

**KIPP Jacksonville
K-8 School
(A component unit of the
School Board of Duval
County, Florida and a
division of KIPP
Jacksonville, Inc.)**

**Basic Financial Statements
and
Supplementary Information**

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KIPP Jacksonville K-8 School
Jacksonville, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Jacksonville K-8 School (the "School"), a component unit of the School Board of Duval County, Florida (the "District"), and a division of KIPP Jacksonville, Inc. (the "Charterholder") as of and for the year ended June 30, 2021, 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 School'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 School'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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A-1, the financial statements of the School, are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the Charterholder and the District that is attributable to the transactions of the School. They do not purport to, and do not present fairly the financial position of the Charterholder or the District as of June 30, 2021, the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is not a required part of the basic financial statements of the School.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021 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 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 the School'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 the School's internal control over financial reporting and compliance.

September 28, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of KIPP Jacksonville K-8 School, a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc., 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, 2021 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 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 assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$5,106,831.
- The net position of the School increased by \$1,259,552 during the year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$5,922,770.

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 supplementary information in addition to the basic financial statements themselves.

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).

Overview of the Financial Statements (continued)

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). 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 can be found as 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 near-term financing decisions. Both the governmental fund balance sheet and the School's 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, Title I fund and the debt service fund as their major funds.

The 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 the 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 as 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, assets exceeded liabilities by \$5,106,831 and by \$3,847,279 as of June 30, 2021 and 2020, respectively.

The largest portion of the School's net position reflects its restricted portion. Another significant portion of net position is the net investment in capital assets (e.g., land, furniture, fixtures and equipment and software). 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 Jacksonville K-8 School Statement of Net Position

	Governmental Activities		
	2021	2020	Variance
ASSETS			
Current assets	\$ 7,921,154	\$ 6,842,432	\$ 1,078,722
Capital assets, net of accumulated depreciation	1,917,954	1,784,455	133,499
Total assets	9,839,108	8,626,887	1,212,221
LIABILITIES			
Current liabilities	2,653,305	2,058,196	595,109
Noncurrent liabilities	2,078,972	2,721,412	(642,440)
Total liabilities	4,732,277	4,779,608	(47,331)
NET POSITION			
Net investment in capital assets	877,786	886,207	(8,421)
Restricted	3,472,025	1,813,867	1,658,158
Unrestricted	757,020	1,147,205	(390,185)
Total net position	\$ 5,106,831	\$ 3,847,279	\$ 1,259,552

The increase in current assets and restricted net position is primarily due to the receipt of funds related to the debt service fund. The increase in capital assets, net of accumulated depreciation and amortization, is due to current year additions consisting mainly of the new busses which were greater than current year depreciation and amortization expenses. The increase in current liabilities is primarily due to a new bus loan obtained during the year and an increase to leases payable offset by the forgiveness of the PPP loan. The decrease in noncurrent liabilities is due to the forgiveness of the PPP loan, these decreases are off-set by the new bus loan.

**KIPP Jacksonville K-8 School
Statement of Activities**

	Governmental Activities		
	2021	2020	Variance
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 2,367,702	\$ 1,933,546	\$ 434,156
Capital grants and contributions	1,052,048	830,399	221,649
General revenues:			
State passed through school district	12,226,320	11,813,239	413,081
Gifts, grants and bequests	910,993	1,492,444	(581,451)
Other revenues	2,961,480	61,950	2,899,530
Total revenues	<u>19,518,543</u>	<u>16,131,578</u>	<u>3,386,965</u>
Expenses:			
Instruction	8,989,595	7,694,044	1,295,551
Pupil personnel services	1,112,161	1,127,561	(15,400)
Staff development	58,154	133,475	(75,321)
School administration	3,076,575	2,423,026	653,549
Fiscal services	151,022	160,830	(9,808)
Food services	707,049	1,047,555	(340,506)
Transportation	359,435	365,598	(6,163)
Operation of plant	3,624,161	2,961,494	662,667
Maintenance of plant	139,999	83,711	56,288
Community services	-	2,943	(2,943)
Interest on long-term debt	40,840	37,516	3,324
Total expenses	<u>18,258,991</u>	<u>16,037,753</u>	<u>2,221,238</u>
Change in net position	1,259,552	93,825	1,165,727
Net position - beginning	<u>3,847,279</u>	<u>3,753,454</u>	<u>93,825</u>
Net position - ending	<u>\$ 5,106,831</u>	<u>\$ 3,847,279</u>	<u>\$ 1,259,552</u>

The increase in operating grants and contributions is due to Title I and Elementary and Secondary School Emergency Relief (“ESSER”) funds awarded to the School to compensate for the hardships encountered due to COVID. The increase in Capital grants and contributions is due to funds received from Public Education Capital Outlay (“PECO”) for the new school building projects. The increase in state passed through school district revenue is primarily due to an increase in Florida Education Finance Program (“FEFP”) revenue because of a higher student population, teacher salary increases and funding for class size reduction. The decrease in gifts, grants and bequests is due to grants that were received in the prior fiscal year that were not repeated in the current fiscal year. The increase in other revenues is due to other state and local income and Sales Surtax 39M00.

The increase in instructional expenses is primarily due to an increase in salaries which is consistent with the increase in the student population. The increase in school administration expenses is primarily due to an increase in group insurance as well as IT services and noncapitalized hardware mainly due to the School having more virtual classes during COVID. The decline in food services is primarily due to less services because of COVID-19. The increase in operation of plant is primarily due to an increase in rent as well as other support personnel required for the virtual classroom.

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 the 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 \$2,069,628.

General Fund Budgetary Highlights

Actual general fund revenues and expenditures were the same as the final budget. The budgetary information can be found as listed on the table of contents of this report.

Capital Asset and Debt Administration

Capital Assets. The School's capital assets for its governmental activities as of June 30, 2021, amounts to \$1,917,954 (net of accumulated depreciation and amortization). These capital assets include land, furniture, fixtures and equipment, and software. The school obtained new busses, which made up the majority of the capital asset additions. Additional information on the School's capital assets can be found in Note C of this report.

Debt Administration. The School's long-term liabilities as of June 30, 2021 totaled \$2,078,972, and its current portion totaled \$654,921. This is a decrease of \$642,440 from the prior fiscal year's long-term liabilities balance and is primarily attributable to the forgiveness of the Paycheck Protection Program loan in the amount of \$1,805,259 offset by a new bus loan.

Additional information about the School's long-term obligations can be found in Note D.

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 1,600 students in the current year to 2,050 students for the 2021/2022 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 Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash - unrestricted	\$ 661,564
Cash - restricted	4,207,000
Due from other agencies - unrestricted	543,449
Due from other agencies - restricted	265,025
Due from JAKS - related party	2,120,976
Prepaid expenses	123,140
Total current assets	7,921,154
CAPITAL ASSETS, NET	
Capital assets not being depreciated	
Land	10,290
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	1,903,016
Software	4,648
Total capital assets, net	1,917,954
Total assets	9,839,108
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	306,525
Accrued expenses	10,514
Due to McDuff QALICB 2 - related party	431,345
Lease payable	1,250,000
Current portion of bus loan and leases	350,921
Current portion of accrued rent	304,000
Total current liabilities	2,653,305
NONCURRENT LIABILITIES	
Long-term debt	689,247
Accrued rent	1,389,725
Total noncurrent liabilities	2,078,972
Total liabilities	4,732,277
NET POSITION	
Net investment in capital assets	877,786
Restricted	3,472,025
Unrestricted	757,020
Total net position	\$ 5,106,831

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

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 8,989,595	\$ -	\$ 1,303,875	\$ -	\$ (7,685,720)
Pupil personnel services	1,112,161	-	-	-	(1,112,161)
Staff development	58,154	-	-	-	(58,154)
School administration	3,076,575	-	-	-	(3,076,575)
Fiscal services	151,022	-	-	-	(151,022)
Food services	707,049	-	1,063,827	-	356,778
Transportation	359,435	-	-	-	(359,435)
Operation of plant	3,624,161	-	-	1,052,048	(2,572,113)
Maintenance of plant	139,999	-	-	-	(139,999)
Interest on long-term debt	40,840	-	-	-	(40,840)
Total governmental activities	\$ 18,258,991	\$ -	\$ 2,367,702	\$ 1,052,048	(14,839,241)
General revenues:					
					12,226,320
					910,993
					1,805,259
					1,156,221
					<u>16,098,793</u>
					1,259,552
					<u>3,847,279</u>
					<u>\$ 5,106,831</u>

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

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Debt Service Fund	Title I Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 661,564	\$ -	\$ -	\$ -	\$ 661,564
Cash restricted	-	4,207,000	-	-	4,207,000
Due from other agencies	107,448	-	265,025	436,001	808,474
Due from JAKS - related party	1,870,976	250,000	-	-	2,120,976
Prepaid expenses	123,140	-	-	-	123,140
Due from other funds	178,024	-	-	-	178,024
Total assets	\$ 2,941,152	\$ 4,457,000	\$ 265,025	\$ 436,001	\$ 8,099,178
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 306,525	\$ -	\$ -	\$ -	\$ 306,525
Accrued expenses	10,514	-	-	-	10,514
Due to McDuff QALICB 2 - related party	431,345	-	-	-	431,345
Lease payable	-	1,250,000	-	-	1,250,000
Due to other funds	-	-	-	178,024	178,024
Total liabilities	748,384	1,250,000	-	178,024	2,176,408
FUND BALANCES					
Restricted	-	3,207,000	265,025	-	3,472,025
Nonspendable					
Prepaid expenses	123,140	-	-	-	123,140
Unassigned	2,069,628	-	-	257,977	2,327,605
Total fund balances	2,192,768	3,207,000	265,025	257,977	5,922,770
Total liabilities and fund balances	\$ 2,941,152	\$ 4,457,000	\$ 265,025	\$ 436,001	\$ 8,099,178

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

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

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

June 30, 2021

Fund balances - total governmental funds \$ 5,922,770

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:

Land	\$ 10,290	
Furniture, fixtures and equipment, net	1,903,016	
Software, net	<u>4,648</u>	
Total capital assets		1,917,954

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

Long-term debt		(1,040,168)
Accrued rent liability		<u>(1,693,725)</u>
Total net position of governmental activities		<u>\$ 5,106,831</u>

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

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

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

For the year ended June 30, 2021

	General Fund	Debt Service Fund	Title I Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal passed through school district	\$ -	\$ -	\$ 954,720	\$ 75,375	\$ 1,030,095
Federal passed through state	273,780	-	-	1,063,827	1,337,607
State passed through school district	12,226,320	-	-	1,052,048	13,278,368
Gifts, grants and bequests	910,993	-	-	-	910,993
Other revenues	1,597,043	-	-	-	1,597,043
Total revenues	<u>15,008,136</u>	<u>-</u>	<u>954,720</u>	<u>2,191,250</u>	<u>18,154,106</u>
Expenditures					
Current:					
Instruction	8,589,029	-	263,402	66,886	8,919,317
Pupil personnel services	710,480	-	401,681	-	1,112,161
Staff development	11,653	-	-	46,501	58,154
School administration	2,814,519	-	89,239	147,748	3,051,506
Fiscal services	151,022	-	-	-	151,022
Food services	120,841	-	-	579,363	700,204
Transportation	110,227	-	-	-	110,227
Operation of plant	2,198,693	-	-	1,052,048	3,250,741
Maintenance of plant	139,999	-	-	-	139,999
Debt service:					
Principal	(309,234)	-	-	-	(309,234)
Issuance of long term debt	456,136	-	-	-	456,136
Interest	-	40,840	-	-	40,840
Capital outlay	<u>542,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,974</u>
Total expenditures	<u>15,536,339</u>	<u>40,840</u>	<u>754,322</u>	<u>1,892,546</u>	<u>18,224,047</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(528,203)</u>	<u>(40,840)</u>	<u>200,398</u>	<u>298,704</u>	<u>(69,941)</u>
Other financing sources (uses):					
Transfers in	-	1,433,973	64,627	771,968	2,270,568
Transfers out	(1,457,873)	-	-	(812,695)	(2,270,568)
Total other financing sources (uses)	<u>(1,457,873)</u>	<u>1,433,973</u>	<u>64,627</u>	<u>(40,727)</u>	<u>-</u>
Net change in fund balances	(1,986,076)	1,393,133	265,025	257,977	(69,941)
Fund balances - beginning of the year	4,178,844	1,813,867	-	-	5,992,711
Fund balances - end of the year	<u>\$ 2,192,768</u>	<u>\$ 3,207,000</u>	<u>\$ 265,025</u>	<u>\$ 257,977</u>	<u>\$ 5,922,770</u>

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

**KIPP Jacksonville K-8 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, 2021

Net change in fund balances - total government funds	\$	(69,941)
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report 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.</p>		
Capital outlay	\$ 542,974	
Depreciation and amortization expense	<u>(409,475)</u>	133,499
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Forgiveness of the PPP loan	1,805,259	
Principal payments on long-term debt	314,216	
Issuance of long-term debt	<u>(456,136)</u>	1,663,339
<p>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.</p>		
Accrued rent expense		<u>(467,345)</u>
Change in net position of governmental activities	\$	<u><u>1,259,552</u></u>

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

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

KIPP Jacksonville K-8 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 eighth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of ten members. Effective July 1, 2018, KIPP Jacksonville K-8 School was merged with KIPP Voice/KIPP Impact School.

The financial information presented is that of the School only and is not intended to be a complete presentation of the Charterholder or the School Board of Duval County, Florida (the "District"). Additionally, there are consolidated financial statements 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 District. The current charter was renewed by mutual agreement between the School and the District for an additional five years to June 30, 2025 and shall be automatically extended on a month-to-month basis until the charter has been renewed, non-renewed, or terminated by 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. The School is considered a component unit of the District.

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 sum of assets and deferred outflows less liabilities and deferred inflows, as presented in the statement of net position, is subdivided into three categories: amounts invested in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, 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. Unrestricted net position includes all of the remaining net position that does not meet the definition of the other two categories.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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, Title I fund and debt service fund as its major funds. 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 Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

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 funds:

General Fund - 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.

Debt Service Fund - this fund accounts for the resources accumulated and payments made for principal and interest on the School's outstanding debts.

Title I Fund - this fund accounts for the resources accumulated for principal and interest on the School's PPP loan.

4. Cash

For financial statement purposes cash and cash equivalents are considered to be cash in banks, bond fund reserves in U.S. treasuries, certificates of deposits and money market funds with original maturities of three months or less. Cash is made up of cash on hand at the School and checking accounts held at financial institutions. The School has no cash equivalents.

5. Receivables

Receivables typically include amounts due from governmental agencies for grant related funding and due from related parties as indicated in Note G-2. The School has determined, based on prior experience, that 100% of accounts receivable are deemed to be fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund activity

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.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

Capital assets are reported in the 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 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.

Capital assets of the School are depreciated and amortized 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 the actual weighted FTE students reported by the School during the designated FTE student survey periods.

The School receives 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 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.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

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.

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.

12. Impact of recently issued accounting policies

In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting. This statement is effective for the School's June 30, 2022 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

NOTE B - CASH

As of June 30, 2021 cash consists of \$661,564 of unrestricted cash and \$4,207,000 of restricted cash. The associated risk with cash is as follows:

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 deposits are insured by the FDIC up to \$250,000. 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.

Restricted cash - At June 30, 2021, restricted cash consists of \$4,207,000 of funds for debt service.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not depreciated:				
Land	\$ 10,290	\$ -	\$ -	\$ 10,290
Capital assets depreciated:				
Furniture, fixtures and equipment	3,085,977	536,014	-	3,621,991
Software	100,394	6,960	-	107,354
Total assets depreciated	<u>3,186,371</u>	<u>542,974</u>	<u>-</u>	<u>3,729,345</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	(1,324,297)	(394,678)	-	(1,718,975)
Software	<u>(87,909)</u>	<u>(14,797)</u>	<u>-</u>	<u>(102,706)</u>
Total accumulated depreciation and amortization:	<u>(1,412,206)</u>	<u>(409,475)</u>	<u>-</u>	<u>(1,821,681)</u>
Total governmental activities capital assets, net	<u>\$ 1,784,455</u>	<u>\$ 133,499</u>	<u>\$ -</u>	<u>\$ 1,917,954</u>

Depreciation and amortization expense for the year ended June 30, 2021 was charged to functions of the School as follows:

Transportation	\$ 249,208
Operation of plant	58,075
School administration	12,790
Food services	6,845
Instruction	67,760
Software	<u>14,797</u>
	<u>\$ 409,475</u>

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities is as follows:

	Balance at July 1, 2020	Additions	Payments/ forgiveness	Balance at June 30, 2021	Due within one year
Accrued rent	\$ 1,226,380	\$ 467,345	\$ -	\$ 1,693,725	\$ 304,000
Bus loans	888,672	456,136	(311,725)	1,033,083	348,050
PPP loan	1,805,259	-	(1,805,259)	-	-
Copier capital lease	9,576	-	(2,491)	7,085	2,871
Total noncurrent liabilities	\$ 3,929,887	\$ 923,481	\$ (2,119,475)	\$ 2,733,893	\$ 654,921

1. Accrued rent

The School is in an escalating payment lease agreement with McDuff QALICB 2, a related party as another subsidiary of KIPP Jacksonville, Inc., and is used to hold, develop, maintain, and retain financing as needed for the real estate used by the School. In governmental financial statements stated on a full accrual basis of accounting, escalating leases are required to be calculated on a straight-line basis. See Note F-2 for terms of this lease agreement. Current year facility lease expense charged to operations for the School totaled \$467,345 on the government-wide and \$152,000 on the fund financial statements, respectively. The payment for the current year ended June 30, 2021 was not made until subsequent to year end and therefore is presented in the current portion as of June 30, 2021.

The expected future annual activity for the accrued rent balance through the term of the lease is as follows for the fiscal years ending June 30:

	Full Accrual Basis-Rent Expense	Modified Accrual Basis - Rent Expenditure	Change in Outstanding Liability
2022	\$ 467,345	\$ 152,000	\$ 315,345
2023	467,345	152,000	315,345
2024	467,345	179,000	288,345
2025	467,345	611,000	(143,655)
2026	467,345	611,000	(143,655)
2027-2031	2,336,724	3,055,000	(718,276)
2032-2036	2,336,724	3,089,000	(752,276)
2037-2041	2,336,724	3,140,000	(803,276)
2042-2044	1,402,034	1,884,000	(481,966)
	\$ 10,748,931	\$ 12,873,000	\$ (2,124,069)

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:

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - NONCURRENT LIABILITIES (continued)

1. Accrued rent (continued)

In July 2015, JAKS, a related party as another subsidiary of KIPP Jacksonville, Inc., and McDuff QALICB 2 entered into a New Market Tax Credit ("NMTC") transaction to finance the construction of a new school building.

Funding for the financing was provided by two third party financial institutions through their sole tax credit equity interest contributed to two investment funds, Petros-Pacesetter Florida Investments Fund 1 ("PIF") and BOA Investment Fund V, LLC ("BIF"). PIF & BIF, through conduit community development entities ("CDEs"), loaned funds to McDuff QALICB 2 in the total amount of \$12,500,000 consisting of A, B, and C loans. In accordance with the Florida program, PIF & BIF earn annual tax credits over 7 years that pass-through to their financial institution owners.

These credits in total will exceed the amount of the tax credit equity contributed to PIF & BIF thereby providing a return on investment. McDuff QALICB 2 entered into three types of note payable agreements (A-C) with the CDEs, and JAKS simultaneously entered into unsecured notes receivable agreement with PIF & BIF.

In accordance with the transaction documents of the note receivable agreement, after 7 years when all tax credits have been earned, the financial institution has the option and right to the following:

- JAKS may acquire the state investment fund through a put/call option;
- and the BOA lender to McDuff QALICB 2 may accelerate the B Loan and accept \$1,000 as prepayment in full;
- the A and C Loans are then expected to be assigned to JAKS as repayment for the two loans JAKS made to the investment funds. Once JAKS owns those notes, it may forgive them, as well as the leasing obligations to their subsidiaries, at its discretion.

2. Bus loans

On July 27, 2016, the Charterholder entered into a loan for acquiring and maintaining school buses. The loan bears interest at a rate of 3.61% per annum for a term of seven years. The principal and interest of \$58,657 is due quarterly. On March 22, 2019, the Charterholder entered into another loan in the amount of \$210,278 for acquiring and maintaining additional school buses. The loan bears interest at a rate of 4.77% per annum for a term of five years. The principal and interest of \$11,886 are due quarterly. On July 2, 2020 the Charterholder entered into a third loan in the amount of \$456,136 for acquiring and maintaining additional busses. The loan bears interest at a rate of 4.48% per annum for a term of 6 years. The principal and interest of \$25,586 are due quarterly. The combined loan balance is \$1,033,083 as of June 30, 2021. The loans are secured by the underlying property.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE D - NONCURRENT LIABILITIES (continued)

2. Bus loans (continued)

As of June 30, 2021, the future principal and interest maturities are as follows for the years ending June 30:

	Principal	Interest
2022	\$ 348,050	\$ 36,464
2023	362,068	22,446
2024	199,221	9,454
2025	98,441	3,903
2026	25,303	283
	\$ 1,033,083	\$ 72,550

3. Paycheck Protection Program loan

On April 20, 2020, The School received loan proceeds in the amount of \$1,805,259 under the Paycheck Protection Program (“PPP”). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rents, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The entire loan was forgiven in the current year.

4. Capital lease

In September 2019, the School signed a lease agreement for a copier with an ending date of September 2023, and a nominal annual interest rate of 14.302%. As of June 30, 2021, the capitalized cost of the asset was \$10,960 and the related accumulated depreciation was \$1,644.

As of June 30, 2021, the future principal and interest maturities are as follows for the years ending June 30:

	Principal	Interest
2022	\$ 2,871	\$ 830
2023	3,310	391
2024	904	22
	\$ 7,085	\$ 1,243

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE E - CONCENTRATIONS

Revenue sources

As stated in Note A-8, 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	\$ 7,321,892
Class size reduction	1,918,605
Exceptional student allocation	1,688,631
Supplemental academic instruction	405,668
Teacher Salary increase Allocation	281,299
Student transportation	217,722
Instructional materials allocation	128,321
Safe schools	113,653
Mental health assistance allocation	55,487
Digital classroom allocation	1,677
Reading allocation	69,253
Lead teachers program	22,100
Science laboratory materials	2,012
School Board Subtotal	12,226,320
Operating grants and contributions:	
Title I funds	954,720
Title II funds	46,501
Title IV funds	28,874
Operating Grants Subtotal	1,030,095
Capital outlay	1,052,048
Total School Board of Duval County, Florida	14,308,463
ESSER funds	273,780
National school lunch program	1,063,827
Gifts, grants and bequests	910,993
Other revenues	1,156,221
Payroll Protection Program loan forgiveness	1,805,259
Total revenues	\$ 19,518,543

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Accounting services

The Charterholder entered into an agreement with the operating company on July 1, 2019 which 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 approximately \$6,000.

The amount charged to operations for the year ended June 30, 2021 was \$74,320.

2. Facilities expense

McDuff QALICB 2 entered into a lease agreement with the Charterholder, commencing on July 1, 2016 through June 30, 2022 with two five-year renewal options. Terms of the lease specify base annual rental expenditures of \$152,000 for the remaining two fiscal years of the lease agreement.

JAKS also has another lease agreement with the Charterholder that is renewed on an annual basis, the expense related to this lease was \$1,250,000 in the current year. The full amount of the lease expenses is recorded as a payable as of June 30, 2021.

For both these agreements the School pays on behalf of the Charterholder as they utilize the facilities.

3. Federal and State grants

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. The School is subject to periodic audits and inquiries by various regulatory 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, 2021 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. Legal

The School may be involved in legal actions arising from the normal course of activities. Management is not aware of any pending or threatened litigation, claims or unasserted claims or assessments that may have a material effect on the School's financial statements.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2021

NOTE F - COMMITMENTS AND CONTINGENCIES (continued)

5. COVID-19

As a result of the spread of COVID-19, economic uncertainties have arisen which are affecting large segments of the economy, including non-profits. Management is not able to assess what the long-term effects of these uncertainties will be, but the School has taken steps to continuously monitor grant revenue, operations, liquidity, and employee welfare to adjust operations, as necessary.

NOTE G - RELATED PARTIES

1. Due to McDuff QALICB 2

McDuff QALICB 2 holds, develops and maintains, and retains financing as needed for the real estate used by the Charterholder. As of June 30, 2021 the School has \$431,345 due to McDuff QALICB 2.

2. Due from KIPP JAKS

Jacksonville Alliance for KIPP Schools, Inc. ("JAKS") primarily holds, develops and maintains, and retains financing as needed for the real estate used by the Charterholder and to a lesser extent, JAKS receives certain grant funding on behalf of the School. As of June 30, 2021 the School has \$2,120,976 due from JAKS.

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 and transactions for potential recognition or disclosure through September 28, 2021, the date at which the financial statements were available to be issued and has determined that no material events have occurred that would warrant additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KIPP Jacksonville K-8 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, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenue				
Federal passed through state	\$ 4,469,048	\$ 273,780	\$ 273,780	\$ -
State passed through school district	12,862,555	12,226,320	12,226,320	-
Gifts, grants and bequests	2,396,719	910,993	910,993	-
Other revenues	5,000	1,597,043	1,597,043	-
Total revenues	19,733,322	15,008,136	15,008,136	-
Expenditures				
Instruction	8,639,014	8,589,029	8,589,029	-
Pupil personnel services	1,329,629	710,480	710,480	-
Staff development	175,806	11,653	11,653	-
School administration	2,967,192	2,814,519	2,814,519	-
Fiscal services	180,789	151,022	151,022	-
Food service	1,851,613	120,841	120,841	-
Transportation	97,594	110,227	110,227	-
Operation of plant	3,864,101	2,198,693	2,198,693	-
Maintenance of plant	186,980	139,999	139,999	-
Debt service	343,107	(309,234)	(309,234)	-
Total expenditures	19,635,825	14,537,229	14,537,229	-
Change in net position	\$ 97,497	\$ 470,907	470,907	\$ -
Adjustments to conform to GAAP:				
Capital outlay expenditures			(542,974)	
Excess (deficiency) of revenues over (under) expenditures			(72,067)	
Other financing sources (uses)			(1,457,873)	
Fund balances - beginning of the year			4,178,844	
Fund balances - end of the year			\$ 2,648,904	

See accompanying note to required supplementary information.

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICES

For the year ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Debt service	<u>\$ 343,107</u>	<u>\$ 40,840</u>	<u>\$ 40,840</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures			(40,840)	
Other financing sources (uses)			1,433,973	
Fund balances - beginning of the year			<u>1,813,867</u>	
Fund balances - end of the year			<u>\$ 3,207,000</u>	

See accompanying note to required supplementary information.

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

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

For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Federal grant	\$ 1,143,200	\$ 954,720	\$ 954,720	\$ -
Total revenues	<u>1,143,200</u>	<u>954,720</u>	<u>954,720</u>	<u>-</u>
Expenditures				
Instruction	1,143,200	263,402	263,402	-
Pupil personnel services	-	401,681	401,681	-
School administration	-	89,239	89,239	-
Total expenditures	<u>1,143,200</u>	<u>754,322</u>	<u>754,322</u>	<u>-</u>
Change in net position	<u>\$ -</u>	<u>\$ 200,398</u>	<u>200,398</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures			200,398	
Other financing sources (uses)			64,627	
Fund balances - beginning of the year			<u>-</u>	
Fund balances - end of the year			<u>\$ 265,025</u>	

See accompanying note to required supplementary information.

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2021

NOTE A - BUDGETARY INFORMATION

The School's annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board. Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to excess of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

SINGLE AUDIT AND COMPLIANCE INFORMATION

KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION/PASS THROUGH DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA		
Title I Grants to Local Educational Agencies	84.010	\$ 754,322
Charter Schools	84.282	185,701
Student Support and Academic Enrichment Program	84.424	28,933
Supporting Effective Instruction State Grants	84.367	46,501
		<u>1,015,457</u>
U.S. DEPARTMENT OF AGRICULTURE/PASS THROUGH FLORIDA DEPARTMENT OF EDUCATION		
Pass through from KIPP Jacksonville, Inc.:		
National School Lunch Program (NSLP)	10.555	<u>1,392,058</u>
		<u>\$ 2,407,515</u>

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of the School during its fiscal year June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. INDIRECT COST RATE

The School did not elect to use the 10-percent de minimis indirect cost rate.

NOTE 3. SUB-RECIPIENTS

During the year ended June 30, 2021, the School had no sub-recipients.

NOTE 4. NONCASH ASSISTANCE AND OTHER

The School did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended June 30, 2021.

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 Jacksonville K-8 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 Jacksonville K-8 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, 2021, 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, 2021.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
KIPP Jacksonville K-8 School
Jacksonville, Florida

Report on Compliance for Each Major Federal Program

We have audited KIPP Jacksonville K-8 School's (the "School"), a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc. (the "Charterholder"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2021. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program 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 the School'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 the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the School 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 the School'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 the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

September 28, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**KIPP Jacksonville K-8 School
(A division of KIPP Jacksonville, Inc.)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified? **None reported**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major program:

Material weakness identified? **No**

Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major program: **Unmodified**

There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

The program tested as the major program is as follows:

<u>CFDA Number</u>	<u>Name of Program</u>
84.010	Title I

The threshold for distinguishing type A and B programs was **\$750,000**

Did the auditee qualify as a low-risk auditee? **Yes**

B. FINDINGS - FINANCIAL STATEMENTS

None in the current year.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS

None in the current year.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None in the prior year.

MANAGEMENT LETTER

To the Board of Directors
KIPP Jacksonville K-8 School
Jacksonville, Florida

Report on the Financial Statements

We have audited the financial statements of KIPP Jacksonville K-8 School (the “School”), a component unit of the School Board of Duval County, Florida (the “District”), and a division of KIPP Jacksonville, Inc. (the “Charterholder”), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 28, 2021.

Auditor’s Responsibility

We 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; 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”); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

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*, Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 28, 2021, 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. There were no findings or recommendations in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the School code assigned by the Florida Department of Education be disclosed in this management letter. As of July 1, 2018, the official title of the entity is KIPP Jacksonville K-8, a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc., 161271.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.

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

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 note any such items except the one listed below.

After reviewing the payroll controls it is our recommendation that the School implement improved documentation procedures to keep the employee files up to date. Due to the work atmosphere initiated by COVID and the sporadic requirements to work offsite some documentation appears to have been misfiled or not maintained on the network servers rather than collected in the employee file. Additionally the staff turnover in the past year has also affected the maintenance of the employee files. We recommend that the School put in place consistent documentation policies that will prevent these oversights in the future. Payroll testing was completed through alternative procedures without exception.

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 Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the District, and is not intended to be and should not be used by anyone other than these specified parties.

September 28, 2021
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP