

**KIPP VOICE ELEMENTARY  
SCHOOL  
(A division of KIPP  
Jacksonville, Inc.)**

**Basic Financial Statements and  
Supplementary Information**

**For the year ended  
June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
KIPP Voice Elementary School  
Jacksonville, Florida

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Voice Elementary School. (the "School") and a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc. (the "Charterholder") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***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 opinions on these financial statements based on our audit. We conducted our audit 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2016, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the Charterholder.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016 on our consideration of the School'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 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 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 the School's internal control over financial reporting and compliance.

September 28, 2016  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

As management of KIPP Voice Elementary School (the "School"), a division of KIPP Jacksonville, Inc. (the "Charterholder") and a component unit of the School Board of Duval County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found as listed on the table of contents of this report.

### Financial Highlights

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$462,575 (net deficit).
- The net position of the School decreased by \$728,443 during the year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$21,990.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$21,990.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and food services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Duval County, Florida. The School Board of Duval County, Florida includes the operations of the School in their operational results.

The government-wide financial statements listed on the table of contents of this report.

**Fund financial statements.** A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains various individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The School reports the general fund as its only major fund.

The basic governmental fund financial statements can be found as listed on the table of contents of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules with required notes have been provided to demonstrate compliance with this budget and can be found as listed on the table of contents of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found listed on the table of contents of this report.

## Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$462,575 (net deficit) and assets exceeded liabilities by \$265,868 (net position), for the years ended June 30, 2016 and 2015, respectively.

A portion of the School's net position reflects its net investment in capital assets (e.g., land, improvements other than buildings, furniture, fixtures and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Comparison of the condensed statement of net position and the statement of activities are provided below.

### KIPP Voice Elementary School Statement of Net Position

	Governmental Activities		
	2016	2015	Variance
<b>ASSETS</b>			
Current assets	\$ 1,538,474	\$ 678,049	\$ 860,425
Capital assets, net of accumulated depreciation	68,236	38,511	29,725
Total assets	1,606,710	716,560	890,150
<b>LIABILITIES</b>			
Current liabilities	1,516,484	67,926	1,448,558
Noncurrent liabilities	552,801	382,766	170,035
Total liabilities	2,069,285	450,692	1,618,593
<b>NET POSITION</b>			
Net investment in capital assets	68,236	38,511	29,725
Unrestricted	(530,811)	227,357	(758,168)
Total net position	\$ (462,575)	\$ 265,868	\$ (728,443)

The significant increase in current assets is due to the timing of cash inflows and outflows for the year ended June 30, 2016. Furthermore, cash increased due to the School receiving charter school growth funds towards the end of the prior year, which were expended in the current year. The increase in capital assets is due to purchase of furniture and equipment. The increase in current liabilities is due to the increase in the payable to the management company in the current year. Noncurrent liabilities increased as a result of accrued rent at June 30, 2016.

**KIPP Voice Elementary School  
Statement of Activities**

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Charges for services	\$ -	\$ 5,567	\$ (5,567)
Operating grants and contributions	854,761	726,419	128,342
General revenues:			
State passed through local school district	3,240,328	2,638,777	601,551
Gifts, grants and bequests	75,405	627,364	(551,959)
Other revenues	7,527	3,126	4,401
Total revenues	<u>4,178,021</u>	<u>4,001,253</u>	<u>176,768</u>
Expenses:			
Instruction	2,208,335	1,810,903	397,432
Parental involvement	174,705	156,739	17,966
Staff development	115,894	100,321	15,573
School administration	933,624	593,757	339,867
Fiscal services	49,218	82,604	(33,386)
Food services	359,495	229,115	130,380
Central services	43,960	234,404	(190,444)
Transportation	373,901	142,499	231,402
Operation of plant	567,074	502,447	64,627
Maintenance of plant	77,558	73,085	4,473
Enrichment	2,700	-	2,700
Total expenses	<u>4,906,464</u>	<u>3,925,874</u>	<u>980,590</u>
Change in net position	(728,443)	75,379	(803,822)
Net position - beginning	<u>265,868</u>	<u>190,489</u>	<u>75,379</u>
Net position - ending	<u>\$ (462,575)</u>	<u>\$ 265,868</u>	<u>\$ (728,443)</u>

State passed through local school district funds increased based on increase in grade levels and student enrollment. Operating grants and contributions increased due to an increase in student food services. Gifts, grants and bequests decreased significantly in the current year due to most of these grants being received towards the end of the prior year. The increase in expenses related to instruction, school administration, food services and transportation are directly related to the student enrollment.

## **Financial Analysis of the Government's Funds**

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the general fund was \$21,990.

## **General Fund Budgetary Highlights**

Actual general fund revenues were less than final budget. Actual general fund expenditures were also less than the final budget. The budgetary information can be found listed on the table of contents of this report.

## **Capital Asset Administration**

**Capital Assets.** The School's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$68,236 (net of accumulated depreciation). This net investment in capital assets includes furniture, fixtures and equipment and software. Additional information on the School's capital assets can be found in Note C of this report.

## **Economic Factors and Events Affecting Operations**

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase from approximately 400 students in the current year to approximately 500 students for the 2016/2017 school year.

## **Request for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director's office at 1440 North McDuff Avenue, Jacksonville, FL 32254.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	Governmental Activities
<b>ASSETS</b>	
<b>ASSETS</b>	
Cash	\$ 1,296,957
Accounts receivable	135,542
Due from KIPP Impact Middle School	105,975
Total current assets	1,538,474
<b>CAPITAL ASSETS</b>	
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	66,953
Software	1,283
Total capital assets	68,236
Total assets	1,606,710
<b>LIABILITIES</b>	
Accrued expenses	322,010
Due to KIPP Jacksonville, Inc.	1,194,474
Noncurrent liabilities	
Accrued rent - due in more than one year	552,801
Total liabilities	2,069,285
<b>NET POSITION</b>	
Net investment in capital assets	68,236
Unrestricted	(530,811)
Total net position	\$ (462,575)

The accompanying notes are an integral part of this financial statement.



**KIPP Voice Elementary School**  
**(A division of KIPP Jacksonville, Inc.)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 1,296,957	\$ -	\$ 1,296,957
Accounts receivable	135,542	-	135,542
Due from KIPP Impact Middle School	105,975	-	105,975
Total assets	<b>\$ 1,538,474</b>	<b>\$ -</b>	<b>\$ 1,538,474</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accrued expenses	\$ 322,010	\$ -	\$ 322,010
Due to KIPP Jacksonville, Inc.	1,194,474	-	1,194,474
Total liabilities	1,516,484	-	1,516,484
<b>FUND BALANCES</b>			
Restricted	-	-	-
Unassigned	21,990	-	21,990
Total fund balances	21,990	-	21,990
Total liabilities and fund balances	<b>\$ 1,538,474</b>	<b>\$ -</b>	<b>\$ 1,538,474</b>

The accompanying notes are an integral part of this financial statement.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**June 30, 2016**

Fund balances - total governmental funds \$ 21,990

The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture, fixtures and equipment, net	\$ 66,953	
Software, net	<u>1,283</u>	
Total capital assets		68,236

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued rent liability		<u>(552,801)</u>
Total net position of governmental activities		<u><u>\$ (462,575)</u></u>

The accompanying notes are an integral part of this financial statement.

**KIPP Voice Elementary School**  
**(A division of KIPP Jacksonville, Inc.)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

**For the year ended June 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Federal passed through state	\$ -	\$ 854,761	\$ 854,761
State passed through local school district	3,240,328	-	3,240,328
Gifts, grants and bequests	75,405	-	75,405
Other revenues	7,527	-	7,527
Total revenues	<u>3,323,260</u>	<u>854,761</u>	<u>4,178,021</u>
Expenditures			
Current:			
Instruction	1,970,440	236,049	2,206,489
Parental involvement	174,705	-	174,705
Staff development	101,787	14,107	115,894
School administration	868,201	45,272	913,473
Fiscal services	49,218	-	49,218
Food services	-	359,495	359,495
Central services	43,422	538	43,960
Transportation	373,901	-	373,901
Operation of plant	394,266	-	394,266
Maintenance of plant	77,558	-	77,558
Enrichment	2,700	-	2,700
Capital outlay	54,491	-	54,491
Total expenditures	<u>4,110,689</u>	<u>655,461</u>	<u>4,766,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(787,429)</u>	<u>199,300</u>	<u>(588,129)</u>
Other financing sources (uses):			
Transfers in	199,300	-	199,300
Transfers out	-	(199,300)	(199,300)
Total other financing sources (uses)	<u>199,300</u>	<u>(199,300)</u>	<u>-</u>
Net change in fund balances	<u>(588,129)</u>	<u>-</u>	<u>(588,129)</u>
Fund balances at July 1, 2015	<u>610,119</u>	<u>-</u>	<u>610,119</u>
Fund balances at June 30, 2016	<u>\$ 21,990</u>	<u>\$ -</u>	<u>\$ 21,990</u>

The accompanying notes are an integral part of this financial statement.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2016**

Net change in fund balances - total government funds	\$ (588,129)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report fixed capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Total fixed capital outlay	\$ 54,491
Less: depreciation	<u>(24,765)</u>
	<u>29,726</u>
Some of the expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued rent expense	<u>(170,040)</u>
Change in net position of governmental activities	<u><u>\$ (728,443)</u></u>

The accompanying notes are an integral part of this financial statement.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

KIPP Voice Elementary School (the "School") is a division of KIPP Jacksonville, Inc. (the "Charterholder") which is a Florida non-profit corporation. The School provides education services to students in kindergarten through fifth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of eight members. The financial information presented is that of KIPP Voice Elementary School only and is not intended to be a complete presentation of the Charterholder. Additionally, there are financial statements issued for related schools and a consolidated financial statement issued for the Charterholder.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Duval County, Florida (the "District"). The current charter is effective until June 30, 2017, and may be renewed in increments of five years by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. KIPP Voice Elementary School is considered a component unit of the School Board of Duval County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the non-fiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets, liabilities, and deferred outflows/inflows of resources, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School reports the general fund as its only major fund. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental fund:

General Fund - is the general operating fund of the School and is used to account for all financial resources not required to be accounted for in another fund.

4. Cash

Cash consists of petty cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's management reviewed receivables at June 30, 2016, and determined that the balance was considered fully collectible based on prior experience; therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Transfers are used to move unrestricted fund revenues to finance programs and debt service activities that the School must account for in other funds.

7. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Capital assets (continued)

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furnitures, fixtures and equipment	5 - 10
Software	1-3

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent ("FTE") students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

9. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a 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. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service three years after a return was due or filed.

11. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are in non-spendable form (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. No other fund except the general fund can report positive amounts of unassigned fund balance.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Fund balance classification (continued)

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**NOTE B - CASH**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The bank balances of the School's deposits were \$1,053,093 at June 30, 2016. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. At June 30, 2016, none of the School's deposits were exposed to custodial credit risk.

**NOTE C - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 37,055	\$ 54,491	\$ -	\$ 91,546
Software	59,002	-	-	59,002
Total assets depreciated	<u>96,057</u>	<u>\$ 54,491</u>	<u>\$ -</u>	<u>150,548</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	14,414	\$ 10,179	\$ -	24,593
Software	43,133	14,586	-	57,719
Total accumulated depreciation	<u>57,547</u>	<u>\$ 24,765</u>	<u>\$ -</u>	<u>82,312</u>
Total governmental activities capital assets, net	<u>\$ 38,510</u>			<u>\$ 68,236</u>

Depreciation expense of \$24,765 was charged to the School's basic instruction for the year ended June 30, 2016.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE D - LEASING OBLIGATIONS**

1. Accrued Rent

A summary of changes in accrued rent is as follows:

	Balance at July 1, 2015	Additions	Payments	Balance at June 30, 2016	Due within one year
Accrued rent	\$ 382,761	\$ 170,040	\$ -	\$ 552,801	\$ -

In the governmental financial statements stated on a full accrual basis of accounting, GASB Statement No. 13 requires escalating leases to be calculated on a straight-line basis. Terms of the lease (see Note F-2) specify base annual rental expense of \$207,654, commencing July 1, 2012 through June 30, 2020. The School shares the facility with KIPP Impact Middle School and KIPP K-8 School. The rental payments are allocated based on the use of the facility at 49% to KIPP Voice Elementary School, 45% to KIPP Impact Middle School and 6% to KIPP K-8 School. Current year facility lease expense charged to operations for the School totaled \$292,546 and \$122,506 on the government-wide and fund financial statements, respectively.

The annual activity for the accrued rent balance is as follows for the fiscal years ended June 30:

	Full Accrual Basis - Rent Expense	Modified Accrual Basis - Rent Expense	Change in Outstanding Liability
2017	\$ 277,988	\$ 139,400	\$ 138,588
2018	277,988	694,666	(416,678)
2019	277,988	696,403	(418,415)
2020	277,988	698,144	(420,156)
	\$ 1,111,952	\$ 2,228,613	\$ (1,116,661)

Effective July 1, 2017, the annual rent obligation is increased to approximately \$973,000, of which 50% represents the School's portion.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE D - LEASING OBLIGATIONS (continued)**

2. New Markets Tax Credit Transaction

The lease obligations identified above were structured in connection with a New Markets Tax Credit transaction to finance property renovations. The following is a summary of the terms and conditions of the agreement:

- An investment fund, JAKS Investment Fund, LLC. ("JIF"), an unrelated party, holds an equity investment in two Community Development Entities ("CDEs" that in turn hold notes receivable for the financing provided through the funding transaction.
- In connection with the notes receivable, their related party, McDuff QALICB, Inc. holds an equal amount of secured debt.
- In accordance with the terms of the transaction, when all tax credits have been earned after seven years, JIF has the option and right to sell its interest to Jacksonville Alliance for KIPP Schools, Inc. ("JAKS"), a related party, in exchange for \$1,000, which represents a "Put Option".
- If all the terms and conditions of the transaction and agreement are satisfied, JIF may provide the option to sell its interest to JAKS during July 2017. If the option is not exercised, JAKS has the option and right to purchase the interest in JIF at fair market value, which represents a "Call Option".
- If either the Put Option or Call Option are exercised, JAKS will effectively own the notes receivable to McDuff QALICB, Inc. and may elect to forgive the amount of secured debt remaining at that time.

It is anticipated that in July 2017, the option will be exercised and, as a result, all leasing obligations will be forgiven when their related party, JAKS, has the ownership interest in the property.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE E - CONCENTRATIONS**

Revenue sources

As stated in Note A-9, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Duval County, Florida:	
Base student allocation	\$ 1,892,820
Class size reduction	600,944
Exceptional student education	266,471
Knowledge is power program	262,300
Supplemental academic instruction	91,856
Student transportation	83,394
Instructional materials allocation	29,520
Safe schools	10,972
Lead teachers program	7,560
Digital classroom allocation	6,948
Science laboratory materials	463
Subtotal	3,253,248
Title I funds	195,301
Title II funds	14,107
Capital outlay funds	56,904
IDEA grant	94,486
Florida district charter collaboration grant	14,325
School Recognition Program	34,811
Total School Board of Duval County, Florida	3,663,182
Gifts, grants and bequests	75,405
National school lunch program	432,211
Other revenues	7,219
	\$ 4,178,017

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

1. Operating agreement

The Charterholder entered into an agreement with the operating company which expires on June 30, 2016 and is still in effect on a month by month basis. This agreement calls for an ongoing fee for accounting services to be paid in monthly installments of \$7,000.

The accounting services are allocated 49% to KIPP Voice Elementary School, 45% to KIPP Impact Middle School and 6% to KIPP Jacksonville Elementary School, which is based on the number of students enrolled. The total amount charged to operations for the year ended June 30, 2016 was \$41,000.

2. Facilities expense

The Charterholder entered into a lease agreement with Jacksonville Alliance for KIPP Schools, Inc., a related party (see Note G-1) commencing on August 1, 2010 through June 30, 2020 with two five year renewal options. Terms of the lease specify base annual rental payments of \$207,654, payable in equal monthly installments commencing July 1, 2012 through June 30, 2020. As of July 1, 2012, the School began to share the facility with KIPP Impact Middle School. GASB No. 13 requires escalating leases to be calculated on a straight-line basis (see Note D). Current year facility lease expense charged to operations for the School totaled \$292,546 and \$122,506 on the government-wide and fund financial statements, respectively.

3. Federal grants

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. The School has determined that there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

4. Grant Commitment

Last year, their affiliated entity, KIPP Jacksonville, Inc. received \$450,000 in funding for a District Charter Collaborative Compacts grant to all schools operating under the KIPP Jacksonville umbrella; a portion of which was expended in the current year. The grant agreement approved last year also calls for funding of \$400,000 annually for the next two fiscal years through June 30, 2018.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE G - RELATED PARTIES**

1. Facilities expense

The School has a lease with a related party as described in Note F-2.

2. Due from KIPP Impact Middle School

The School shares its facility with KIPP Impact Middle School. As a result, there are also shared expenses including, but not limited to: rent expense, administrative salaries and benefits, utilities and accounting services. The expenses are allocated 49% to KIPP Voice Elementary School, 45% to KIPP Impact Middle School and 6% to KIPP Jacksonville Elementary School, which is based on the number of students enrolled.

3. Due from (to) KIPP Jacksonville, Inc.

The School's checks are disbursed using the operating cash account and expenses are allocated accordingly. The due from (to) accounts on the balance sheet consist of amounts due to / from the management company.

**NOTE H - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the plan for property insurance, the School has no liability per occurrence. There have been no significant reductions in insurance coverage during the fiscal year. Settled claims resulting from the risks described above have not exceeded the insurance coverage since the School's inception.

**NOTE I - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 28, 2016; the date at which the financial statements became available for issue and has determined that no material events have occurred that would require disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**KIPP Voice Elementary School**  
**(A division of KIPP Jacksonville, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

**For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
State passed through local school district	\$ 3,744,117	\$ 3,240,328	\$ (503,789)
Gifts, grants and bequests	480,000	75,405	(404,595)
Other revenues	<u>2,000</u>	<u>7,527</u>	<u>5,527</u>
Total revenues	<u>4,226,117</u>	<u>3,323,260</u>	<u>(902,857)</u>
Expenditures			
Instruction	2,057,368	1,970,440	86,928
Parental involvement	190,000	174,705	15,295
Staff development	108,700	101,787	6,913
School administration	861,750	868,201	(6,451)
Fiscal services	53,900	49,218	4,682
Central services	45,000	43,422	1,578
Transportation	385,381	373,901	11,480
Operation of plant	413,500	394,266	19,234
Maintenance of plant	78,500	77,558	942
Enrichment	<u>3,000</u>	<u>2,700</u>	<u>300</u>
Total expenditures	<u>4,197,099</u>	<u>4,056,198</u>	<u>140,901</u>
Change in net position	<u>\$ 29,018</u>	<u>(732,938)</u>	<u>\$ (761,956)</u>
Adjustments to conform to GAAP:			
Capital outlay expenditures		<u>(54,491)</u>	
Excess (deficiency) of revenues over (under) expenditures		(787,429)	
Other financing sources (uses):		199,300	
Fund balances at July 1, 2015		<u>610,119</u>	
Fund balances at June 30, 2016		<u>\$ 21,990</u>	

See accompanying note to required supplementary information.

**KIPP Voice Elementary School  
(A division of KIPP Jacksonville, Inc.)**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**For the year ended June 30, 2016**

**NOTE A - BUDGETARY INFORMATION**

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the "Board"). A reconciliation to excess of revenue over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund for which a legally adopted budget exists. Budgets are presented on the full accrual basis of accounting. The legal level of budgetary control is the fund level.

## **COMPLIANCE INFORMATION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
KIPP Voice Elementary School  
Jacksonville, Florida

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 the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Voice Elementary School ("the School") a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc. (the "Charterholder") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 28, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 28, 2016  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## MANAGEMENT LETTER

To the Board of Directors  
KIPP Voice Elementary School  
Jacksonville, Florida

### Report on the Financial Statements

We have audited the financial statements of KIPP Voice Elementary School (the "School"), a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc. (the "Charterholder"), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 28, 2016.

### Auditor's Responsibility

We have conducted our audit 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 Chapter 10.850, rules of the Auditor General.

### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report which are dated September 28, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we did not have any such prior findings.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name of the official title of the entity. The official title of the entity is KIPP Voice Elementary School, a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc.

## **Financial Condition**

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Auditor General, Federal and granting agencies, the Board of Directors, applicable management, and the School Board of Duval County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

September 28, 2016  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

For the years ended June 30, 2016 and June 30, 2015 there were no management findings or recommendations.