

KIPP Austin Public Schools, Inc.

Financial Statements
and Single Audit Reports
for the year ended June 30, 2018

KIPP Austin Public Schools, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of June 30, 2018 and 2017	3
Statement of Activities for the year ended June 30, 2018	4
Statement of Activities for the year ended June 30, 2017	5
Statements of Cash Flows for the years ended June 30, 2018 and 2017	6
Notes to Financial Statements for the years ended June 30, 2018 and 2017	7
Supplementary Information:	
Supplemental Statements of Activities for the years ended June 30, 2018 and 2017	15
Schedules of Expenses for the years ended June 30, 2018 and 2017	17
Schedules of Capital Assets as of June 30, 2018 and 2017	18
Budgetary Comparison Schedule for the year ended June 30, 2018	19
Maintenance of Effort for the year ended June 30, 2018	21
Schedule of Expenditures of Federal Awards for the year ended June 30, 2018	22
Note to Schedule of Expenditures of Federal Awards for the year ended June 30, 2018	24
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	27
Schedule of Findings and Questioned Costs for the year ended June 30, 2018	29

Independent Auditors' Report

To the Board of Directors of
KIPP Austin Public Schools, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP Austin Public Schools, Inc. (KIPP Austin), which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Austin as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 15 through 21 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended June 30, 2018 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 on our consideration of KIPP Austin'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 Austin'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 Austin's internal control over financial reporting and compliance.

Blazek & Vetterling

October 18, 2018

KIPP Austin Public Schools, Inc.

Statements of Financial Position as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 18,555,197	\$ 16,468,291
Prepaid expenses and other assets	375,991	418,675
Government grants and other receivables (Note 7)	7,935,226	7,592,544
Pledges receivable, net (Note 2)	<u>120,635</u>	<u>235,279</u>
Total current assets	26,987,049	24,714,789
Pledges receivable, net (Note 2)		40,250
Bond proceeds held in trust (Notes 3 and 5)	2,636,649	10,421,737
Property, net (Note 4)	<u>78,123,800</u>	<u>70,069,652</u>
TOTAL ASSETS	<u>\$ 107,747,498</u>	<u>\$ 105,246,428</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 799,721	\$ 1,272,588
Accrued expenses	877,481	560,249
Construction payable	383,979	464,026
Accrued interest	630,023	637,773
Current portion of bonds payable, net (Note 5)	<u>2,084,201</u>	<u>1,891,201</u>
Total current liabilities	4,775,405	4,825,837
Bonds payable, net (Note 5)	<u>67,365,922</u>	<u>69,448,274</u>
Total liabilities	<u>72,141,327</u>	<u>74,274,111</u>
Commitments (Note 9)		
Net assets:		
Unrestricted	35,405,449	30,628,443
Temporarily restricted (Note 6)	<u>200,722</u>	<u>343,874</u>
Total net assets	<u>35,606,171</u>	<u>30,972,317</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 107,747,498</u>	<u>\$ 105,246,428</u>

See accompanying notes to financial statements.

KIPP Austin Public Schools, Inc.

Statement of Activities for the year ended June 30, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government grants <i>(Note 7)</i>	\$ 59,160,540		\$ 59,160,540
Contributions <i>(Note 2)</i>	139,470	\$ 1,152,000	1,291,470
Special events	302,117		302,117
Direct donor benefit costs	(79,275)		(79,275)
Other revenue	<u>705,907</u>		<u>705,907</u>
Total revenue	60,228,759	1,152,000	61,380,759
Net assets released from restrictions:			
Expenditures for program purposes	1,222,577	(1,222,577)	
Expiration of time restriction	<u>72,575</u>	<u>(72,575)</u>	
Total	<u>61,523,911</u>	<u>(143,152)</u>	<u>61,380,759</u>
EXPENSES:			
Program expenses:			
Instructional program	42,679,197		42,679,197
Auxiliary services	<u>9,179,840</u>		<u>9,179,840</u>
Total program expenses	51,859,037		51,859,037
General and administrative	4,505,741		4,505,741
Fundraising	<u>382,127</u>		<u>382,127</u>
Total expenses	<u>56,746,905</u>		<u>56,746,905</u>
CHANGES IN NET ASSETS	4,777,006	(143,152)	4,633,854
Net assets, beginning of year	<u>30,628,443</u>	<u>343,874</u>	<u>30,972,317</u>
Net assets, end of year	<u>\$ 35,405,449</u>	<u>\$ 200,722</u>	<u>\$ 35,606,171</u>

See accompanying notes to financial statements.

KIPP Austin Public Schools, Inc.

Statement of Activities for the year ended June 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Government grants <i>(Note 7)</i>	\$ 53,735,416		\$ 53,735,416
Contributions <i>(Note 2)</i>	208,943	\$ 948,706	1,157,649
Special events	211,027		211,027
Direct donor benefit costs	(67,412)		(67,412)
Other revenue	<u>992,084</u>	<u> </u>	<u>992,084</u>
Total revenue	55,080,058	948,706	56,028,764
Net assets released from restrictions:			
Expenditures for program purposes	1,004,842	(1,004,842)	
Expiration of time restriction	<u>79,327</u>	<u>(79,327)</u>	<u> </u>
Total	<u>56,164,227</u>	<u>(135,463)</u>	<u>56,028,764</u>
EXPENSES:			
Program expenses:			
Instructional program	39,750,678		39,750,678
Auxiliary services	<u>9,499,603</u>		<u>9,499,603</u>
Total program expenses	49,250,281		49,250,281
General and administrative	4,200,717		4,200,717
Fundraising	<u>375,952</u>		<u>375,952</u>
Total expenses	<u>53,826,950</u>		<u>53,826,950</u>
CHANGES IN NET ASSETS	2,337,277	(135,463)	2,201,814
Net assets, beginning of year	<u>28,291,166</u>	<u>479,337</u>	<u>28,770,503</u>
Net assets, end of year	<u>\$ 30,628,443</u>	<u>\$ 343,874</u>	<u>\$ 30,972,317</u>

See accompanying notes to financial statements.

KIPP Austin Public Schools, Inc.

Statements of Cash Flows for the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 4,633,854	\$ 2,201,814
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,688,506	1,457,591
Amortization of bond issuance costs	51,637	49,788
Amortization of bond premium	(43,989)	(43,989)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	42,684	(59,590)
Government grants and other receivables	(342,682)	(840,047)
Pledges receivable	154,894	(25,093)
Accounts payable	(472,867)	60,553
Accrued expenses	317,232	(791,439)
Accrued interest	<u>(7,750)</u>	<u>(8,339)</u>
Net cash provided by operating activities	<u>6,021,519</u>	<u>2,001,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(2,037,613)</u>	<u>(521,091)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of bonds payable	<u>(1,897,000)</u>	<u>(1,740,000)</u>
NET CHANGE IN CASH	2,086,906	(259,842)
Cash, beginning of year	<u>16,468,291</u>	<u>16,728,133</u>
Cash, end of year	<u>\$ 18,555,197</u>	<u>\$ 16,468,291</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$3,021,389	\$3,078,463
Non-cash investing and financing transactions:		
Proceeds of bonds payable used to finance construction	\$7,785,088	\$9,702,400

See accompanying notes to financial statements.

KIPP Austin Public Schools, Inc.

Notes to Financial Statements for the years ended June 30, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – KIPP Austin Public Schools, Inc. (KIPP Austin) is a high-performing school district in Austin with a focus on serving students from low-income communities and families. Incorporated in 2002, KIPP Austin is a single charter holder and does not conduct any other charter or non-charter activities. KIPP Austin is part of the nationally-recognized “Knowledge Is Power Program” network of free, open-enrollment, college-preparatory public schools. KIPP Austin believes that every child, regardless of economic background, has the right to an exemplary education. KIPP Austin empowers students to thrive in and graduate from college, choose their paths, and positively impact their communities. In 2018, KIPP Austin operated four elementary schools, four middle schools, and two high schools with enrollment of approximately 5,100 students in kindergarten through twelfth grades.

Federal income tax status – KIPP Austin is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Pledges receivable that are due within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted, if material, to the present value of their estimated future cash flows.

Property is reported at cost if purchased or at fair value at the date of gift if donated. KIPP Austin’s policy is to capitalize property and equipment purchases over \$5,000. Depreciation is recognized using the straight-line method over estimated useful lives of 3 to 39.5 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Government grants are recognized as revenue in the period in which the services are provided. Amounts collected in advance are reported as deferred revenue.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional promises to give are included in contribution revenue when the conditions are substantially met.

In-kind contributions – Donated materials and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. KIPP Austin is required to adopt this ASU for fiscal year 2020. Management believes the adoption of this ASU will not have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. KIPP Austin is required to adopt this ASU for fiscal year 2019. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

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 amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide

additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. KIPP Austin is required to apply the amendments in its fiscal year 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are comprised of the following:

	<u>2018</u>	<u>2017</u>
Total pledges receivable	\$ 143,834	\$ 298,728
Allowance for uncollectible pledges	<u>(23,199)</u>	<u>(23,199)</u>
Pledges receivable, net	<u>\$ 120,635</u>	<u>\$ 275,529</u>

All pledges receivable at June 30, 2018 are due within one year.

Conditional pledge receivable – At June 30, 2018, KIPP Austin has a \$49,270 conditional pledge receivable. The commitment is conditioned upon meeting certain milestones and raising matching funds. This gift will be recognized as contribution revenue when the conditions the donor has established are substantially met.

Concentration – In 2018, approximately 77% of contributions were from two donors. In 2017, approximately 77% of contributions were from three donors. At June 30, 2018, approximately 68% of pledges receivable were due from two donors. At June 30, 2017, approximately 62% of pledges receivable were due from three donors.

NOTE 3 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Bond proceeds held in trust:				
Money market mutual funds	\$ 2,636,649	_____	_____	\$ 2,636,649
Total assets measured at fair value	<u>\$ 2,636,649</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,636,649</u>

Assets measured at fair value at June 30, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Bond proceeds held in trust:				
Money market mutual funds	\$ 10,421,737	_____	_____	\$ 10,421,737
Total assets measured at fair value	<u>\$ 10,421,737</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,421,737</u>

Mutual funds are valued at the reported net asset value of shares held. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while KIPP Austin believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 4 – PROPERTY

Property is comprised of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 10,254,541	\$ 10,254,541
Buildings and improvements	63,880,371	63,691,174
Furniture and equipment	818,834	1,890,028
Vehicles and equipment	35,161	35,161
Land improvements	17,525	17,525
Library books and media		27,056
Construction in progress	<u>9,482,344</u>	_____
Total property, at cost	84,488,776	75,915,485
Accumulated depreciation	<u>(6,364,976)</u>	<u>(5,845,833)</u>
Property, net	<u>\$ 78,123,800</u>	<u>\$ 70,069,652</u>

NOTE 5 – BONDS PAYABLE

Bonds payable consist of the following:

	<u>2018</u>	<u>2017</u>
Education Revenue Bonds, Series 2014A, issued by Texas Public Finance Authority Charter School Finance Corporation including an unamortized premium of \$1,180,299 and \$1,224,288 and unamortized debt issuance costs of \$481,739 and \$503,613 at June 30, 2018 and 2017, respectively. The bonds bear interest at rates ranging from 2% to 5% (4% at June 30, 2018) and are due in installments through August 15, 2044. The proceeds were used to refinance existing bank debt and to fund building construction on specified campuses. The bonds are secured by unrestricted revenue and real property and are guaranteed by Texas Education Agency (TEA) under the Permanent School Fund Guarantee Program.	\$ 37,723,560	\$ 38,290,675
Taxable Education Revenue Qualified Zone Academy Bonds, Series 2015Z, issued by Texas Public Finance Authority Charter School Finance Corporation net of unamortized bond issuance costs of \$313,924 and \$332,109 at June 30, 2018 and 2017, respectively. Interest on the bonds of 4.64% is paid to the bondholder by the Federal government as part of a federal tax credit bond program. The bonds are due on August 15, 2035. The proceeds were used to fund building construction on specified campuses. The bonds are secured by unrestricted revenue and real property and are guaranteed by TEA under the Permanent School Fund Guarantee Program.	23,336,076	24,244,891
Taxable Education Revenue Qualified Zone Academy Bonds, Series 2014Z, issued by Texas Public Finance Authority Charter School Finance Corporation net of amortized bond issuance costs of \$76,153 and \$82,823 at June 30, 2018 and 2017, respectively. Interest on the bonds of 4.39% is paid to the bondholder by the Federal government as part of a federal tax credit bond program. The bonds are due on August 15, 2029. The proceeds were used to refinance existing bank debt and to fund building construction on specified campuses. The bonds are secured by unrestricted revenue and real property and are guaranteed by TEA under the Permanent School Fund Guarantee Program.	4,423,847	4,792,177
Education Revenue Bonds, Series 2015A, issued by Hilshire Village Higher Education Finance Corporation net of amortized bond issuance costs of \$61,360 and \$66,268 at June 30, 2018 and 2017, respectively. The bonds bear interest at 2.9% and are due in installments through August 15, 2030. The proceeds were used to refinance existing bank debt and to fund building construction on specified campuses. The bonds are secured by unrestricted revenue and real property and are guaranteed by TEA under the Permanent School Fund Guarantee Program.	<u>3,966,640</u>	<u>4,011,732</u>
Bonds payable, net	<u>\$ 69,450,123</u>	<u>\$ 71,339,475</u>

Maturities of bonds payable at June 30, 2018 are as follows:

2019	\$ 2,090,000
2020	2,360,000
2021	2,450,000
2022	2,495,000
2023	2,645,000
Thereafter	<u>57,163,000</u>
Total principal payments due	69,203,000
Unamortized bond premium	1,180,299
Unamortized debt issuance costs	<u>(933,176)</u>
Total	<u>\$ 69,450,123</u>

KIPP Austin capitalized interest of approximately \$317,000 in 2018 and \$292,000 in 2017. Interest recognized as expense totaled approximately \$2,759,000 and \$2,844,000 in 2018 and 2017, respectively. The discounts or premiums on the bonds and the capitalized bond issuance costs are being amortized over the lives of the bonds.

Bond proceeds held in trust are held in money market mutual funds and include the following:

	<u>2018</u>	<u>2017</u>
Escrowed for debt service	\$ 2,636,649	\$ 2,452,598
Bond funds available for projects	<u> </u>	<u>7,969,139</u>
Total bond proceeds held in trust	<u>\$ 2,636,649</u>	<u>\$ 10,421,737</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Social and Emotional Learning	\$ 105,268	\$ 33,000
Future operations	46,500	273,308
KIPP Through College program	35,000	
KIPP Austin Collegiate	6,897	9,397
KIPP Austin Connections Elementary		16,050
Other	<u>7,057</u>	<u>12,119</u>
Total temporarily restricted net assets	<u>\$ 200,722</u>	<u>\$ 343,874</u>

NOTE 7 – GOVERNMENT GRANTS

KIPP Austin is the recipient of grants from federal and state agencies. Government grants include the following:

	<u>2018</u>	<u>2017</u>
Federal grants:		
U. S. Department of Agriculture	\$ 3,901,574	\$ 3,860,121
U. S. Department of Education	3,665,937	3,002,060
Qualified Zone Academy Bonds Interest	<u>1,307,235</u>	<u>1,361,567</u>
Total federal grants	<u>8,874,746</u>	<u>8,223,748</u>
State grants:		
Foundation School Program Act	49,556,014	45,139,300
Textbook and Kindergarten Materials	710,072	354,621
Other	<u>19,708</u>	<u>17,747</u>
Total state grants	<u>50,285,794</u>	<u>45,511,668</u>
Total government grants	<u>\$ 59,160,540</u>	<u>\$ 53,735,416</u>

At June 30, 2018 and 2017, approximately 99% of government grants and other receivables were due from Texas Education Agency.

The grants from government funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by KIPP Austin with the terms of the contracts. Management believes such disallowances, if any, would not be material to KIPP Austin's financial position or changes in net assets.

NOTE 8 – MULTIEMPLOYER PENSION PLAN

KIPP Austin's full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multiemployer, defined benefit pension plan. All risks and costs are not shared by KIPP Austin, but are the liability of the State of Texas. Plan members contributed 7.7% of their annual covered salary in 2018 and 2017. KIPP Austin contributes 6.8% for new members the first 90 days of employment, and the State of Texas contributes 6.8%. Additionally, KIPP Austin made a 1.5% non-OASDI contribution on all TRS eligible employees. KIPP Austin contributions do not represent more than 5% of the pension plan's total contributions. For 2018 and 2017, KIPP Austin contributed \$1,203,487 and \$1,018,760, respectively, to TRS.

The risks of participating in a multiemployer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of August 31, 2017 and 2016 were \$146.3 billion and \$138.8 billion, respectively. Accumulated benefit obligations as of August 31, 2017 and 2016 were \$181.8 billion and

\$174.2 billion, respectively. The plan was 80.5% funded at August 31, 2017 and 79.7% funded at August 31, 2016.

NOTE 9 – COMMITMENTS

Leases

KIPP Austin leases certain operating equipment under noncancelable operating leases. KIPP Austin has future minimum lease commitments as follows:

2019	\$ 310,068
2020	254,770
2021	124,110
2022	<u>71,162</u>
Total	<u>\$ 760,110</u>

Lease expense was approximately \$436,000 in 2018 and \$413,000 in 2017.

Construction

At June 30, 2018, KIPP Austin had outstanding commitments of approximately \$4 million for construction projects at the Austin Ridge campus.

NOTE 10 – SUBSEQUENT EVENTS

Effective July 1, 2018, KIPP, Inc., KIPP Dallas-Fort Worth, Inc. and KIPP San Antonio, Inc. merged with and into KIPP Austin to form KIPP Texas, Inc. (KIPP Texas) under an Agreement and Plan of Merger (the Plan) dated June 1, 2018. On July 2, 2018, the Board of Directors of KIPP Texas approved and adopted the Plan.

Management has evaluated subsequent events through October 18, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

KIPP Austin Public Schools, Inc.

Supplemental Statements of Activities for the years ended June 30, 2018 and 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>		
			<u>2018</u>	<u>2017</u>	
REVENUE:					
Local program revenue:					
5740	Other revenue from local sources	\$ 667,979	\$ 1,152,000	\$ 1,819,979	\$ 1,982,568
5750	Co-curriculum/enterprising	400,240		400,240	310,780
State program revenue:					
5810	Foundation School Program				
	Act revenue		49,556,014	49,556,014	45,139,300
5820	State program revenue distributed by Texas Education Agency		729,780	729,780	372,368
Federal program revenue:					
5910	Federal revenue distributed through government entities		250,000	250,000	31,760
5920	Federal revenue distributed by Texas Education Agency		7,317,511	7,317,511	6,830,421
5940	Federal revenue distributed directly from the Federal government		1,307,235	1,307,235	1,361,567
	Total revenue	1,068,219	60,312,540	61,380,759	56,028,764
Net assets released from restrictions:					
	Program expenditures	56,092,636	(56,092,636)		
	Capital expenditures	4,290,481	(4,290,481)		
	Expiration of time restriction	72,575	(72,575)		
	Total	61,523,911	(143,152)	61,380,759	56,028,764
EXPENSES:					
11	Instruction	26,509,770		26,509,770	24,677,922
12	Instructional resources and media services	65,393		65,393	71,390
13	Curriculum development and instructional staff development	1,723,705		1,723,705	1,204,477
21	Instructional leadership	681,660		681,660	673,961
23	School leadership	5,997,070		5,997,070	5,175,387
31	Guidance counseling and evaluation services	286,891		286,891	414,163
32	Social work services	1,021,687		1,021,687	849,171
33	Health services	33,647		33,647	27,662
34	Student transportation	3,603,826		3,603,826	3,773,439
35	Food services	4,179,100		4,179,100	4,235,577

(continued)

KIPP Austin Public Schools, Inc.

Supplemental Statements of Activities for the years ended June 30, 2018 and 2017 *(continued)*

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTALS</u>	
			<u>2018</u>	<u>2017</u>
EXPENSES: <i>(continued)</i>				
36	Co-curricular and extracurricular activities	71,294	71,294	111,757
41	General administration	3,694,693	3,694,693	3,398,584
51	Plant maintenance and operations	5,059,423	5,059,423	4,592,110
52	Security and monitoring services			32,996
53	Data processing services	209,288	209,288	893,134
61	Community services	461,336	461,336	457,712
71	Debt service	2,765,995	2,765,995	2,861,556
81	Fundraising	<u>382,127</u>	<u>382,127</u>	<u>375,952</u>
	Total expenses	<u>56,746,905</u>	<u>56,746,905</u>	<u>53,826,950</u>
	CHANGES IN NET ASSETS	4,777,006	(143,152)	4,633,854
	Net assets, beginning of year	<u>30,628,443</u>	<u>343,874</u>	<u>30,972,317</u>
	Net assets, end of year	<u>\$35,405,449</u>	<u>\$ 200,722</u>	<u>\$35,606,171</u>

NOTE – The supplemental statements of activities are presented in accordance with the requirements of the Texas Education Agency *Special Supplement to the Financial Accountability System Resource Guide for Charter Schools* and the *Special Supplement to Financial Accounting and Reporting Nonprofit Charter School Chart of Accounts* that requires federal and state program revenue to be classified as temporarily restricted net assets until expended pursuant to applicable statutes, regulations, and grant requirements.

KIPP Austin Public Schools, Inc.

Schedules of Expenses for the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
6100 Payroll costs	\$ 38,294,548	\$ 34,545,854
6200 Professional and contracted services	7,122,594	7,975,128
6300 Supplies and materials	5,074,708	5,332,677
6400 Other operating costs	3,495,727	3,128,928
6500 Interest on debt	<u>2,759,328</u>	<u>2,844,363</u>
Total	<u>\$ 56,746,905</u>	<u>\$ 53,826,950</u>

KIPP Austin Public Schools, Inc.

Schedules of Capital Assets as of June 30, 2018 and 2017

		2018		
		OWNERSHIP INTEREST		
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
1510	Land and improvements	\$ 10,254,541	\$ 17,525	
1520	Buildings and improvements	46,908,620	26,454,095	
1531	Vehicles and equipment		35,161	
1539	Furniture and equipment	512,754	283,609	\$ 22,471
1560	Library books and media			
Total capital assets		<u>\$ 57,675,915</u>	<u>\$ 26,790,390</u>	<u>\$ 22,471</u>

		2017		
		OWNERSHIP INTEREST		
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
1510	Land and improvements	\$ 10,254,541	\$ 17,525	
1520	Buildings and improvements	41,527,560	22,163,614	
1531	Vehicles and equipment		35,161	
1539	Furniture and equipment	1,624,502	211,691	\$ 53,835
1560	Library books and media	27,056		
Total capital assets		<u>\$ 53,433,659</u>	<u>\$ 22,427,991</u>	<u>\$ 53,835</u>

KIPP Austin Public Schools, Inc.

Budgetary Comparison Schedule for the year ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET	
	ORIGINAL	FINAL			
REVENUE:					
Local program revenue:					
5740	Other revenue from local sources	\$ 1,660,279	\$ 1,660,279	\$ 1,819,979	\$ 159,700
5750	Co-curriculum/enterprising	430,387	430,387	400,240	(30,147)
State program revenue:					
5810	Foundation School Program Act Revenue	47,923,073	47,923,073	49,556,014	1,632,941
5820	State program revenue distributed by Texas Education Agency	1,210,119	984,670	729,780	(254,890)
Federal program revenue:					
5910	Federal revenue distributed through government entities			250,000	250,000
5920	Federal revenue distributed by Texas Education Agency	6,933,719	7,159,168	7,317,511	158,343
5940	Federal revenue distributed directly from the Federal government			1,307,235	1,307,235
	Total revenue	<u>58,157,577</u>	<u>58,157,577</u>	<u>61,380,759</u>	<u>3,223,182</u>
EXPENSES:					
11	Instruction	27,001,095	27,049,047	26,509,770	(539,277)
12	Instructional resources and media services	66,353	64,353	65,393	1,040
13	Curriculum development and instructional staff development	1,613,207	1,613,776	1,723,705	109,929
21	Instructional leadership	857,157	834,436	681,660	(152,776)
23	School leadership	5,802,768	5,847,551	5,997,070	149,519
31	Guidance counseling and evaluation services	281,407	281,407	286,891	5,484
32	Social work services	1,186,029	1,185,729	1,021,687	(164,042)
33	Health services	36,118	28,950	33,647	4,697
34	Student transportation	3,953,057	3,953,057	3,603,826	(349,231)
35	Food services	4,649,343	4,649,343	4,179,100	(470,243)
36	Co-curricular and extracurricular activities	58,150	58,150	71,294	13,144
41	General administration	3,718,419	3,709,729	3,694,693	(15,036)
51	Plant maintenance and operations	4,840,528	4,800,528	5,059,423	258,895
53	Data processing services	191,470	191,470	209,288	17,818

(continued)

KIPP Austin Public Schools, Inc.

Budgetary Comparison Schedule for the year ended June 30, 2018

(continued)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FROM FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENSES: <i>(continued)</i>				
61 Community services	443,928	443,928	461,336	17,408
71 Debt service	1,754,917	1,754,917	2,765,995	1,011,078
81 Fundraising	<u>361,056</u>	<u>348,631</u>	<u>382,127</u>	<u>33,496</u>
Total expenses	<u>56,815,002</u>	<u>56,815,002</u>	<u>56,746,905</u>	<u>(68,097)</u>
CHANGES IN NET ASSETS				
	1,342,575	1,342,575	4,633,854	3,291,279
Net assets, beginning of year	<u>30,972,317</u>	<u>30,972,317</u>	<u>30,972,317</u>	<u> </u>
Net assets, end of year	<u>\$32,314,892</u>	<u>\$32,314,892</u>	<u>\$35,606,171</u>	<u>\$ 3,291,279</u>

KIPP Austin Public Schools, Inc.

Maintenance of Effort for the year ended June 30, 2018

The amount paid by KIPP Austin for employee health care insurance premiums is as follows:

Total health care insurance premiums	<u>\$ 3,273,585</u>
Less non-medical expenditures:	
Life insurance	0
Dental insurance	0
Vision insurance	0
Long-term disability	0
Short-term disability	99,295
Alternate plans	0
COBRA expense	0
Retiree expense	0
One-time catastrophic claims	<u>0</u>
Total non-medical expenditures	<u>99,295</u>
Total maintenance of effort	<u>\$ 3,174,290</u>

KIPP Austin Public Schools, Inc.

Schedule of Expenditures of Federal Awards for the year ended June 30, 2018

FEDERAL GRANTOR

<u>Pass-through Grantor</u>		<u>Pass-through</u>		<u>Federal</u>
<u>Program Title & Period</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Revenue</u>	<u>Expenditures</u>

U. S. DEPARTMENT OF AGRICULTURE

Passed through Texas Education Agency:

National School Breakfast Program

#1	10/01/16 – 09/30/17	10.553	71401701	\$ 222,245	\$ 222,245
#2	10/01/17 – 09/30/18	10.553	71401801	791,416	791,416

National School Lunch Program

#3	10/01/16 – 09/30/17	10.555	71301701	575,580	575,580
#4	10/01/17 – 09/30/18	10.555	71301801	2,138,440	2,138,440

Passed through Texas Department of Agriculture:

Commodity Supplemental Food Program

#5	07/01/17 – 06/30/18	10.565	N/A	<u>173,893</u>	<u>173,893</u>
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Total U. S. Department of Agriculture

<u>3,901,574</u>	<u>3,901,574</u>
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U. S. DEPARTMENT OF EDUCATION

Passed through KIPP Foundation:

Supporting Effective Instruction State Grants

Supporting Effective Educator Development Grant Program

#6	07/01/17 – 06/30/18	84.367D	U367D150018	250,000	250,000
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Passed through Texas Education Agency:

Title I Grants to Local Educational Agencies

#7	09/04/16 – 09/30/17	84.010A	17610101227820	161,618	161,618
#8	08/31/17 – 09/30/18	84.010A	18610101227820	1,791,879	1,791,879

Special Education Grants to States

#9	07/16/17 – 09/30/18	84.027A	186600122278206677	39,323	39,323
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Special Education Grants to States

#10	07/16/17 – 09/30/18	84.027A	186600012278206600	882,847	882,847
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Special Education Grants to States

#11	07/16/17 – 09/30/18	84.027A	66001806	49,495	49,495
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Special Education Preschool Grants

#12	07/16/17 – 09/30/18	84.173A	186610012278206610	17,587	17,587
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English Language Acquisition State Grants

Title III, Part A, English Language Acquisition

#13	08/31/17 – 09/30/18	84.365A	18671001227820	233,048	233,048
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(continued)

KIPP Austin Public Schools, Inc.

Schedule of Expenditures of Federal Awards for the year ended June 30, 2018 *(continued)*

FEDERAL GRANTOR

<u>Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Pass-through Grant Number</u>	<u>Revenue</u>	<u>Federal Expenditures</u>
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U. S. DEPARTMENT OF EDUCATION *(continued)*

	Improving Teacher Quality State Grants			
	Title II, Part A, Supporting Effective Instruction State Grants			
#14	08/31/17 – 09/30/18	84.367A	18694501227820	204,087
	Student Support and Academic Enrichment Program			204,087
	Title IV, Part A, Student Support and Academic Enrichment			
#15	08/31/17 – 09/30/18	84.424A	18680101227820	36,053
				<u>36,053</u>
Total U. S. Department of Education				<u>3,665,937</u>
TOTAL FEDERAL AWARDS				<u>\$ 7,567,511</u>

Federal funds expended by KIPP Austin, by CFDA number or CFDA cluster, are summarized as follows:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>	<u>Amount</u>
10.553, 10.555	Child Nutrition Cluster	\$ 3,727,681
84.010A	Title I Grants to Local Educational Agencies	1,953,497
84.027A, 84.173A	Special Education Grants to States Cluster	989,252
84.367A, 84.367D	Supporting Effective Instruction State Grants	454,087
84.365A	English Language Acquisition State Grants	233,048
10.565	Commodity Supplemental Food Program	173,893
84.424A	Student Support and Academic Enrichment Program	<u>36,053</u>
Total		<u>\$ 7,567,511</u>

See accompanying note to schedule of expenditures of federal awards.

KIPP Austin Public Schools, Inc.

Note to Schedule of Expenditures of Federal Awards for the year ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenditures include allowable expenses funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs that are recognized in KIPP Austin’s financial statements in conformity with generally accepted accounting principles. KIPP Austin has elected not to use the 10% de minimus rate for indirect costs.

Because the schedule presents only a selected portion of the operations of KIPP Austin, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KIPP Austin.

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

To the Board of Directors of
KIPP Austin Public Schools, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KIPP Austin Public Schools, Inc. (KIPP Austin), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KIPP Austin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIPP Austin's internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP Austin'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 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 Austin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

October 18, 2018

**Independent Auditors' Report on Compliance for Each
Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

To the Board of Directors of
KIPP Austin Public Schools, Inc.:

Report on Compliance for Each Major Federal Program

We have audited KIPP Austin Public Schools, Inc.'s (KIPP Austin) 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 Austin's major federal programs for the year ended June 30, 2018. KIPP Austin's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, KIPP Austin 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, 2018.

Report on Internal Control Over Compliance

Management of KIPP Austin 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 Austin'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 Austin'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Blazek & Vetterling

October 18, 2018

KIPP Austin Public Schools, Inc.

Schedule of Findings and Questioned Costs for the year ended June 30, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified qualified adverse disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors’ report issued on compliance for major programs: unmodified qualified adverse disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>
84.010A	Title I Grants to Local Educational Agencies
84.027A, 84.173A	Special Education Grants to States Cluster
84.367A, 84.367D	Supporting Effective Instruction State Grants

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

Auditee qualified as a low-risk auditee? yes no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a).