KIPP DC Public Charter Schools and Affiliate

Consolidated Financial Report
June 30, 2020

Contents

Independent Auditor's Report

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 Affiliate (KIPP DC), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, 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 28, 2020

KIPP DC Public Charter Schools and Affiliate

Consolidated Balance Sheets
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	**$ 15,767,907**	$ 69,646,287
Investments	**105,138,600**	50,832,425
Receivables, net	**6,616,868**	6,966,013
Prepaid expenses	**2,257,834**	1,457,366
Promises to give, net	**558,826**	341,277
Total current assets	**130,340,035**	129,243,368
Promises to give, net of discount and current portion	**412,711**	1,509,268
Restricted cash	**178,535**	271,466
Restricted investments	**55,104,349**	15,209,613
Deferred rental income	**441,122**	238,054
Property and equipment, net	**201,721,433**	200,520,087
Deposits	**478,444**	225,925
	$ 388,676,629	$ 347,217,781
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 10,440,715**	$ 8,957,728
Current portion of capital lease obligations	**152,430**	96,000
Current portion of notes payable	**2,755,000**	1,995,000
Refundable advances and deferred revenue	**962,107**	-
Total current liabilities	**14,310,252**	11,048,728
Deferred rent	**4,954,933**	4,697,231
Capital lease obligations, net of current portion	**1,326,548**	1,360,792
Notes payable, net of discount, current portion and issuance costs	**218,596,266**	180,623,774
	239,187,999	197,730,525
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions	**144,260,634**	141,831,139
With donor restrictions	**5,227,996**	7,656,117
	149,488,630	149,487,256
	$ 388,676,629	$ 347,217,781

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliate

Consolidated Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Pupil allocation	**$ 142,649,626**	**$ -**	**$ 142,649,626**	$ 124,030,696	$ -	$ 124,030,696
Contributions, grants and events	**8,399,940**	**1,318,146**	**9,718,086**	5,555,055	2,179,898	7,734,953
Federal awards	**13,084,570**	**-**	**13,084,570**	12,289,478	-	12,289,478
Investment income, net	**3,457,745**	**-**	**3,457,745**	3,154,336	-	3,154,336
Sublease rental income	**728,189**	**-**	**728,189**	1,177,036	-	1,177,036
Other	**550,820**	**-**	**550,820**	639,951	-	639,951
Net assets released from restrictions	**3,746,267**	**(3,746,267)**	**-**	3,901,735	(3,901,735)	-
Total support and revenue	**172,617,157**	**(2,428,121)**	**170,189,036**	150,748,287	(1,721,837)	149,026,450
Expenses:						
Program	**143,103,216**	**-**	**143,103,216**	121,030,408	-	121,030,408
General and administrative	**19,167,155**	**-**	**19,167,155**	15,626,824	-	15,626,824
Fundraising	**1,917,291**	**-**	**1,917,291**	1,733,401	-	1,733,401
Total expenses	**164,187,662**	**-**	**164,187,662**	138,390,633	-	138,390,633
Change in net assets before other changes	**8,429,495**	**(2,428,121)**	**6,001,374**	12,357,654	(1,721,837)	10,635,817
Related party contribution	**(6,000,000)**	**-**	**(6,000,000)**	-	-	-
Gain on NMTC transaction unwind (Note 16)	**-**	**-**	**-**	5,473,125	-	5,473,125
	(6,000,000)	**-**	**(6,000,000)**	5,473,125	-	5,473,125
Change in net assets	**2,429,495**	**(2,428,121)**	**1,374**	17,830,779	(1,721,837)	16,108,942
Net assets:						
Beginning	**141,831,139**	**7,656,117**	**149,487,256**	124,000,360	9,377,954	133,378,314
Ending	**$ 144,260,634**	**$ 5,227,996**	**$ 149,488,630**	$ 141,831,139	$ 7,656,117	$ 149,487,256

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program	General and Administrative	Fundraising	Total
Ordinary expenses:				
Personnel salaries and benefits:				
Principal/administrative salary	$ 16,646,121	$ 7,835,732	$ 1,367,310	$ 25,849,163
Teachers salaries	39,039,469	1,700	-	39,041,169
Teacher aides/assistants salaries	8,579,943	-	-	8,579,943
Other education professionals salaries	10,590,397	-	-	10,590,397
Other staff salaries	2,215,074	486,474	2,100	2,703,648
Employee benefits and payroll taxes	14,285,562	2,253,017	140,323	16,678,902
Contracted staff	126,593	145,606	-	272,199
Staff development expenses	2,311,124	526,539	56,133	2,893,796
Total personnel expenses	93,794,283	11,249,068	1,565,866	106,609,217
Direct student expenses:				
Student supplies and materials	7,516,879	-	-	7,516,879
Contracted student services	1,481,821	-	-	1,481,821
Food service	4,948,878	-	-	4,948,878
Miscellaneous student expense	1,840,409	-	-	1,840,409
Total direct student expense	15,787,987	-	-	15,787,987
Occupancy expenses:				
Rent	988,197	707,800	-	1,695,997
Building maintenance and repairs	1,619,670	12,755	-	1,632,425
Utilities	2,083,622	42	-	2,083,664
Janitorial supplies	291,540	-	-	291,540
Contracted building services	6,084,581	109,021	-	6,193,602
Other occupancy expenses	105,425	11,385	-	116,810
Total occupancy expenses	11,173,035	841,003	-	12,014,038
Office expenses:				
Office supplies and materials	1,909,586	945,602	31,622	2,886,810
Telephone/telecommunications	665,558	280,194	3,696	949,448
Legal, accounting, technology and payroll services	1,643,482	1,469,923	7,892	3,121,297
Printing and copying	581,779	37,706	9,239	628,724
Postage and shipping	256,327	11,402	1,788	269,517
Other	323,103	161,935	3,608	488,646
Total office expenses	5,379,835	2,906,762	57,845	8,344,442
General expenses:				
Insurance	-	679,832	-	679,832
Transportation	47,687	22,109	8,911	78,707
Administrative fee (to PCSB)	-	1,395,508	-	1,395,508
Interest expense and amortization	7,952,908	-	-	7,952,908
In-kind expense	-	1,730,000	-	1,730,000
Other general expenses	302,976	43,527	284,669	631,172
Total general expenses	8,303,571	3,870,976	293,580	12,468,127
Total ordinary expenses	134,438,711	18,867,809	1,917,291	155,223,811
Depreciation	8,664,505	299,346	-	8,963,851
Total expenses	143,103,216	19,167,155	1,917,291	164,187,662
Related party contribution	6,000,000	-	-	6,000,000
	$ 149,103,216	**$ 19,167,155**	**$ 1,917,291**	**$ 170,187,662**

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program	General and Administrative	Fundraising	Total
Ordinary expenses:				
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 expenses	1,926,418	644,565	25,440	2,596,423
Total personnel expenses	78,662,698	9,607,622	1,310,869	89,581,189
Direct student expenses:				
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
Total 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 expenses	153,457	2,750	-	156,207
Total 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
Total 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 expenses	122,720	66,921	346,208	535,849
Total 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 expenses	$ 121,030,408	$ 15,626,824	$ 1,733,401	$ 138,390,633

See notes to consolidated financial statements.

KIPP DC Public Charter Schools and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 1,374**	$ 16,108,942
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**8,963,851**	7,605,743
Amortization of debt issuance costs	**207,055**	183,558
Write-off of debt issuance costs	**207,253**	341,173
Gain on NMTC transaction unwind	**-**	(5,814,298)
Contributed property and equipment	**-**	(933,101)
Realized and unrealized gain on investments	**(853,572)**	(317,925)
Interest expense in excess of capital lease payments	**22,186**	20,521
Provision for allowance on doubtful accounts	**28,636**	105,221
Discount on promises to give	**(58,443)**	(5,112)
Amortization of debt premium	**(813,713)**	(566,525)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**320,509**	(4,099,851)
Prepaid expenses	**(800,468)**	332,238
Promises to give	**937,451**	(885,566)
Deferred rental income	**(203,068)**	(230,560)
Deposits	**(252,519)**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**863,628**	1,802,205
Deferred rent	**257,702**	319,360
Refundable advances and deferred revenue	**962,107**	-
Net cash provided by operating activities	**9,789,969**	13,966,023
Cash flows from investing activities:		
Purchases of property and equipment	**(9,545,838)**	(29,388,151)
Sales of investments	**69,478,883**	35,313,056
Purchases of investments	**(122,931,486)**	(38,769,942)
(Increase) decrease in restricted investments	**(39,894,736)**	1,365,253
Net cash used in investing activities	**(102,893,177)**	(31,479,784)
Cash flows from financing activities:		
Principal payments on long-term debt	**(27,046,795)**	(955,000)
Proceeds from long-term debt	**67,392,306**	25,051,795
Debt issuance costs	**(1,213,614)**	(216,893)
Net cash provided by financing activities	**39,131,897**	23,879,902
Net (decrease) increase in cash and cash equivalents (unrestricted and restricted)	**(53,971,311)**	6,366,141

(Continued)

KIPP DC Public Charter Schools and Affiliate

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Cash and cash equivalents (unrestricted and restricted):		
Beginning	**$ 69,917,753**	$ 63,551,612
Ending	**$ 15,946,442**	$ 69,917,753
Supplemental disclosure of cash flow information:		
Cash payments for interest	**$ 5,852,914**	$ 6,414,333
Supplemental schedules of noncash investing and financing activities:		
NMTC Transaction Unwind:		
Notes payable cancelled in connection with receipt of notes receivable	**$ -**	$ 23,520,000
Notes received in satisfaction of notes receivable	**-**	17,705,702
Non-cash gain on NMTC unwind	**$ -**	$ 5,814,298
Property and equipment included in accounts payable and accrued expenses	**$ 1,948,096**	$ 1,328,737

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: KIPP DC Public Charter Schools and Affiliate is comprised of two entities: KIPP DC Public Charter Schools (KIPP DC) and Woodrock LLC. 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 18 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). 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 KIPP DC – Shaw QALICB, Inc. (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, 2020. 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 Affiliate are collectively referred to as KIPP DC.

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 and Woodrock. 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.

Net assets without donor restrictions: 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: 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, 2020 and 2019, 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, 2020 and 2019, net assets with donor restrictions represented amounts restricted for specific education-related expenses and future periods.

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.

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

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 value. To adjust the carrying value of these investments, the change in fair value is recorded as a component of investment income or loss in the consolidated statements of activities.

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 $370,950 and $342,314 at June 30, 2020 and 2019, 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, 2020 and 2019.

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.

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.

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, 2020 and 2019. 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, 2020, 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 2017.

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, 2019, consolidated financial statements have been reclassified to conform to the June 30, 2020, consolidated financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Adopted accounting pronouncements: In November 2016, the FASB issued Accounting Standards Update (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. KIPP DC adopted ASU 2016-18 during the year ended June 30, 2020, and retrospectively applied this ASU to all periods presented. The adoption of this ASU resulted in a restatement of cash and cash equivalents and restricted cash and cash equivalents in the consolidated statement of cash flows as of July 1, 2018, in the amount of $390,701.

Pending accounting pronouncements: The FASB recently issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. A not-for-profit entity also is required to disclose contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets.

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

For each category of contributed nonfinancial asset recognized, a not-for-profit entity is required to disclose:

- Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit entity also is required to disclose a description of the programs or other activities in which those assets were used.
- The not-for-profit's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets.
- A description of any donor restrictions associated with the contributed nonfinancial assets.
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, "Fair Value Measurement," of the FASB's Accounting Standards Codification, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit entity is prohibited by a donor-imposed restriction form selling or using the contributed nonfinancial assets.

The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

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. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* further delaying the effective date an additional year. The new standard is effective for KIPP DC for the fiscal year ending June 30, 2021. 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.

Subsequent events: Subsequent events have been evaluated through October 28, 2020, which is the date the consolidated financial statements were issued.

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, 2020 and 2019, $178,535 and $271,466 in cash, respectively, and $55,104,349 and $15,209,613 in investments, respectively, were restricted for these purposes. Cash balances at June 30, 2020 and 2019, of $178,535 and $271,466, respectively, were related to restricted amounts pertaining to required debt covenants.

Note 2. Restricted Cash and Investments (Continued)

Restricted investments of $10,254,753 and $10,035,542 at June 30, 2020 and 2019, 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.

Restricted investments of $41,277,682 at June 30, 2020 were due to requirements of the D.C. Revenue Bonds, KIPP DC Issue, Series 2019. The investment is restricted for bond project fund, debt service fund and debt service reserve.

Lastly, at June 30, 2020 and 2019, KIPP DC holds $3,571,914 and $5,174,071, 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, 2020 and 2019, consist of the following:

	2020	2019
One year or less	$ 558,826	$ 341,277
One to five years	420,000	1,575,000
	978,826	1,916,277
Less discount on promises to give	(7,289)	(65,732)
	$ 971,537	$ 1,850,545

Note 4. Investments

Investments and restricted investments at June 30, 2020 and 2019, consist of the following:

	2020	2019
Money market funds – U.S. Treasury securities	$ 47,038,228	$ 6,484,958
Certificates of deposit	22,761,966	22,416,203
Fixed income – Corporate bonds and U.S. Treasury securities	90,442,755	37,140,877
	$ 160,242,949	$ 66,042,038

Note 5. Property and Equipment

Property and equipment at June 30, 2020, 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	71,811,485	16,771,970	55,039,515	2,520,733
Computer equipment	3 years	1,407,325	922,506	484,819	234,293
Furniture and equipment	5 years	720,972	409,821	311,151	75,487
Leasehold improvements	Life of lease (a)	157,988,632	31,658,525	126,330,787	6,133,338
Construction-in-process	–	9,860,180	-	9,860,180	-
		$ 251,483,575	$ 49,762,822	$ 201,721,433	$ 8,963,851

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

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	-
		$ 241,319,057	$ 40,798,971	$ 200,520,087	$ 7,605,743

(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, 2020 and 2019, was $2,206,945 and $2,358,534, respectively.

Note 6. Capital Lease (Continued)

Future minimum lease payments remaining are as follows:

Years ending June 30:	
2021	$ 152,430
2022	165,506
2023	170,184
2024	174,978
2025	179,930
Thereafter	2,053,761
	2,896,789
Less amount representing interest	(1,417,811)
	$ 1,478,978

Note 7. Notes Payable

Long-term debt at June 30, 2020 and 2019, consists of the following:

	2020	2019
Principal amount	$ 204,294,000	$ 170,015,795
Plus premium on note payable	20,557,331	15,303,738
Less unamortized debt issuance costs	(3,500,065)	(2,700,759)
	$ 221,351,266	$ 182,618,774

Principal amounts of notes payable at June 30, 2020 and 2019, consist of the following:

	2020	2019
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.	$ 125,580,000	$ 127,575,000
District of Columbia Revenue Bonds (KIPP DC Issue – Series 2019) fixed semi-annual interest and annual principal payments maturity date of July 1, 2049.	61,325,000	-
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. This loan was fully repaid in 2020.	-	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)

Note 7. Notes Payable (Continued)

	2020	2019
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
	$ 204,294,000	$ 170,015,795

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). 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. Semi-annual interest and annual principal payments commencing July 1, 2018.

On October 17, 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 and expansion of the KIPP DC Benning campus, finance the renovation and expansion of the KIPP DC Somerset campus, fund any debt service reserve funds and pay for debt issuance costs associated with the KIPP DC – Series 2019 bonds. The interest rate is fixed. The effective interest rate of the debt is approximately 3.3%. Semi-annual interest and annual principal payments commencing July 1, 2020.

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.

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.

Note 7. Notes Payable (Continued)

Annual principal payments on notes payable at June 30, 2020, are due in future years as follows:

Years ending June 30:	
2021	$ 2,755,000
2022	3,205,000
2023	4,121,837
2024	4,023,705
2025	4,205,959
Thereafter	185,982,499
	$ 204,294,000

Interest expense and amortization of the bond premium was $7,538,601 and $6,358,878 for the years ended June 30, 2020 and 2019, respectively.

Amortization expense was $207,055 and $183,558 for the years ended June 30, 2020 and 2019, respectively.

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 beared 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 at June 30, 2019. Interest charged for the year ended June 30, 2019 was $67,111.

Note 9. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions, by purpose, during the year ended June 30, 2020, were as follows:

	Balance June 30, 2019	Additions	Released From Restrictions	Balance June 30, 2020
Purpose restricted:				
College access	$ 1,405,816	$ 456,098	$ 585,781	$ 1,276,133
Other academic support	342,000	245,355	479,434	107,921
Facilities	5,000,000	-	1,500,000	3,500,000
Growth	250,000	500,000	702,004	47,996
Time restricted	658,301	116,693	479,048	295,946
	$ 7,656,117	$ 1,318,146	$ 3,746,267	$ 5,227,996

Note 9. Net Assets With Donor Restrictions (Continued)

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
	$ 9,377,954	$ 2,179,898	$ 3,901,735	$ 7,656,117

Note 10. Pupil Allocation

KIPP DC's local per pupil allocation for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
General education	$ 84,849,091	$ 75,232,266
Categorical enhancements (SPED, At-risk, etc.)	34,922,226	28,358,998
Facilities	22,878,309	20,439,432
	$ 142,649,626	$ 124,030,696

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 $4,927,489 and $4,181,487 for the years ended June 30, 2020 and 2019, 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.

Note 12. Commitments and Contingencies (Continued)

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, 2020, 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, 2020, 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, D.C. 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.

The estimated future minimum lease payments at June 30, 2020, net of lease credits noted above, are as follows:

Years ending June 30:	
2021	$ 1,331,492
2022	1,330,578
2023	1,353,555
2024	1,378,293
2025	1,403,612
Thereafter	21,571,552
	$ 28,369,082

For the years ended June 30, 2020 and 2019, total rent expense was $1,695,997 and $1,753,746, 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.

Note 12. Commitments and Contingencies (Continued)

The estimated future rental payments expected at June 30, 2020, net of rent abatements noted above, are as follows:

Years ending June 30:		
2021	$	129,147
2022		307,324
2023		320,007
2024		333,007
2025		346,332
Thereafter		5,382,390
	$	6,818,207

Construction commitments: KIPP DC entered into construction contract commitments related to the expansion of the KIPP DC Benning Campus, the expansion of the KIPP DC Somerset Campus and the redevelopment of the Ferebee-Hope campus. As of June 30, 2020, KIPP DC has remaining construction commitments of $39.3 million.

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. 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 five 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, 2020 and 2019.

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.

The table below presents the balances of the assets measured at fair value at June 30, 2020, on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Money market funds:				
U.S. Treasury bonds	$ 47,038,228	$ 47,038,228	$ -	$ -
Fixed income:				
Certificate of deposits	22,761,966	-	22,761,966	-
Corporate bonds	68,541,189	-	68,541,189	-
U.S. Treasury bonds	21,901,566	-	21,901,566	-
Total assets	$ 160,242,949	$ 47,038,228	$ 113,204,721	$ -

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	$ 66,042,038	$ 6,484,958	$ 59,557,080	$ -

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:

	2020	2019
Cash and cash equivalents, including restricted cash	$ 15,946,442	$ 69,917,753
Investments, including restricted investments	160,242,949	66,042,038
Receivables, net	6,616,868	6,966,013
Promises to give, net	971,537	1,850,545
Total financial assets available	183,777,796	144,776,349
Less those unavailable for general expenditure within one year due to:		
Contractual or other restrictions:		
Restricted cash (Note 2)	(178,535)	(271,466)
Restricted investments (Note 2)	(55,104,349)	(15,209,613)
Donor-imposed restrictions:		
Net assets with donor restrictions	(5,227,996)	(7,656,117)
Financial assets available to meet cash needs for general expenditure within one year	$ 123,266,916	$ 121,639,153

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 provided a voluntary contribution of $6,000,000 to KIPP DC SC during the year ended June 30, 2020 for teacher retention and substitute teacher efforts. KIPP DC also provides administrative services to KIPP DC SC. Amounts due from KIPP DC SC were $447,179 and $141,836 at June 30, 2020 and June 30, 2019, respectively.

Note 16. Major 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	(341,173)
	$ 5,473,125

Note 17. Coronavirus Contingency

The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including the geographical areas in which KIPP DC operates. While KIPP DC has mitigated the financial impact to its business, it is unknown how long these conditions will last and what the complete financial effect will be to KIPP DC.

Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 18. Subsequent Event

On October 15, 2020, KIPP DC entered into a 50-year ground lease with the D.C. government for its Ferebee-Hope 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.

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
KIPP DC Public Charter Schools

We have audited the consolidated financial statements of KIPP DC Public Charter Schools and Affiliate (KIPP DC) as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis 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 28, 2020

KIPP DC Public Charter Schools and Affiliate

Schedule of Vendors Awarded Contracts Equal to or Exceeding $25,000
Year Ended June 30, 2020

Vendor	Type of Work Performed	Amount
Accenture	Workday Consulting	$ 100,800
Ace Adventure Resort	Field Trip	29,710
Achievement Network (Anet)	Educational Assessment	210,680
Aetna	Insurance	7,172,784
Agera	Utilities	118,500
AKJ Books	Books	256,000
Alliant/CBIZ Alliance	Business Insurance	725,000
Ampco Parking Services (ABM)	Parking	105,250
Amplify Education Inc	Curriculum	79,800
Anybill (Paypool)	AP Automation Software	70,000
Apple Inc.	IT Equipment	286,391
Appletree Institute	Assessment	67,830
Arent Fox	Legal Services	250,000
Aspen (Alliance, Alliant)	Insurance	27,712
Barnes & Noble Booksellers	Books	82,558
Barrister Digital Solutions	Printing and Shipping	540,000
Box Inc	IT System	369,000
Bradley Arant Boult Cummings LLP	Legal Services	80,568
Brand Evolution (iPromote)	Student Uniforms	283,995
Bright Morning Consulting	Professional Development	31,000
Busy Bee Environmental Services	Cleaning Services	2,317,614
C&C Complete Services	Repairs and Maintenance	28,000
Capital City Nurses Healthcare Services	Temporary Staffing	75,000
Capitol Office Solutions	Print Management Services	405,267
Carolina Textile District	Personal Protective Equipment	35,650
CDW-G	Technology Supplies and IT Licenses	2,239,437
Clay Security Consultants & Various MPD Officers	Security Services	532,332
Clifton Larson Allen (CLA)	Accounting Software and Services	215,000
Columbia Lighthouse for the Blind	Special Education Services	100,000
Comcast	Internet	60,000
Curriculum Associates	Education IT System	43,800
DC Public Charter School Board	Charter School Fee	1,435,457
DC Special Education Cooperative	Consulting, Non-education	40,000
DC Treasurer	Taxes, Fees, and Rent	640,711
DC Water	Utilities	462,753
Delta Education	Curriculum	49,700
DWW Psychological Services	Special Education Services	30,000
Dynamic Network Solutions (DNS)	IT Support and Equipment	1,978,090
ECS Capitol Services	Construction Inspection Services	219,605
Educational Solutions	Special Education Services	40,000

(Continued)

KIPP DC Public Charter Schools and Affiliate

Schedule of Vendors Awarded Contracts Equal to or Exceeding $25,000 (Continued)
Year Ended June 30, 2020

Vendor	Type of Work Performed	Amount
Edulastic	Assessment	$ 29,000
Edward Bentsil	IT Managed Services	26,845
Ellaphant LLC	Consulting, Non-education	25,000
EveryAction	Fundraising and Events Software	82,060
FedEx	Shipping	50,000
FOCUS	Consulting, Non-education	55,208
G&G School Bus Transportation (Quiana Tours)	Transportation	171,000
Goldblatt Martin Pozen	Consulting, Non-education	180,000
Goldman Sachs	Consulting, Non-education	100,000
Group Vision Service (Fidelity Security Life)	Insurance	59,230
Heinemann	Curriculum	47,850
HireRight	Background Check Services	26,500
Houghton Mifflin Harcourt	Education IT System	60,350
IBTS	Construction Inspection Services	27,000
Imagine Math	Education IT System	60,000
Jair Lynch Real Estate Partners	Construction Management Services	1,500,000
Jessica Gray	Project Management; Non-education	184,000
Joffe Emergency Services	Temporary Staffing	455,000
Johnathan Fribley	Professional Development	54,000
Kastle Systems	Camera Security System	50,000
KIPP Foundation	Professional Development and Support	677,000
Kynoch Environmental Management (KEM)	Repairs and Maintenance	32,870
Lavinia Group	Professional Development	355,725
Level Green Landscaping	Landscaping	93,000
LGC Security	Security Services	1,836,229
Liberty Power	Utilities	781,566
LINK Strategic Partners	Consulting, Non-education	66,750
Literacy Lab	Tutoring Services	100,000
Logan Ace Hardware	Personal Protective Equipment	91,357
ManPower DC	Violence Interrupter Services	60,000
Marcum LLP	Accounting Services	58,240
McGraw Hill	Curriculum	84,150
MCN Build	Construction and Renovations	11,500,000
Medstar Georgetown University Hospital (MGUH)	Mental Health Services	393,000
MetLife	Insurance	427,621
MGA	Consulting, Non-education	250,000
Milestone	Repairs and Maintenance	29,809
MIND Research Institute	Education IT System	30,000
National Demolition and Environmental, Inc (NDE)	Repairs and Maintenance	131,797
NEWfit Kids/TEAMtime/Strong City Baltimore	Recess Programs	70,000

(Continued)

KIPP DC Public Charter Schools and Affiliate

Schedule of Vendors Awarded Contracts Equal to or Exceeding $25,000 (Continued)
Year Ended June 30, 2020

Vendor	Type of Work Performed	Amount
Northwest Evaluation Association (NWEA)	Assessment	$ 64,158
Occasions Caterers	Catering and Event Services	176,793
OCTO/DCNet	Internet	279,595
Okta	IT System	58,390
One Medical	Supplemental Health Care Services	345,600
Open Up Resources	Curriculum	48,000
Pepco	Utilities	1,512,823
PMM Facilities	Facilities Management	1,233,000
PowerSchool Group	Data IT System	52,290
Preferred Meals	Food Services Agreement	6,436,402
Pretty Brown Girl	Afterschool Enrichment Program	105,141
Providence General Contracting	Construction	25,400
PSSI	Printing and Shipping	608,000
Relay Graduate School of Education	Professional Development	112,000
Reliance Standard	Insurance	412,000
Rodolfo Argueta	Repairs and Maintenance	258,250
RSM LLP	Audit and Tax Services	126,665
Schoolzilla	Data IT System	54,000
Security Detection, Inc	X-Ray Bag Scanners	100,000
Service Mechanical	Repairs and Maintenance	25,000
Setty	Repairs and Maintenance	298,000
Shah Capital Advisors	Consulting, Non-education	325,000
SP Plus Corporation	Parking	26,000
Specialized Education of DC Inc (Catapult)	Special Education Services	1,230,000
Spectrum Financial Services	Temporary Staffing	50,000
StormWind	IT Training Software	29,700
Studio Twenty Seven Architecture	Architectural and Engineering Services	3,750,000
Swing Education Inc	Substitute Teachers	115,000
Syyclops Inc (Setty)	Facilities Operations Software	108,100
Tableau Online	Data IT System	45,000
Teach for America	Staffing	80,000
Tech Defenders	Technology Supplies and Insurance	654,018
Tenret Technology	Technology Supplies and IT Licenses	713,482
Terraform Power-Arcadia Solar	Utilities	27,909
The Blue Swing	Branded Apparel	39,230
The Law Office of Lauren E. Baum, P.C.	Legal Services	80,000
Therapy Source	Special Education Services	40,000
T-Mobile	Technology Supplies and Services	28,200
Torsh	Education IT System	100,800
TouchMath	Curriculum	30,000

(Continued)

KIPP DC Public Charter Schools and Affiliate

Schedule of Vendors Awarded Contracts Equal to or Exceeding $25,000 (Continued)
Year Ended June 30, 2020

Vendor	Type of Work Performed	Amount
Trade Center Management Associates (Ronald Reagan Building and International Trade Center)	Professional Development	$ 118,000
Transcend	Consulting, Non-education	105,000
Uline	Shipping Supplies	25,000
Verizon	Communications	50,000
Vulcan PPE, LLC	Personal Protective Equipment	43,750
W.B. Mason	Cleaning Supplies	271,772
Washington Gas	Utilities	178,978
Washington Metropolitan Area Transit Authority (WMATA)	Metro Tokens for Families in Transition	75,000
Waste Management	Trash Removal	79,699
WGL Energy Services	Utilities	39,711
Wye River	Consulting, Non-education	100,000
YKA Investments, LLC	Tax Credit Refund	26,824
Zendesk	IT System	52,790
Zoom	IT System	36,000

KIPP DC Public Charter Schools and Affiliate

Uniform Guidance
Supplementary Financial Report
Year Ended June 30, 2020

Contents

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*

Independent Auditor's Report

Board of Directors
KIPP DC Public Charter Schools

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 Public Charter Schools and Affiliate (KIPP DC), which comprise the consolidated balance sheet as of June 30, 2020, the related consolidated statements of activities, functional expenses 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 28, 2020.

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) as a basis for designing 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 28, 2020

**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**

Independent Auditor's Report

Board of Directors
KIPP DC Public Charter Schools

Report on Compliance for Each Major Federal Program
We have audited KIPP DC Public Charter Schools and Affiliate (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, 2020. 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, 2020.

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, 2020, and have issued our report thereon dated October 28, 2020, 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 28, 2020

KIPP DC Public Charter Schools and Affiliate

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/ Contract Number	Pass-through Grant/ Contract Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Education					
Pass-through:					
District of Columbia Office of the State					
Superintendent of Education:					
Title I Grants to Local Educational Agencies	84.010A	S010A180051	92010A	$ 4,973,698	$ -
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027A	H027A190010-19A	A2027A	1,371,576	-
Special Education Preschool Grants	84.173A	H173A190006	A2173A	16,259	-
Education for Homeless Children and Youth	84.196A	S196A180009	92196A/19	12,882	-
DC Opportunity Scholarship Program	84.370C	U370C190001	CHOICE	980,121	-
				7,354,536	-
KIPP Foundation:					
Charter Schools	84.282M	U282M190024	DC-CSP6-FY20-Year 0	500,000	-
Supporting Effective Educator Development Grant	84.423A	U423A180059-19	N/A	40,000	-
				7,894,536	-
U.S. Department of Health and Human Services					
Administration for Children and Families					
Pass-through:					
District of Columbia Office of the State					
Superintendent of Education:					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SM080961	1H79SM080961-01	370,447	-
				370,447	-
U.S. Department of Agriculture					
Pass-through:					
District of Columbia Office of the State					
Superintendent of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	N/A	N/A	3,157,185	-
School Breakfast Program	10.533	N/A	N/A	1,072,028	-
Fresh Fruits and Vegetables Program	10.582	N/A	N/A	204,187	-
DoD Fresh FAVORS	10.XXX	N/A	N/A	177,441	-
Healthy Schools Act FY15	10.XXX	N/A	N/A	208,746	-
				4,819,587	-
Total expenditures of federal awards				$ 13,084,570	$ -

See notes to schedule of expenditures of federal awards.

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, 2020. 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 balance sheets, 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 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. Pass-through entity identifying numbers are presented where available. There are no subrecipient expenditures.

Note 3. Indirect Cost Rate

KIPP DC did not elect to use the 10% de minimis cost rate as covered in §200.414 indirect (F&A) costs.

KIPP DC Public Charter Schools and Affiliate

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
▪ Material weakness(es) identified?	____ Yes	X No
▪ Significant deficiency(ies) identified?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over each major program:		
▪ Material weakness(es) identified?	____ Yes	X No
▪ Significant deficiency(ies) identified?	____ Yes	X None Reported
Type of auditor's report issued on compliance for the major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of the major programs:

CFDA Number(s) or Other Identifying Number	Name of Federal Program or Cluster
84.010A	Title I Grants to Local Educational Agencies
84.370C	DC Opportunity Scholarship Program
84.282M	Charter Schools

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

(Continued)

Section II. Financial Statement Findings

None Reported.

Section III. Findings and Questioned Costs for Federal Awards

None Reported.

KIPP DC Public Charter Schools and Affiliate

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

There were no findings reported for the year ended June 30, 2019.