospective basis. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of KIPP DC'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 of KIPP DC'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 DC's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
October 31, 2019

KIPP DC Public Charter Schools and Affiliates

**Consolidated Balance Sheets
June 30, 2019 and 2018**

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 69,646,287	\$ 63,160,911
Investments	50,832,425	47,057,614
Receivables, net	6,966,013	2,971,383
Prepaid expenses	1,457,366	1,789,604
Promises to give, net	341,277	200,711
Total current assets	129,243,368	115,180,223
Promises to give, net of discount and current portion	1,509,268	759,156
Restricted cash	271,466	390,701
Restricted investments	15,209,613	16,574,866
Deferred rental income	238,054	7,494
Note receivable, net	-	17,705,702
Property and equipment, net	200,520,087	177,956,500
Deposits	225,925	225,925
	\$ 347,217,781	\$ 328,800,567
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,957,728	\$ 7,307,445
Current portion of capital lease obligations	96,000	96,000
Current portion of notes payable	1,995,000	1,563,901
Total current liabilities	11,048,728	8,967,346
Deferred rent	4,697,231	4,377,871
Capital lease obligations, net of current portion	1,360,792	1,340,271
Notes payable, net of discount, current portion and issuance costs	180,623,774	180,736,765
	197,730,525	195,422,253
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions	141,831,139	124,000,360
With donor restrictions	7,656,117	9,377,954
	149,487,256	133,378,314
	\$ 347,217,781	\$ 328,800,567

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliates

**Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Pupil allocation	\$ 124,030,696	\$ -	\$ 124,030,696	\$ 117,830,732	\$ -	\$ 117,830,732
Contributions, grants and events	5,555,055	2,179,898	7,734,953	4,034,735	739,132	4,773,867
Federal awards	12,289,478	-	12,289,478	11,239,849	-	11,239,849
Investment income, net	3,087,225	-	3,087,225	1,327,758	-	1,327,758
Interest income	67,111	-	67,111	214,431	-	214,431
Sublease rental income	1,177,036	-	1,177,036	504,855	-	504,855
Unrealized gain on interest rate swaps	-	-	-	553,731	-	553,731
Other	639,951	-	639,951	690,864	-	690,864
Net assets released from restrictions	3,901,735	(3,901,735)	-	1,637,542	(1,637,542)	-
Total support and revenue	150,748,287	(1,721,837)	149,026,450	138,034,497	(898,410)	137,136,087
Expenses:						
Program	121,030,408	-	121,030,408	113,788,831	-	113,788,831
General and administrative	15,626,824	-	15,626,824	14,000,988	-	14,000,988
Fundraising	1,733,401	-	1,733,401	972,644	-	972,644
Total expenses	138,390,633	-	138,390,633	128,762,463	-	128,762,463
Change in net assets before other losses	12,357,654	(1,721,837)	10,635,817	9,272,034	(898,410)	8,373,624
Other gain (loss):						
Loss on debt extinguishment	-	-	-	(13,336,389)	-	(13,336,389)
Gain on NMTC transaction unwind (Note 16)	5,473,125	-	5,473,125	-	-	-
	5,473,125	-	5,473,125	(13,336,389)	-	(13,336,389)
Change in net assets	17,830,779	(1,721,837)	16,108,942	(4,064,355)	(898,410)	(4,962,765)
Net assets:						
Beginning	124,000,360	9,377,954	133,378,314	128,064,715	10,276,364	138,341,079
Ending	\$ 141,831,139	\$ 7,656,117	\$ 149,487,256	\$ 124,000,360	\$ 9,377,954	\$ 133,378,314

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2019**

	Program	General and Administrative	Fundraising	Total
ORDINARY EXPENSE				
Personnel Salaries and Benefits				
Principal/Administrative Salary	\$ 14,792,224	\$ 6,653,685	\$ 1,178,272	\$ 22,624,181
Teachers Salaries	34,591,262	3,719	-	34,594,981
Teacher Aides/Assistants Salaries	6,907,697	1,808	-	6,909,505
Other Education Professionals Salaries	7,478,446	10,342	-	7,488,788
Other Staff Salaries	1,425,661	84,810	250	1,510,721
Employee Benefits and Payroll Taxes	11,425,359	2,047,461	106,907	13,579,727
Contracted Staff	115,631	161,232	-	276,863
Staff Development Expense	1,926,418	644,565	25,440	2,596,423
Subtotal: Personnel Expense	78,662,698	9,607,622	1,310,869	89,581,189
Direct Student Expense				
Student Supplies and Materials	4,647,279	-	-	4,647,279
Contracted Student Services	1,375,846	-	-	1,375,846
Food Service	5,528,183	-	-	5,528,183
Miscellaneous Student Expense	2,311,939	-	-	2,311,939
Subtotal: Direct Student Expense	13,863,247	-	-	13,863,247
Occupancy Expenses				
Rent	1,056,178	697,568	-	1,753,746
Building Maintenance and Repairs	1,845,303	6,872	-	1,852,175
Utilities	1,843,854	-	-	1,843,854
Janitorial Supplies	161,077	-	-	161,077
Contracted Building Services	5,288,454	126,226	320	5,415,000
Other Occupancy Expense	153,457	2,750	-	156,207
Subtotal: Occupancy Expenses	10,348,323	833,416	320	11,182,059
Office Expenses				
Office Supplies and Materials	1,127,734	1,290,524	4,409	2,422,667
Telephone/Telecommunications	685,025	176,335	3,402	864,762
Legal, Accounting, Technology and Payroll Services	1,370,087	1,373,254	13,739	2,757,080
Printing and Copying	606,627	26,367	15,105	648,099
Postage and Shipping	14,978	8,904	941	24,823
Other	314,772	69,230	29,292	413,294
Subtotal: Office Expenses	4,119,223	2,944,614	66,888	7,130,725
General Expenses				
Insurance	-	573,803	-	573,803
Transportation	66,304	26,610	9,116	102,030
Administrative Fee (to PCSB)	-	1,273,552	-	1,273,552
Interest Expense and Amortization	6,542,436	-	-	6,542,436
Other General Expense	122,720	66,921	346,208	535,849
Subtotal: General Expenses	6,731,460	1,940,886	355,324	9,027,670
TOTAL ORDINARY EXPENSES	113,724,951	15,326,538	1,733,401	130,784,890
Depreciation	7,305,457	300,286	-	7,605,743
TOTAL EXPENSE	\$ 121,030,408	\$ 15,626,824	\$ 1,733,401	\$ 138,390,633

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2018**

	Program	General and Administrative	Fundraising	Total
ORDINARY EXPENSE				
Personnel Salaries and Benefits				
Principal/Administrative Salary	\$ 13,062,310	\$ 6,437,624	\$ 483,532	\$ 19,983,466
Teachers Salaries	31,535,927	(8,882)	-	31,527,045
Teacher Aides/Assistants Salaries	6,120,764	10,860	-	6,131,624
Other Education Professionals Salaries	6,508,125	1,861	-	6,509,986
Other Staff Salaries	3,905,624	98,250	8,400	4,012,274
Employee Benefits and Payroll Taxes	11,031,578	1,200,105	88,694	12,320,377
Contracted Staff	52,394	116,506	-	168,900
Staff Development Expense	1,512,285	455,240	21,410	1,988,935
Subtotal: Personnel Expense	73,729,007	8,311,564	602,036	82,642,607
Direct Student Expense				
Student Supplies and Materials	5,637,826	-	-	5,637,826
Contracted Student Services	1,428,351	-	-	1,428,351
Food Service	5,497,480	-	-	5,497,480
Miscellaneous Student Expense	1,651,265	-	-	1,651,265
Subtotal: Direct Student Expense	14,214,922	-	-	14,214,922
Occupancy Expenses				
Rent	1,046,403	655,575	-	1,701,978
Building Maintenance and Repairs	998,719	4,665	-	1,003,384
Utilities	1,940,019	-	-	1,940,019
Janitorial Supplies	143,304	-	-	143,304
Contracted Building Services	4,682,293	106,703	-	4,788,996
Other Occupancy Expense	149,000	16,000	-	165,000
Subtotal: Occupancy Expenses	8,959,738	782,943	-	9,742,681
Office Expenses				
Office Supplies and Materials	1,016,906	979,148	1,064	1,997,118
Telephone/Telecommunications	643,036	117,626	305	760,967
Legal, Accounting, Technology and Payroll Services	1,152,594	910,296	45,727	2,108,617
Printing and Copying	601,374	22,403	30,881	654,658
Postage and Shipping	19,256	6,255	559	26,070
Other	333,212	96,793	29,382	459,387
Subtotal: Office Expenses	3,766,378	2,132,521	107,918	6,006,817
General Expenses				
Insurance	2,315	481,181	-	483,496
Transportation	48,570	29,448	2,893	80,911
Administrative Fee (to PCSB)	-	1,153,181	-	1,153,181
Interest Expense and Amortization	6,440,685	8,672	-	6,449,357
Other General Expense	155,351	903,621	259,797	1,318,769
Subtotal: General Expenses	6,646,921	2,576,103	262,690	9,485,714
TOTAL ORDINARY EXPENSES	107,316,966	13,803,131	972,644	122,092,741
Depreciation	6,471,865	197,857	-	6,669,722
TOTAL EXPENSE	\$ 113,788,831	\$ 14,000,988	\$ 972,644	\$ 128,762,463

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 16,108,942	\$ (4,962,765)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,605,743	6,669,722
Amortization of debt issuance costs	183,558	182,269
Write-off of debt issuance costs	341,173	2,564,305
Gain on NMTC transaction unwind	(5,814,298)	-
Contributed property and equipment	(933,101)	-
Unrealized gain on interest rate swap	-	(553,731)
Cash paid to settle swap transactions	-	(1,517,504)
Realized and unrealized (gain) loss on investments	(317,925)	108,003
Interest expense in excess of capital lease payments	20,521	18,981
Provision for allowance on doubtful accounts	105,221	127,693
Discount on promises to give	(5,112)	(16,982)
Amortization and write-off of debt premium	(566,525)	(906,097)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(4,099,851)	324,933
Prepaid expenses	332,238	74,222
Promises to give	(885,566)	485,000
Deferred rental income	(230,560)	48,848
Deposits	-	15,188
Increase (decrease) in:		
Accounts payable and accrued expenses	1,802,205	1,254,109
Deferred rent	319,360	722,994
Net cash provided by operating activities	13,966,023	4,639,188
Cash flows from investing activities:		
Purchases of property and equipment	(29,388,151)	(3,779,644)
Sales of investments	35,313,056	33,770,149
Purchases of investments	(38,769,942)	(38,069,148)
Decrease (increase) in restricted investments	1,365,253	(603,381)
Decrease in restricted cash	119,235	159,877
Net cash used in investing activities	(31,360,549)	(8,522,147)
Cash flows from financing activities:		
Principal payments on long-term debt	(955,000)	(134,338,000)
Proceeds from long-term debt	25,051,795	144,670,244
Debt issuance costs	(216,893)	(2,015,412)
Net cash provided by financing activities	23,879,902	8,316,832
Net increase in cash and cash equivalents	6,485,376	4,433,873

(Continued)

KIPP DC Public Charter Schools and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
Cash and cash equivalents:		
Beginning	<u>\$ 63,160,911</u>	<u>\$ 58,727,038</u>
Ending	<u>\$ 69,646,287</u>	<u>\$ 63,160,911</u>
Supplemental disclosure of cash flow information:		
Cash payments for interest	<u>\$ 6,414,333</u>	<u>\$ 4,852,686</u>
Supplemental schedule of noncash investing and financing activities:		
NMTC Transaction Unwind:		
Notes payable cancelled in connection with receipt of notes receivable	<u>\$ 23,520,000</u>	<u>\$ -</u>
Notes received in satisfaction of notes receivable	<u>17,705,702</u>	<u>-</u>
Non-cash gain on NMTC unwind	<u>\$ 5,814,298</u>	<u>\$ -</u>
Property and equipment included in accounts payable and accrued expenses	<u>\$ 1,328,737</u>	<u>\$ 1,480,659</u>

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: KIPP DC Public Charter School and Affiliates is comprised of three entities: KIPP DC Public Charter School (KIPP DC), Woodrock LLC and KIPP DC – Shaw QALICB, Inc. (Shaw QALICB). KIPP DC was organized for the purpose of operating a public charter school that raised expectations of public education in underserved communities in Washington, D.C. KIPP DC's mission is to support students in developing the knowledge, skills and character needed to succeed in top-quality high schools, colleges and the competitive world beyond. KIPP DC operates independently and has its own Board of Directors responsible for its operation but elects to have membership in the KIPP Network of Schools.

KIPP DC operates 16 schools: five early childhood schools (LEAP Academy, Discover Academy, Grow Academy, Connect Academy and Arts & Technology Academy); five elementary schools (Promise Academy, Heights Academy, Lead Academy, Spring Academy and Quest Academy); five middle schools (KEY Academy, AIM Academy, WILL Academy, Northeast Academy and Valor Academy); and one high school (KIPP DC College Preparatory). Subsequent to year-end, during the 2019-2020 school year, KIPP DC started operating an additional middle school, Honor Academy, and an additional high school, Somerset College Prep.

On September 6, 2006, KIPP DC purchased 100% of the interest in Woodrock LLC (Woodrock). Woodrock holds the lease for the property and improvements at 421 Alabama Avenue, SE in Washington, D.C.; this lease is Woodrock's only activity.

On October 4, 2011, KIPP DC entered into a credit agreement in the principal amount of \$23,520,000 as part of the transaction structured to qualify for the New Markets Tax Credits (NMTC), as outlined in Internal Revenue Code (IRC) Section 45D. As part of the transaction, KIPP DC formed Shaw QALICB to meet the necessary structuring requirements to qualify for the NMTC. Shaw QALICB is a nonprofit corporation formed under the laws of the District of Columbia. The agreement was established to fund renovations at the Shaw Campus for use as an educational facility that houses an early childhood school, an elementary school and a middle school. KIPP DC is the leasehold owner of the property pursuant to a Ground Lease Agreement dated August 11, 2011, between the District of Columbia, a municipal corporation by and through its Chief Property Management Officer on behalf of the Department of Public Schools, as lessor, and KIPP DC, as lessee. KIPP DC assigned the lease to Shaw QALICB and Shaw QALICB, in turn, subleased the property back to KIPP DC. During the year-ended June 30, 2019, the parties agreed to unwind the existing financing transactions arrangements related to the development of its Shaw campus (see Note 16).

KIPP DC Supporting Corp. (KIPP DC SC) was formed in September 2014 for charitable, educational and literary purposes within the meaning of Section 501(c)(3) of the IRC, specifically for providing funds for the benefit of and to support all aspects of the mission of KIPP DC by acquiring, holding and managing assets for use by KIPP DC where doing so may result in lower costs or greater efficiencies for KIPP DC. KIPP DC has no majority Board representation and has an overlap of only one Board member for the year ended June 30, 2019. As such, KIPP DC and KIPP DC SC are considered related parties but are not consolidated for financial reporting purposes.

In the accompanying notes to the consolidated financial statements, KIPP DC Public Charter School and Affiliates are collectively referred to as KIPP DC.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Charter school agreement: On June 4, 2001, KIPP DC entered into a 15-year Charter School Agreement (Charter School Agreement) with the District of Columbia Public Charter School Board (DCPCSB). Under the terms of the Charter School Agreement, KIPP DC will operate a school for students of certain ages in grades five through eight. On June 19, 2006, the Charter School Agreement was amended to include elementary school grades, as well as high school grades. On November 16, 2015, KIPP DC renewed the Charter School Agreement with the DCPCSB for an additional 15-year term, effective July 1, 2016.

A summary of KIPP DC's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of KIPP DC, Woodrock and Shaw QALICB. All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Topic of the FASB ASC, Financial Statements of Not-for-Profit Organizations, KIPP DC is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and cash equivalents: KIPP DC considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held in the investment portfolio are excluded from cash and cash equivalents in reporting cash flows. Management maintains cash and cash equivalents as working capital to be used as needed.

Financial risk: KIPP DC maintains cash in bank deposit accounts which, at times, may exceed federally-insured limits. KIPP DC has not experienced any losses in such accounts. KIPP DC believes it is not exposed to any significant financial risk on cash.

KIPP DC invests in a professionally managed portfolio that contains money market funds, certificates of deposit and fixed income securities. Such investments are exposed to various risk, such as market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Investments: Investments, including restricted investments, in debt securities are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is recorded as a component of investment income or loss in the consolidated statements of activities.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Receivables: Receivables are carried at original invoice or claim amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management recorded an allowance of \$437,494 and \$237,093 at June 30, 2019 and 2018, respectively.

Promises to give: Contributions are recognized when the donor makes a gift or written promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. Management has determined that contributions receivable are fully collectible and there was no allowance for doubtful promises to give at June 30, 2019 and 2018.

Property and equipment: Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, ranging from 3 to 40 years. Normal repairs and maintenance are expensed as incurred. KIPP DC capitalizes all property and equipment purchased with a cost of \$5,000 or more.

Valuation of long-lived assets: KIPP DC accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic Property, Plant and Equipment that address Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Debt issuance costs: KIPP DC paid certain customary fees, as required, to secure the notes payable used to finance the construction of its new schools. These fees have been capitalized and are being amortized over the term of the notes payable using the effective interest method. Unamortized debt issuance costs are reported with long-term debt.

Deferred rent: KIPP DC has various lease agreements. The leases include annual escalations that are being allocated on a straight-line basis over the term of the lease as an offset against each period's rent income or expense. The deferred rent asset and liability on the accompanying consolidated balance sheets represents the cumulative difference between the monthly rent income or expense and rent paid.

Net assets: Net assets without donor restrictions are the net assets that are not restricted in any capacity by donor-imposed stipulations. Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of KIPP DC pursuant to these stipulations. Net assets with donor restrictions were released from restrictions during the years ended June 30, 2019 and 2018, for various purposes, including elementary school development, teacher training, new school start-up, college access programs, other academic support, facilities and growth. At June 30, 2019 and 2018, net assets with donor restrictions represented amounts restricted for specific education-related expenses and future periods.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Per pupil allocation: KIPP DC receives a per student allocation from the District of Columbia to cover the cost of academic and facilities expenses. Pupil allocation revenue is recognized in the period in which performance obligations are met, which is the school year for which the allocation is made. Per pupil allocation has one performance obligation, to operate a school for students of certain ages in elementary school, middle school and high school grades. Therefore, performance obligations are satisfied for per pupil revenue over time, which aligns with the school year. The per pupil allocation does not include significant financing components as performance obligations are satisfied within a year of receipt of payment. There are no consideration amounts that are variable. As per pupil allocation is contractually due by year-end, the accounts receivable (if any) is an asset of KIPP DC as of June 30. Contract liabilities are classified on the balance sheet as deferred revenue, which includes unearned pupil allocation collections. Future cash flows depend on appropriations from the District of Columbia. While economic downturns may impact KIPP DC's ability to attract and retain the number of students, the District of Columbia is required to cover the cost of academic and facilities expenses for enrolled students.

Contributions: Contributions are recognized when the donor makes a gift or a promise to give to KIPP DC that is, in substance, unconditional. Donor-restricted revenue is reported as an increase in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, KIPP DC reports the support as an increase in net assets without donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net present realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as contributions until the conditions are met.

Grants: KIPP DC receives grants from federal agencies and private grantors for various purposes. Grants received without conditions are treated consistent as unconditional contributions. Conditional grants are grants that contain a right of return or release by the resource provider and a barrier (performance obligations, control elements and/or the overall nature of the agreement). Receivables related to conditional grant awards are recorded to the extent unreimbursed expenditures have been incurred for the purposes specified by an approved grant or award. KIPP DC defers grant collections under approved awards from grantors to the extent amounts received exceed expenditures incurred for the purposes specified under the grant restrictions. These deferred grants are recorded as refundable advances.

Sublease rental income: Sublease rental income is being recognized on a straight-line basis based on the aggregate minimum rental payments called for in the lease agreements over the applicable lease terms.

Functional allocation of expenses: The costs of providing KIPP DC's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are either directly charged to program services as incurred or proportionately allocated to functional categories based on various allocation methods.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Tax status: KIPP DC Public Charter Schools is a tax-exempt organization under Section 501(c)(3) of the IRC and is not considered to be a private foundation. KIPP DC Public Charter Schools is exempt from federal taxes on income other than unrelated business income. KIPP DC Public Charter Schools did not have any net unrelated business income for the years ended June 30, 2019 and 2018. Shaw QALICB is a District of Columbia non-stock, nonprofit organization. KIPP DC is the sole member of Woodrock and Woodrock is a disregarded entity for tax purposes.

KIPP DC follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, KIPP DC may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statements of activities.

KIPP DC files income tax returns in the U.S. federal jurisdiction. As of June 30, 2019, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, KIPP DC is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain items in the June 30, 2018, consolidated financial statements have been reclassified to conform to the June 30, 2019, consolidated financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Adopted accounting pronouncements: In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. KIPP DC adopted this ASU during the year ended June 30, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The amendments in the ASU likely will result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under current guidance. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. KIPP DC adopted this ASU during the year ended June 30, 2019, using the modified retrospective transition method. The adoption did not have a material effect on the financial statements for the year ended June 30, 2019.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America when it became effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. KIPP DC adopted this ASU during the year ended June 30, 2019, using the modified retrospective transition method. The adoption did not have a material effect on the financial statements for the year ended June 30, 2019.

Pending accounting pronouncements: In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for KIPP DC for the year ending on June 30, 2020. KIPP DC is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statements of activities. The new standard is effective for KIPP DC for the fiscal year ending June 30, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements with certain practical expedients available. KIPP DC is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

Note 2. Restricted Cash and Investments

Under the terms of certain notes payable, KIPP DC is required to maintain minimum balances with financial institutions. In addition, unspent proceeds from notes payable and a restricted private contribution are restricted for specific purposes.

At June 30, 2019 and 2018, \$271,466 and \$390,701 in cash, respectively, and \$15,209,613 and \$16,574,866 in investments, respectively, were restricted for these purposes.

Restricted cash included \$27,073 at June 30, 2018, related to the KIPP DC – Shaw QALICB, Inc. City First Capital XX, LLC note payable. The other restricted cash balances at June 30, 2019 and 2018, of \$271,466 and \$363,628, respectively, related to restricted amounts pertaining to required debt covenants.

Restricted investments of \$10,035,542 and \$8,786,473 at June 30, 2019 and 2018, respectively, were due to requirements of the D.C. Revenue Bonds, KIPP DC Issue, Series 2017A and Series 2017B. The investment is restricted for bond project fund, debt service fund and debt service reserve.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 2. Restricted Cash and Investments (Continued)

Lastly, at June 30, 2019 and 2018, KIPP DC holds \$5,174,071 and \$7,788,393, respectively, in proceeds from a restricted contribution received in fiscal year ending June 30, 2016.

Note 3. Promises to Give

Promises to give at June 30, 2019 and 2018, consist of the following:

	2019	2018
One year or less	\$ 341,277	\$ 200,711
One to five years	1,575,000	830,000
	<u>1,916,277</u>	<u>1,030,711</u>
Less discount on promises to give	(65,732)	(70,844)
	<u>\$ 1,850,545</u>	<u>\$ 959,867</u>

Note 4. Investments

Investments and restricted investments at June 30, 2019 and 2018, consist of the following:

	2019	2018
Money market funds – U.S. Treasury securities	\$ 6,484,958	\$ 4,627,147
Certificates of deposit	22,416,203	20,526,481
Fixed income – Corporate bonds and U.S. Treasury securities	37,140,877	38,478,852
	<u>\$ 66,042,038</u>	<u>\$ 63,632,480</u>

Investment income for the years ended June 30, 2019 and 2018, consists of the following:

	2019	2018
Interest and dividends	\$ 2,769,300	\$ 1,435,761
Realized and unrealized gain (loss)	317,925	(108,003)
Investment fees	-	-
	<u>\$ 3,087,225</u>	<u>\$ 1,327,758</u>

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment at June 30, 2019, and depreciation expense for the year then ended consist of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net Value	Depreciation Expense
Land	–	\$ 9,694,981	\$ -	\$ 9,694,981	\$ -
Building and improvements	28 to 40 years	71,592,156	14,251,237	57,340,919	2,459,859
Computer equipment	3 years	1,295,106	688,213	606,893	123,167
Furniture and equipment	5 years	639,500	334,334	305,166	11,341
Leasehold improvements	Life of lease (a)	155,940,049	25,525,187	130,414,862	5,011,376
Construction-in-process	–	2,157,265	-	2,157,265	-
		<u>\$ 241,319,057</u>	<u>\$ 40,798,971</u>	<u>\$ 200,520,087</u>	<u>\$ 7,605,743</u>

(a) Shorter of the estimated useful life of the asset or lease term.

Property and equipment at June 30, 2018, and depreciation expense for the year then ended consisted of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net Value	Depreciation Expense
Land	–	\$ 9,694,981	\$ -	\$ 9,694,981	\$ -
Building and improvements	28 to 40 years	67,472,071	11,791,378	55,680,693	2,093,868
Computer equipment	3 years	1,095,600	565,046	530,554	67,240
Furniture and equipment	5 years	373,562	322,993	50,569	19,786
Leasehold improvements	Life of lease (a)	130,327,303	20,513,811	109,813,492	4,488,828
Construction-in-process	–	2,186,211	-	2,186,211	-
		<u>\$ 211,149,728</u>	<u>\$ 33,193,228</u>	<u>\$ 177,956,500</u>	<u>\$ 6,669,722</u>

(a) Shorter of the estimated useful life of the asset or lease term.

Note 6. Capital Lease

KIPP DC leases space from an unrelated nonprofit entity under the provisions of a capital lease. The lease expires on January 31, 2035. The terms of the capital lease provide for monthly payments of \$7,500 per month through August 31, 2015, with escalated payments for the remainder of the lease. The carrying value of the leased asset net of accumulated depreciation at June 30, 2019 and 2018, was \$2,358,534 and \$2,510,122, respectively.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 6. Capital Lease (Continued)

Future minimum lease payments remaining are as follows:

Years ending June 30:		
2020	\$	96,000
2021		151,716
2022		156,264
2023		160,956
2024		165,780
Thereafter		2,091,392
		<u>2,822,108</u>
Less amount representing interest		<u>(1,365,316)</u>
	\$	<u><u>1,456,792</u></u>

Note 7. Notes Payable

Long-term debt at June 30, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Principal amount	\$ 170,015,795	\$ 169,439,000
Plus premium on note payable	15,303,738	15,870,263
Less unamortized debt issuance costs	<u>(2,700,759)</u>	<u>(3,008,597)</u>
	<u><u>\$ 182,618,774</u></u>	<u><u>\$ 182,300,666</u></u>

Principal amounts of notes payable at June 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
KIPP DC:		
District of Columbia Revenue Bonds (KIPP DC Issue – Series 2017A and Series 2017B); fixed semi-annual interest and annual principal payments maturity date of July 1, 2048.	\$ 127,575,000	\$ 128,530,000
Note payable due to a financial institution; monthly interest payments commencing March 1, 2019; interest rate of 3.61%; amortization of principal begins on February 1, 2021; and loan matures on February 6, 2034.	25,051,795	-
Note payable due to Community Urban Revitalization Enterprises V, LLC; semi-annual interest payments due for the first seven years; interest rate of 1.344%; amortization of principal begins on December 1, 2022; and loan matures on December 1, 2049.	7,469,000	7,469,000

(Continued)

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 7. Notes Payable (Continued)

	2019	2018
KIPP DC (Continued):		
Note payable due to Civic Builders Sub-CDE V, LLC; annual interest payments due for the first seven years; interest rate of 1%; amortization of principal begins on December 1, 2022; and loan matures on December 1, 2049.	6,370,000	6,370,000
Note payable due to PNC CDE 55, LP; semi-annual interest payments due for the first seven years; interest rate of 1.344%; amortization of principal begins on December 1, 2022; and loan matures on December 1, 2049.	1,925,000	1,925,000
Note payable due to PNC CDE 43, LP; annual interest payments due for the first seven years; interest rate of 1%; amortization of principal begins on December 1, 2022; and loan matures on December 1, 2049.	1,625,000	1,625,000
KIPP DC – Shaw QALICB, Inc.:		
City First Capital XX, LLC note payable agreement entered on October 4, 2011. Advances under this note shall bear interest from the date of this note until paid at the rate of 1.00% per annum. Interest payable in equal quarterly installments on the 15th of March, June, September and December of each year. Commencing on December 15, 2018, and continuing on the 15th of March, June, September and December thereafter until maturity on October 4, 2041, equal quarterly payments of principal and interest shall be paid. This loan was fully repaid in 2019.	-	17,705,702
City First Capital XX, LLC note payable agreement entered on October 4, 2011. Advances under this note shall bear interest from the date of this note until paid at the rate of 1.00% per annum. Interest payable in equal quarterly installments on the 15th of March, June, September and December of each year. Commencing on December 15, 2018, and continuing on the 15th of March, June, September and December thereafter until maturity on October 4, 2041, equal quarterly payments of principal and interest shall be paid. This loan was fully repaid in 2019.	-	5,814,298
	<u>\$ 170,015,795</u>	<u>\$ 169,439,000</u>

On December 28, 2017, KIPP DC, through the District of Columbia, issued \$128,530,000 of District of Columbia Revenue Bonds (KIPP DC Issue – Series 2017A and Series 2017B) (see Note 16). The proceeds were fully used in the transaction to legally defease the KIPP DC Issue – Series 2013, refinance the KIPP DC Issue – Series 2014, refinance the KIPP DC Issue – Series 2015 and refinance the note payable due to Compass Bank. The interest rate is fixed. The effective interest rate of the debt is approximately 3.9%. The loan calls for monthly payments of principal and interest through July 1, 2048.

These notes payable are collateralized by cash, pledges of per pupil funding, liens on net revenues, deeds of trust on land and improvements, deeds of trust on ground leases and leasehold improvements and guarantees from KIPP DC. Inter-creditor agreements govern the allocation of this collateral.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 7. Notes Payable (Continued)

In connection with the various debt agreements, KIPP DC has agreed, among other things, to (1) maintain debt service coverage of not less than 1.10 to 1.00 and (2) maintain a minimum liquidity ratio.

Annual principal payments on notes payable at June 30, 2019, are due in future years as follows:

Years ending June 30:	
2020	\$ 1,995,000
2021	2,467,530
2022	3,137,072
2023	4,013,909
2024	3,855,777
Thereafter	154,546,507
	<u>\$ 170,015,795</u>

Interest expense and amortization of the bond premium was \$6,358,878 and \$6,267,088 for the years ended June 30, 2019 and 2018, respectively.

Amortization expense was \$183,558 and \$182,269 for the years ended June 30, 2019 and 2018, respectively.

In order to mitigate the risk of a floating interest rate on the District of Columbia Variable Rate Revenue Bonds Series 2014 bonds, KIPP DC entered into an interest rate swap agreement with PNC Bank, National Association (PNC) during the year ended June 30, 2015. The original notional value of this swap was \$14,700,000. KIPP DC agreed to pay PNC a fixed rate of 2.068% on the principal balance of the bonds payable, in exchange for the receipt of floating rate interest payment based on 70% of the 30-day average London InterBank Offered Rate (LIBOR) (1.22% at June 30, 2017). This agreement was designated as a hedging transaction to limit the KIPP DC's exposure to fluctuating interest payments due on its bonds. KIPP DC recognized a liability of \$1,538,411 in the consolidated balance sheets at June 30, 2017. On December 28, 2017, KIPP DC settled this transaction for \$1,156,504. During the year ended June 30, 2018, KIPP DC recognized an unrealized gain of \$381,907 as a component of change in net assets in the consolidated statements of activities for the year ended June 30, 2018.

In order to mitigate the risk of a floating interest rate on the District of Columbia Variable Rate Revenue Bonds Series 2015 bonds, KIPP DC entered into an interest rate swap agreement with Compass Mortgage Corporation (CMC) on August 1, 2015, with an effective date of September 1, 2015. The original notional value of this swap was \$600,000. KIPP DC agreed to pay CMC a fixed rate of 1.822% on the principal balance of the bonds payable in exchange for the receipt of floating rate interest payment based on 65% of the 30-day average LIBOR (1.22% at June 30, 2017). This agreement was designated as a hedging transaction to limit the KIPP DC's exposure to fluctuating interest payments due on its bonds. KIPP DC recognized a liability of \$532,824 in the consolidated balance sheets at June 30, 2017. On December 28, 2017, KIPP DC settled this transaction for \$361,000. During the years ended June 30, 2018, KIPP DC recognized an unrealized gain of \$171,824 as a component of change in net assets in the consolidated statements of activities for the year ended June 30, 2018.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 8. Note Receivable

On October 4, 2011, KIPP DC loaned \$17,705,702 to Chase NMTC KIPP DC Investment Fund, LLC. This was made to qualify for the NMTC transaction related to the Shaw Campus. This note bore an interest rate of 1.32% per annum. The note required payment of interest only until December 25, 2018, and quarterly payments of \$283,692 until maturity on October 4, 2041. As described in Note 16, this note was settled during the fiscal year ended June 30, 2019. The note receivable balance was \$0 and \$17,705,702 at June 30, 2019 and 2018, respectively. Interest charged for the years ended June 30, 2019 and 2018, was \$67,111 and \$214,431, respectively.

Note 9. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions, by purpose, during the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Additions	Released From Restrictions	Balance June 30, 2019
Purpose restricted:				
College access	\$ 672,916	\$ 1,445,796	\$ 712,896	\$ 1,405,816
Other academic support	700,106	484,102	842,208	342,000
Facilities	5,000,000	-	-	5,000,000
Growth	20,065	250,000	20,065	250,000
Time restricted	2,984,867	-	2,326,566	658,301
	<u>\$ 9,377,954</u>	<u>\$ 2,179,898</u>	<u>\$ 3,901,735</u>	<u>\$ 7,656,117</u>

Changes in net assets with donor restrictions, by purpose, during the year ended June 30, 2018, were as follows:

	Balance June 30, 2017	Additions	Released From Restrictions	Balance June 30, 2018
Purpose restricted:				
College access	\$ 656,171	\$ 406,732	\$ 389,987	\$ 672,916
Other academic support	1,202,242	284,258	786,394	700,106
Facilities	5,000,000	-	-	5,000,000
Growth	20,065	-	-	20,065
Time restricted	3,397,886	48,142	461,161	2,984,867
	<u>\$ 10,276,364</u>	<u>\$ 739,132</u>	<u>\$ 1,637,542</u>	<u>\$ 9,377,954</u>

Note 10. Pupil Allocation

KIPP DC's local per pupil allocation for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
General education	\$ 75,232,266	\$ 72,457,262
Categorical enhancements (SPED, At-risk, etc.)	28,358,998	25,849,939
Facilities	20,439,432	19,523,531
	<u>\$ 124,030,696</u>	<u>\$ 117,830,732</u>

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 11. Retirement Plan

KIPP DC maintains a defined contribution retirement plan (the Plan) that operates under Section 403(b) of the IRC. Employees are eligible to participate in the Plan on the first day of employment. KIPP DC determines the amount of employer contributions to be made to the Plan each year. Expenses incurred under the Plan were \$4,181,487 and \$3,976,896 for the years ended June 30, 2019 and 2018, respectively.

Note 12. Commitments and Contingencies

Lease obligations: In March 2009, KIPP DC entered into a 35-year ground lease agreement with the D.C. government for its Douglass Campus. This lease calls for monthly base rent payments and includes scheduled rent increases over the course of the lease term. The agreement also provides KIPP DC an option to renew the lease for an additional 15 years. In the event that KIPP DC exercises the renewal option, the base rent shall be based on 90% of the fair market rental value of the property's use as a charter school.

In August 2011, KIPP DC entered into a 35-year ground lease with the D.C. government for its Shaw Campus. This lease calls for monthly base rent payments. The agreement also provides KIPP DC an option to renew the lease for an additional 15 years. In the event that KIPP DC exercises the renewal option, the base rent shall be based on the fair market rental value of the property's use as a charter school.

In June 2013, KIPP DC entered into a 30-year ground lease with the D.C. government for its Webb Campus. This lease calls for monthly base rent payments. The agreement also provides KIPP DC an option to renew the lease for an additional 25 years. Under the lease, KIPP DC is entitled to lease credits against the annual base rent in an amount equal to KIPP DC's actual construction costs. Through the year ended June 30, 2019, the construction costs related to the Webb Campus were approximately \$29.3 million.

In May 2014, KIPP DC entered into a 30-year ground lease with the D.C. government for its Hamilton Campus. The lease calls for monthly base rent payments. The agreement also provides KIPP DC an option to renew the lease for an additional 25 years. Under the lease, KIPP DC is entitled to lease credits against the annual base rent in an amount equal to KIPP DC's actual construction costs. Through the year ended June 30, 2019, the construction costs related to the Hamilton Campus were approximately \$48.7 million.

In December 2014, KIPP DC entered into a 10-year operating lease with an unrelated commercial entity for KIPP DC's headquarter space at Watergate, 2600 Virginia Avenue NW, Washington D.C. KIPP DC took occupancy in April 2015. The lease calls for monthly base rent payments commencing in August 2015. During September 2017, KIPP DC amended the lease to provide for additional supplemental space.

In February 2019, KIPP DC was assigned a 20-year ground lease from an unrelated nonprofit entity for 3301 Wheeler Road, SE Washington, DC. Under the lease, KIPP DC is entitled to lease credits against the annual base rent in the amount of \$24,872,066.

In addition, KIPP DC leases office equipment under operating leases for its headquarters and various school locations.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 12. Commitments and Contingencies (Continued)

The estimated future minimum lease payments at June 30, 2019, net of lease credits noted above, are as follows:

Years ending June 30:	
2020	\$ 1,398,094
2021	1,331,492
2022	1,330,578
2023	1,353,555
2024	1,378,293
Thereafter	22,975,164
	<u>\$ 29,767,176</u>

For the years ended June 30, 2019 and 2018, total rent expense was \$1,753,746 and \$1,701,978, respectively.

During August 2018, Woodrock entered into a sublease agreement with a third party for property and improvements at 421 Alabama Avenue, SE in Washington, D.C. with an expiration of January 30, 2035. Under terms of the agreement, Woodrock has agreed to a rent abatement of \$1,800,000 as a mechanism to fund alterations to the leased property.

The estimated future rental payments expected at June 30, 2019, net of rent abatements noted above, are as follows:

Years ending June 30:	
2020	\$ 121,119
2021	129,147
2022	307,324
2023	320,007
2024	333,007
Thereafter	5,728,723
	<u>\$ 6,939,327</u>

Federal grants: KIPP DC participates in federally assisted grant programs, which are subject to financial and compliance audits by the grantors or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Legal matters: In the normal course of business, KIPP DC is subject to certain claims and assessments that arise in the ordinary course of business. KIPP DC records a liability when management believes that it is both probable that a loss has been incurred and that the amount can be reasonably estimated. Significant judgement is required to determine the outcome and the estimated amounts of a loss related to such matters. Management believes that there are no claims or assessments outstanding that would materially affect the activities or financial position of KIPP DC.

Put/call agreement: Pursuant to a put/call option agreement KIPP DC entered into on October 4, 2011, KIPP DC has the ability via either a put option being exercised by the owner or by exercising its own call option to purchase the membership interest in the legal entity that controls the loans to Shaw QALICB.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 12. Commitments and Contingencies (Continued)

During the year ended June 30, 2019, the owner exercised its put option to sell its membership interest to KIPP DC (see Note 16).

Solar agreement: In March 2013, KIPP DC entered into a solar purchase agreement for a period of 20 years with an option for an additional 5 years. The agreement calls for the solar provider to construct a 225kw solar facility at KIPP DC's Douglass campus. KIPP DC is required to purchase the actual output from the solar facility at a stated contract price with an annual escalator of 2.5%. KIPP DC has a purchase option starting year six of the agreement and at the end of contract term based on a fair market value. Expense under the agreement will be recorded as power is consumed at rates in effect since straight-line treatment is not possible due to unknown output over the term of the agreement.

In July 2015, KIPP DC entered into a solar purchase agreement for a period of 20 years with two options for additional five-year renewals. The agreement calls for the solar provider to construct a 282kw solar facility at KIPP DC's Webb campus. KIPP DC is required to purchase the actual output from the solar facility at a stated contract price with no annual escalator. KIPP DC has a purchase option starting year five of the agreement and at the end of contract term based on a fair market value. Expense under the agreement will be recorded as power is consumed at rates in effect as straight-line treatment is not possible due to unknown output over the term of the agreement.

Note 13. Fair Value Measurements

KIPP DC follows the Fair Value Measurement Topic of the FASB ASC, which establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs not corroborated by market data.

In determining the appropriate levels, KIPP DC performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by KIPP DC at June 30, 2019 and 2018.

KIPP DC holds money market funds that are publicly traded on a stock exchange and are considered Level 1 items. Certificates of deposit, corporate and government bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full-term of the instruments and are, therefore, considered Level 2 items.

KIPP DC's swap agreements are valued based on quoted values stated by the bank's mark-to-market estimate using stated fixed rates and USD-LIBOR-BBA ratings. The interest rates are observable at commonly quoted intervals for the full term of the instrument and are, therefore, considered Level 2 items.

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

The table below presents the balances of the assets measured at fair value at June 30, 2019, on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Money market funds:				
U.S. Treasury bonds	\$ 6,484,958	\$ 6,484,958	\$ -	\$ -
Fixed income:				
Certificate of deposits	22,416,203	-	22,416,203	-
Corporate bonds	12,336,210	-	12,336,210	-
U.S. Treasury bonds	24,804,667	-	24,804,667	-
Total assets	<u>\$ 66,042,038</u>	<u>\$ 6,484,958</u>	<u>\$ 59,557,080</u>	<u>\$ -</u>

The table below presents the balances of the assets measured at fair value at June 30, 2018, on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Money market funds:				
U.S. Treasury bonds	\$ 4,627,147	\$ 4,627,147	\$ -	\$ -
Fixed income:				
Certificate of deposits	20,526,481	-	20,526,481	-
Corporate bonds	18,342,178	-	18,342,178	-
U.S. Treasury bonds	20,136,674	-	20,136,674	-
Total assets	<u>\$ 63,632,480</u>	<u>\$ 4,627,147</u>	<u>\$ 59,005,333</u>	<u>\$ -</u>

Note 14. Liquidity and Availability of Financial Assets

KIPP DC regularly monitors liquidity to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

Cash and cash equivalents, including restricted cash	\$ 69,917,753
Investments, including restricted investments	66,042,038
Receivables, net	6,966,013
Promises to give, net	1,850,545
Total financial assets available	<u>144,776,349</u>

Less those unavailable for general expenditure within one year due to:

Contractual or other restrictions:	
Restricted cash (Note 2)	(271,466)
Restricted investments (Note 2)	(15,209,613)
Donor-imposed restrictions:	
Net assets with donor restrictions	<u>(7,656,117)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 121,639,153</u>

KIPP DC Public Charter Schools and Affiliates

Notes to Consolidated Financial Statements

Note 14. Liquidity and Availability of Financial Assets (Continued)

KIPP DC has various sources of liquidity at its disposal, including cash and cash equivalents, investments, receivables and promises to give. As part of liquidity management, KIPP DC invests cash in excess of daily requirements in investments. KIPP DC assesses its budget and cash flow projections monthly to monitor the availability of resources to support operations.

Note 15. Related Party Transactions

KIPP DC provides administrative services to KIPP DC SC. Amounts due from KIPP DC SC were \$141,836 and \$84,311 at June 30, 2019 and June 30, 2018, respectively.

Note 16. Major Transactions

As part of the December 28, 2017, bond transaction disclosed in Note 7, KIPP DC recognized a loss on the debt extinguishment due to the legal defeasance of the KIPP DC Issue – Series 2013 bond and the write-off of existing debt issuance costs. KIPP DC recognized a loss of \$13,336,389 on the transaction.

As discussed in Note 1, after the conclusion of the NMTC compliance period, the parties to KIPP DC's 2011 NMTC loan structure agreed to unwind the existing financing transactions arrangements related to the development of its Shaw campus; this unwind closed on October 5, 2018. One provision of the transaction called for the exercise of a put option between KIPP DC and the legal entity that controls the loans to Shaw QALICB at the option of the Investor entity. As part of the unwind transaction, Shaw QALICB assigned its interest in the ground lease to KIPP DC and the parties terminated the existing sublease and the debt facilities were extinguished. In effect, the notes payable to City First Capital XX, LLC (see Note 7), were settled with the note receivable from Chase NMTC KIPP DC Investment Fund, LLC (see Note 8), resulting in a gain for KIPP DC of \$5,473,125.

The components of the gain on the transaction are itemized as follows:

Gain on NMTC transaction unwind	\$ 5,814,298
Write-off of net balances of loan issuance costs for retired debt	<u>(341,173)</u>
	<u>\$ 5,473,125</u>

Note 17. Subsequent Events

Subsequent events have been evaluated through October 31, 2019, which is the date the consolidated financial statements were issued.

During October 2019, KIPP DC, through the District of Columbia, issued \$61,325,000 of District of Columbia Revenue Bonds (KIPP DC Issue – Series 2019). The proceeds are expected to be used to refinance existing debt, finance the renovation, equipping and upgrades to an existing school campus, finance the expansion of an existing school campus, fund any debt service reserve funds and pay for debt issuance costs associated with the KIPP DC Issue – Series 2019 bonds.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
KIPP DC Public Charter Schools

We have audited the consolidated financial statements of KIPP DC Public Charter Schools and Affiliates (KIPP DC) as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating and other information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual entities 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 information 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, 2019

KIPP DC Public Charter Schools and Affiliates

**Consolidating Balance Sheet
June 30, 2019**

	KIPP DC/ Woodrock	KIPP DC – Shaw QALICB, Inc.	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 69,646,287	\$ -	\$ -	\$ 69,646,287
Investments	50,832,425	-	-	50,832,425
Receivables, net	6,966,013	-	-	6,966,013
Prepaid expenses	1,457,366	-	-	1,457,366
Promises to give, net	341,277	-	-	341,277
Total current assets	129,243,368	-	-	129,243,368
Promises to give, net of discount and current portion	1,509,268	-	-	1,509,268
Restricted cash	271,466	-	-	271,466
Restricted investments	15,209,613	-	-	15,209,613
Deferred rental income	238,054	-	-	238,054
Property and equipment, net	200,520,087	-	-	200,520,087
Deposits	225,925	-	-	225,925
	217,974,413	-	-	217,974,413
	\$ 347,217,781	\$ -	\$ -	\$ 347,217,781
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 8,957,728	\$ -	\$ -	\$ 8,957,728
Current portion of capital lease obligations	96,000	-	-	96,000
Current portion of notes payable	1,995,000	-	-	1,995,000
Total current liabilities	11,048,728	-	-	11,048,728
Deferred rent	4,697,231	-	-	4,697,231
Capital lease obligations, net of current portion	1,360,792	-	-	1,360,792
Notes payable, net of discount, current portion, and issuance costs	180,623,774	-	-	180,623,774
	197,730,525	-	-	197,730,525
Net assets:				
Without donor restrictions	141,831,139	-	-	141,831,139
With donor restrictions	7,656,117	-	-	7,656,117
	149,487,256	-	-	149,487,256
	\$ 347,217,781	\$ -	\$ -	\$ 347,217,781

KIPP DC Public Charter Schools and Affiliates

**Consolidating Statement of Activities
Year Ended June 30, 2019**

	KIPP DC/ Woodrock	KIPP DC – Shaw QALICB, Inc.	Eliminations	Total
Support and revenue:				
Pupil allocation	\$ 124,030,696	\$ -	\$ -	\$ 124,030,696
Contributions, grants and events	7,734,953	-	-	7,734,953
Federal awards	12,289,478	-	-	12,289,478
Investment income, net	3,087,225	-	-	3,087,225
Interest income	67,081	30	-	67,111
Sublease rental income	1,177,036	300,788	(300,788)	1,177,036
Other	639,951	-	-	639,951
Total support and revenue	149,026,420	300,818	(300,788)	149,026,450
Expenses:				
Program	121,050,357	280,839	(300,788)	121,030,408
General and administrative	15,626,456	368	-	15,626,824
Fundraising	1,733,401	-	-	1,733,401
Total expenses	138,410,214	281,207	(300,788)	138,390,633
Change in net assets before other (losses) gains	10,616,206	19,611	-	10,635,817
Other gain (loss):				
Gain (loss) on NMTC transaction unwind (Note 16)	5,961,607	(488,482)	-	5,473,125
Change in net assets after other gain (loss)	16,577,813	(468,871)	-	16,108,942
Net assets:				
Beginning	132,909,443	468,871	-	133,378,314
Ending	\$ 149,487,256	\$ -	\$ -	\$ 149,487,256

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliates

**Schedule of Vendors Awarded Contracts Equal to or Exceeding \$25,000
Year Ended June 30, 2019**

Vendor	Type of Work Performed	Amount
1Life Healthcare, Inc.	Insurance	\$ 87,300
ABM Parking Services	Parking	87,250
Accenture	Consulting, non-education	250,000
Achievement Network (Anet)	Educational assessment	198,400
Acronis	IT System	34,500
Action Environmental Services	Facilities	29,985
Aetna	Insurance	5,674,371
Aflac	Insurance	95,000
AKJ Education	Books	34,543
Alliance Insurance Services, Inc.	Business insurance	656,203
Amazon.com	Various supplies	844,935
American Express	Credit card purchases	72,952
Ampco System Parking (ABM)	Parking	98,750
Amplify Education, Inc.	Curriculum	108,633
Apple Inc.	IT equipment	483,047
Appletree Institute	Assessment	55,200
Aquatonic Products Company	Repairs and maintenance	25,561
Arent Fox, LLP	Legal services	100,000
Avitecture, Inc.	AV system and equipment	85,889
Barrister Digital Solutions, LLC	Printing	40,603
Bernard Holloway	Consulting, non-education	54,000
Box Inc.	IT system	101,750
Bradley Arant Boult Cummings LLP	Legal services	35,000
Brailsford & Dunlavey	Construction and renovations	50,310
Brand Evolution, LLC	Uniforms/t-shirts and branding apparel	346,835
Brighter Day United Methodist Church	Rent	96,000
Brown & Associates, PLLC	Legal services	72,000
BSN Sports, LLC	Extracurricular sports supplies and equipment	74,929
Busy Bee Environmental Services	Cleaning services	2,173,655
Camp Speers in the Poconos	Field trip	42,975
Capital Construction Group LLC	Construction and renovations	2,500,000
Capitol Office Solutions	Print management services	367,810
CCR Service	Repairs and maintenance	37,420
CDW-G	Technology supplies and IT licenses	635,792
Chanté Chambers	Consulting, non-education	100,000
Clay Security Consultants & Various MPD Officers	Security services	500,760
Clever Goals	Education IT system	29,779
Columbia Lighthouse for the Blind	Special education services	100,000
Comcast	Internet	61,000
Courtyard Marriott	Event services and lodging	25,442

(Continued)

KIPP DC Public Charter Schools and Affiliates

**Schedule of Vendors Awarded Contracts Equal to or Exceeding \$25,000 (Continued)
Year Ended June 30, 2019**

Vendor	Type of Work Performed	Amount
CPM Educational Program	Curriculum	\$ 39,538
Critical Systems Services, LLC	HVAC repairs and maintenance	33,144
Curriculum Associates	Education IT system	47,025
CustomInk	Marketing and branding apparel	67,155
DanceMakers	Summer programming	76,500
DC Public Charter School Board	Charter school fee	1,233,602
DC Public Charter School Cooperative	Consulting, non-education	45,000
DC Treasurer	Taxes, fees and rent	588,500
DC Treasurer - Parking Spaces	Parking	36,000
DC Water	Utilities	395,221
DeansList	Attendance and homework tracking IT software	264,000
DELL Marketing L.P.	IT equipment	47,135
Del-Ray Glass Co., Inc.	Repairs and maintenance	88,584
Delta Education	Curriculum	63,600
Dialpad Inc.	IT communications	240,000
Discount School Supply	Classroom furniture and supplies	37,836
Discovery Education	Curriculum	37,788
Dr. Derrick Gay	Professional development	51,000
Dr. Sharokky Hollie	Professional development	30,000
DWW Psychological Services	Special education services	100,000
Dynamic Network Solutions (DNS)	IT support	1,359,570
Edgenuity	Education IT system	202,500
EdOps	Consulting, non-education	105,000
Educational Solutions, LLC	Special education services	33,000
Edulastic	Assessment	33,000
Elite Group Solutions	Food services	1,916,834
Ellaphant LLC	Consulting, non-education	30,000
FOCUS	Consulting, non-education	54,472
Forrester Construction Company	Construction and renovations	3,097,591
Goldblatt Martin Pozen LLP	Consulting, non-education	120,000
Goldman Sachs	Consulting, non-education	35,000
Grainger	Repairs and maintenance	41,364
Grand Hyatt Washington	Professional development	146,000
Group Vision Service (GVS)	Insurance	48,108
Hapara Inc	Education IT system	58,974
Hayat Brown LLC	Repairs and maintenance	31,160
HC Consulting Group LLC	Temporary staffing	41,400
Heavenly Edibles, LLC	Fresh fruit and vegetables program	464,476
Heinemann	Curriculum	60,500
Hire Quest	Facilities	26,253

(Continued)

KIPP DC Public Charter Schools and Affiliates

**Schedule of Vendors Awarded Contracts Equal to or Exceeding \$25,000 (Continued)
Year Ended June 30, 2019**

Vendor	Type of Work Performed	Amount
HireRight	Background check services	\$ 26,000
Houghton Mifflin Harcourt	Education IT system	185,510
Hyatt Regency Chesapeake Bay	Professional development	68,000
Illuminate Education, Inc.	Assessment	37,800
Imagine Math	Education IT system	48,000
InSite and Associates Co.	Special education services	34,917
Jair Lynch Real Estate Partners	Construction management services	667,000
Jessica Gray	Project management; non-education	125,000
Jonathan Fribley	Professional development	54,000
Jones Lang LaSalle (JLL)	Facilities management	1,700,000
Kastle Systems LLC	Camera security system	41,916
Kellogg Conference Hotel at Gallaudet University	Profession development	56,764
KIPP Foundation	Professional development and support	1,010,750
Lakeshore Learning Materials	Educational supplies and furniture	127,946
Law Office of Lauren E. Baum, PC	Legal services	148,000
Lee & Low Books	Books	108,000
Level Green Landscaping	Landscaping	99,816
Lexia Learning Systems, Inc.	Education IT system	32,758
LGC Security	Security services	1,486,747
Lindamood-Bell Learning Processes	Special education services	204,600
Marcum LLP	Accounting services	233,410
Marriott Marquis Washington, DC Hotel	Professional development	30,500
McGraw Hill	Curriculum	88,150
MCN Build	Construction and renovations	41,000,000
Mechanical Systems, Inc	HVAC repairs and maintenance	36,595
Medstar Georgetown University Hospital (MGUH)	Special education services	530,000
MetLife	Insurance	323,528
MGA, Inc.	Consulting, non-education	217,578
Milestone Bulding Services	Repairs and maintenance	48,000
Miller Flooring Company INC	Construction and renovations	32,491
MIND Research Institute	Education IT system	40,000
National Demolition & Environmental, Inc.	Repairs and maintenance	28,017
Navigator Real Estate Services LLC	Real estate	217,000
NCS Pearson, Inc.	Assessment	47,607
New Columbia Solar	Solar car ports	25,690
NEWfit Kids/TEAMtime	Recess program	88,344
Northwest Evaluation Association (NWEA)	Assessment	62,859
Occasions Caterers	Food catering	71,930
OCTO/DCNet	Internet	279,595
Okta Inc.	IT system	58,390

(Continued)

KIPP DC Public Charter Schools and Affiliates

**Schedule of Vendors Awarded Contracts Equal to or Exceeding \$25,000 (Continued)
Year Ended June 30, 2019**

Vendor	Type of Work Performed	Amount
Onesource Virtual	HR system payroll	\$ 143,768
Open Up Resources	Curriculum	46,000
Pepco	Utilities	1,352,867
Playworks	Recess program	97,500
PMM Companies	Cleaning services	920,545
PMM Facilities	Facilities management	1,119
PowerSchool Group LLC	Data IT system	45,500
Praetorian Security Services Inc.	Repairs and maintenance	31,182
Preferred Meal Systems, Inc.	Food services	1,610,819
PSSI	Marketing and branding supplies	26,823
Quiana Tours	Transportation	232,517
R & A Contractors	Construction and renovations	41,266
Raffa	Accounting services	97,222
Raptor Technologies	Visitor management system	25,000
Rayne Events LLC	Event services	26,733
Really Good Stuff, Inc.	Classroom furniture and supplies	28,596
Relay Graduate School of Education	Professional development	112,000
Reliance Standard Life Insurance Company	Insurance	81,890
Renaissance Washington DC Downtown Hotel	Professional development	70,000
Renaissance Learning	Education IT system	49,998
Resource Restoration Services, Inc	Repairs and maintenance	33,648
ResponseTECH	Security services	27,464
Revolution Foods, Inc.	Food services	7,267,203
Rodolfo Argueta	Repairs and maintenance	28,075
Rome Charters LLC	Transportation	136,800
RSM US LLP	Audit and tax fees	121,980
Ruppert Landscape	Landscaping	198,837
Schindler Elevator Corporation	Repairs and maintenance	25,215
School Outfitters	Office and classroom furniture	115,200
School Specialty	Office and classroom supplies and furniture	47,842
Schoolzilla Inc.	Data IT system	51,000
Service Mechanical, Inc.	HVAC repairs and maintenance	59,585
Shiffler	Facilities equipment	104,049
SOGA, Inc.	Construction and renovations	187,561
SP Plus Corporation	Parking	46,500
Spectrum, Inc	Construction and renovations	25,117
Staples Advantage	Office and classroom supplies	814,130
Studio Twenty Seven Architecture	Construction, renovations and design	2,441,026
Swing Education Inc. c/o P2Binvestor, Inc.	Substitute teachers	226,307
Tableau Online	Data IT system	102,000

(Continued)

KIPP DC Public Charter Schools and Affiliates

**Schedule of Vendors Awarded Contracts Equal to or Exceeding \$25,000 (Continued)
Year Ended June 30, 2019**

Vendor	Type of Work Performed	Amount
Teach For America	Staffing	\$ 28,000
Tech Defenders	Technology supplies and insurance	395,000
Tex Styles International, Inc.	Uniforms and t-shirts	33,977
The Blue Swing	Marketing and branding supplies	79,417
The Booksource	Books	67,062
The Fishing School	Afterschool program	120,000
The Gathering Project, LLC	Consulting, non-education	80,000
The Graide Network	Assessment	108,000
The Literacy Lab	Tutoring services	100,000
The MusicianShip	Summer programming	35,975
The Player Progression Academy, LLC	Summer programming	49,500
The Vocati Group	Consulting, non-education	40,000
Therapy Source, Inc.	Special education services	72,000
Torsh Inc.	Education IT system	73,728
Total Shading Solutions	Facilities equipment	39,519
Trade Center Management Associates (Ronald Reagan Building)	Professional development	142,000
Trinity Washington University	Educational program	429,000
Turnaround For Children	Counseling	250,000
U.S. Bank Equipment Finance	Printers	218,324
Uncommon Schools	Professional development	41,097
Vena Solutions Usa Inc.	Finance software	40,000
Verizon	Communications	30,000
Versed Education Group	Professional development	32,450
Vision Security Solutions	Security services	27,000
Washington Gas	Utilities	157,424
Washington Metropolitan Area Transit Authority	Transportation	75,000
Waste Management of Maryland, Inc.	Trash removal	77,377
Watergate Office Fee Owner, LLC	Rent	828,278
WB Mason	Copy paper and furniture	323,109
WGL Energy Systems, Inc	Utilities	26,900
Wilson Language Training Corp	Curriculum	25,000
Workday Inc.	HR system	296,130
Wye River	Consulting, non-education	100,000
Zendesk, Inc	IT system	52,790