



KIPP DUBOIS CHARTER SCHOOL

**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
JUNE 30, 2023**

KIPP DUBOIS CHARTER SCHOOL

Contents
June 30, 2023

	<u>Pages</u>
Unmodified Opinion on Financial Statements Accompanied by Required Supplementary Information and Supplementary Information – Governmental Entity	1 - 1B
Management’s Discussion and Analysis	2 - 5
Basic Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet - Governmental Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund ...	9
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	11
Notes to Basic Financial Statements	12 - 21
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	22
Schedule of Expenditures of Federal Awards	23
Notes to the Schedule of Expenditures of Federal Awards	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	25 - 26
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	27 - 29
Schedule of Findings and Questioned Costs	30
Schedule of Prior Year Findings and Questioned Costs	31

Unmodified Opinion on Financial Statements Accompanied by Required Supplementary Information and Supplementary Information – Governmental Entity

Independent Auditor's Report

To the Board of Trustees of
KIPP Dubois Charter School:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the general fund of KIPP Dubois Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of KIPP Dubois Charter School as of June 30, 2023, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund shown in page 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2023, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, 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.

AAFCPA, Inc.

Westborough, Massachusetts
December 13, 2023

KIPP DUBOIS CHARTER SCHOOL

Management's Discussion and Analysis For the Year Ended June 30, 2023

The management of the KIPP DuBois Charter School (the School) offers 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, 2023. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2023 fiscal year include the following:

- Total revenues increased by \$1,099,008 from \$10,269,188 to \$11,368,196 due primarily to increases in the local education agencies, Federal sources and other local sources.
- At the close of the current fiscal year, the School reports an ending net position of \$2,464,907. The net position balance represents a decrease in net position of \$606,674 for the year ended June 30, 2023.
- At the close of the current fiscal year, the School reports an ending General Fund balance of \$1,920,088. The General Fund balance decreased by \$271,704 from the previous year-ended General Fund balance as the result of the net change in fund balance for the year ended June 30, 2023.
- The School's cash balance at June 30, 2023, was \$1,672,808, representing a decrease of \$1,538,578 from June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: Management's Discussion and Analysis (this section), the basic financial statements and budgetary comparison.

Governmental-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 the School's assets and liabilities as well as separate sections of deferred outflows of resources and deferred inflows of resources. The difference is 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 given rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

KIPP DUBOIS CHARTER SCHOOL

Management's Discussion and Analysis
For the Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has one governmental fund, the General Fund.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$2,464,907 as of June 30, 2023.

KIPP Dubois Charter School Statement of Net Position As of June 30, 2023

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 5,877,576	\$ 4,316,254
Capital and noncurrent assets	<u>5,700,703</u>	<u>6,556,505</u>
Total assets	<u>\$ 11,578,279</u>	<u>\$ 10,872,759</u>
Current liabilities	\$ 4,381,730	\$ 2,356,756
Long-term liabilities	<u>4,731,642</u>	<u>5,444,422</u>
Total liabilities	<u>\$ 9,113,372</u>	<u>\$ 7,801,178</u>
Net invested in capital assets	\$ 256,283	\$ 422,598
Unrestricted	<u>2,208,624</u>	<u>2,648,983</u>
Total net position	<u>\$ 2,464,907</u>	<u>\$ 3,071,581</u>

KIPP DUBOIS CHARTER SCHOOL

Management's Discussion and Analysis
For the Year Ended June 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The School's revenues are predominately from the School District of Philadelphia, based on the student enrollment.

KIPP Dubois Charter School Statement of Activities For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
Revenues:		
Local educational agency assistance	\$ 8,178,641	\$ 8,788,534
Federal sources	2,845,314	1,456,868
Other local sources	238,093	269,677
State sources	<u>106,148</u>	<u>106,166</u>
Total revenues	<u>11,368,196</u>	<u>10,621,245</u>
Expenses:		
Instruction and special education	5,556,739	4,681,043
Business services	2,803,817	2,312,771
Depreciation and amortization (unallocated)	890,553	866,592
Administration support	914,287	957,904
Operations and maintenance	783,609	559,010
Student support services	324,151	307,888
Food services	255,970	254,314
Instructional staff support	173,686	77,019
Student activities	116,660	66,974
Pupil health	98,448	87,331
Interest	51,254	56,646
Noninstructional support services	5,040	10,200
Transportation	<u>656</u>	<u>-</u>
Total expenses	<u>11,974,870</u>	<u>10,237,692</u>
Net (decrease) increase in net position	(606,674)	383,553
Net position – beginning	<u>3,071,581</u>	<u>2,688,028</u>
Net position – ending	<u>\$ 2,464,907</u>	<u>\$ 3,071,581</u>

GOVERNMENTAL FUND

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

The School's governmental fund, the General Fund, reported an ending fund balance of \$1,920,088. For the year ended June 30, 2023, the School's revenues of \$11,368,196 did not exceed expenditures of \$11,974,870 by \$606,674.

KIPP DUBOIS CHARTER SCHOOL

Management's Discussion and Analysis
For the Year Ended June 30, 2023

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The School's final budget for the General Fund anticipated that expenses would exceed revenue by \$876,271. The actual results for the year reported that expenditures exceeded revenue by \$271,704, which decreased the General Fund equity to \$1,920,088. This variance reflects a revenue variance of \$1,280,970 due to less than budgeted Federal and state sources offset by greater than budgeted local educational agency assistance sources and other local sources. There is also an expenditure variance of \$676,404 related to less than budgeted expenditures for special education, social work services, recruitment, food services, and student activities offset by actual expenditures greater than budgeted expenditures for instruction and instructional staff support, student support services, administration support, pupil health, business services, operations and maintenance, debt services, and lease liability expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the School's capital assets for its governmental activities totaled \$5,700,703 (net of accumulated depreciation). This investment in capital assets includes building improvements, furniture and equipment, and right-to-use assets.

Major capital assets purchased during the year include machinery and equipment of \$34,751.

Additional information on the School's capital assets can be found in Note 4 of this report.

Long-term debt

As of June 30, 2023, the School has long-term debt of \$5,444,420 for lease liability. See Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2023-24 school year, the School will be fully enrolled from 9th grade to 12th grade with 520 students enrolled. A budgeted increase in regular education per-pupil tuition rate and special education per-pupil tuition rate is expected to be paid to the School by the School District of Philadelphia. As a result, the total per-pupil revenue is expected to increase by 45% to approximately \$11,325,517.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE SCHOOL

The School expects a modest decrease in per-pupil payment rate in 2023-24 based on current School District budget developments; however, the School is not able to assess the exact financial impact as the students demographics fluctuate throughout the year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Chief Executive Officer, KIPP DeBois Charter School, 5070 Parkside Avenue, Philadelphia, PA 19131.

KIPP DUBOIS CHARTER SCHOOL

Statement of Net Position
As of June 30, 2023

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 1,672,808
State subsidies receivable	288,536
Federal subsidies receivable	644,481
Due from related parties	3,093,473
Prepaid items and deposits	178,278
Capital assets, set	<u>5,700,703</u>
Total assets	<u><u>\$ 11,578,279</u></u>
Liabilities:	
Accounts payable	\$ 1,384,981
Accrued benefits payable	210,383
Lease liability - due within one year	712,778
Lease liability - due beyond one year	4,731,642
Due to related parties	2,051,406
Unearned revenue	<u>22,182</u>
Total liabilities	<u>9,113,372</u>
Net Position:	
Net investment in capital assets	256,283
Unrestricted	<u>2,208,624</u>
Total net position	<u>2,464,907</u>
Total liabilities and net position	<u><u>\$ 11,578,279</u></u>

KIPP DUBOIS CHARTER SCHOOL

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net Expense (Revenue) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction and special education	\$ 5,556,739	\$ -	\$ 2,845,314	\$ (2,711,425)
Student support services	324,151	-	-	(324,151)
Instructional staff support	173,686	-	-	(173,686)
Administration support	914,287	-	-	(914,287)
Pupil health	98,448	-	-	(98,448)
Transportation	656	-	-	(656)
Business services	2,803,817	-	-	(2,803,817)
Operations and maintenance	783,609	-	-	(783,609)
Student activities	116,660	-	-	(116,660)
Noninstructional support services	5,040	-	-	(5,040)
Food services	255,970	-	-	(255,970)
Interest	51,254	-	-	(51,254)
Depreciation and amortization (unallocated)	890,553	-	-	(890,553)
Total governmental activities	<u>\$ 11,974,870</u>	<u>\$ -</u>	<u>\$ 2,845,314</u>	<u>(9,129,556)</u>
General Revenues:				
Local education agencies, not restricted to specific programs				8,178,641
Other local sources				238,093
State grants and reimbursements				106,148
Total general revenues				<u>8,522,882</u>
Change in net position				(606,674)
Net Position - July 1, 2022				<u>3,071,581</u>
Net Position - June 30, 2023				<u>\$ 2,464,907</u>

The accompanying notes are an integral part of these statements.

KIPP DUBOIS CHARTER SCHOOL

Balance Sheet
Governmental Fund
June 30, 2023

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,672,808
State subsidies receivable	288,536
Federal subsidies receivable	644,481
Due from related parties	3,093,473
Prepaid items and deposits	<u>178,278</u>
Total assets	<u><u>\$ 5,877,576</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances:	
Liabilities:	
Accounts payable	\$ 1,384,981
Accrued benefits payable	210,383
Due to related parties	2,051,406
Unearned revenue	<u>22,182</u>
Total liabilities	<u>3,668,952</u>
Deferred Inflows of Resources:	
Unavailable revenues	<u>288,536</u>
Fund Balances:	
Nonspendable:	
Prepaid items and deposits	178,278
Unassigned	<u>1,741,810</u>
Total fund balances	<u>1,920,088</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 5,877,576</u></u>

KIPP DUBOIS CHARTER SCHOOLStatement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	General Fund
Revenues:	
Local educational agency assistance	\$ 8,178,641
Federal sources	3,120,117
Other local sources	238,093
	<hr/>
Total revenues	11,536,851
	<hr/>
Expenditures:	
Instruction and special education	5,556,739
Student support services	324,151
Instructional staff support	173,686
Administration support	914,287
Pupil health	98,448
Transportation	656
Business services	2,803,817
Operations and maintenance	783,609
Student activities	116,660
Noninstructional support services	5,040
Food services	255,970
Capital outlay	34,751
Debt service:	
Principal	689,487
Interest	51,254
	<hr/>
Total expenditures	11,808,555
	<hr/>
Net changes in fund balance	(271,704)
Fund Balance - July 1, 2022	<hr/> 2,191,792
Fund Balance - June 30, 2023	<hr/> \$ 1,920,088

KIPP DUBOIS CHARTER SCHOOL

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2023

Total Fund Balance for Governmental Fund - General Fund \$ 1,920,088

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

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

Leasehold improvements, furniture and equipment, and right-to-use lease assets	8,747,141	
Accumulated depreciation and amortization	<u>(3,046,438)</u>	
		5,700,703

Certain Federal and state subsidies receivables will be collected in the future, but
are not available to pay for current period's expenditures and, therefore, are not
recognized as revenue on the funds:

Deferred inflows of resources - unavailable revenue		288,536
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Lease liability that pertains to governmental funds is not due and payable in the
current period and, therefore, is not reported as fund liabilities. All liabilities,
both current and long-term, are reported in the statement of net position. The
balances at year-end are:

Lease liability		<u>(5,444,420)</u>
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Total Net Position of Governmental Activities \$ 2,464,907

KIPP DUBOIS CHARTER SCHOOL

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2023

Net Changes in Fund Balance - Total Governmental Fund \$ (271,704)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, assets are capitalized and cost is allocated over their
estimated useful lives and reported as depreciation and amortization expense.
This is the amount by which capital outlays exceeds transfers, eliminations, and
depreciation and amortization expense in the current period.

Capital outlays	34,751
Depreciation and amortization	(890,553)

Governmental funds report lease liability proceeds as other financing sources in
the period the lease is initially recognized, while repayment is reported as
expenditures. In the statement of net position, however, the lease liability
increases liabilities and does not affect the statement of activities, and repayment
of principal reduces the obligation. The effect of these differences in the
treatment of the lease liability is as follows:

Payments on lease liability	689,487
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Certain Federal and state subsidy revenue will not be collected for several months
after fiscal year-end and, therefore, is not considered as available revenue in the
funds. Unavailable Federal and state subsidy revenue decreased by the following
amount:

Unavailable revenue	<u>(168,655)</u>
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Changes in Net Position of Governmental Activities \$ (606,674)

KIPP DUBOIS CHARTER SCHOOL

Notes to the Basic Financial Statements
June 30, 2023

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

KIPP DuBois Charter School (the School) is a charter school located in Philadelphia, Pennsylvania. The School operated under KIPP DuBois Collegiate Academy and was included in the operations of KIPP Philadelphia Charter School. On July 1, 2015, the School Reform Commission of the School District of Philadelphia granted a charter to KIPP DuBois Charter School (previously KIPP DuBois Collegiate Academy) to operate a public charter school commencing from July 1, 2015 and ending June 30, 2018. As of July 1, 2023, the charter was renewed for an additional five years through June 30, 2028. The School was originally established in 2009 and operates under the provisions enacted by the General Assembly of the Commonwealth of Pennsylvania in 1997.

The School currently serves students in grades nine through twelve. The School is a charter school which has financial accountability and control over all activities related to the students' education. The School receives funding from local, state and federal government sources and must comply with the requirements of these funding sources. The School, however, is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement. In addition, there are no component units as defined by GASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's functions are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance) report on the School's general fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Grants and similar items are recognized as soon as all eligibility requirements imposed by providers have been met. For this purpose, the School considers revenues to be available if they are collected within the current period or within 120 days after the end of the fiscal year. Any revenues not collected within 120 days are classified as unavailable revenues in the accompanying statement of net position.

Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. Compensated absences are recognized as expenditures only to the extent that they are normally expected to be paid from existing unrestricted fund net position. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under leases are reported as other financing sources. Under the terms of grant agreements, the School supports certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

Method of Accounting

The Accounting Standards require a statement of net position and a statement of activities. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, lease liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School had no restricted net position as of June 30, 2023.
- Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Method of Accounting (Continued)

In the fund financial statements, governmental funds report nonspendable portions of the fund balance related to inventory, prepaid expenses, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statue, grantors, bond agreements, etc.). Committed fund balances represent resources segregated from the unassigned fund balance. Committed fund balances are established and modified by a resolution approved by the Board of Trustees. Assigned fund balances are intended by the School to be used for specific purposes which are determined by Board approval. Unassigned fund balances are considered the remaining amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is the School's policy to use restricted first, then unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the School's policy to use committed first, then assigned, and finally unassigned amounts.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School has a general fund budget. The original budget was filed and accepted by the Labor, Education and Community Services Comptroller's Office in June 2022. The budget is included as required supplementary information.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The School follows the accounting and disclosure standards pertaining to GASB No. 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that the School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Concentration of Credit Risk

The School maintains its cash balances in a Pennsylvania bank which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). Periodically, the School may maintain deposits in excess of the FDIC limit of \$250,000, with financial institution. The School believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, cash in banks, and all highly liquid investments with a maturity of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for Federal and state subsidy programs, and other receivables. Accounts receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2023, no allowance of doubtful accounts was deemed warranted.

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are reported in the applicable government-wide financial statements. The School's capitalization policy is to capitalize additions in excess of \$1,500 with a useful life in excess of one year. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset of materiality extend an asset's life are not.

KIPP DUBOIS CHARTER SCHOOL

Notes to the Basic Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

<u>Description of Capital Cost</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	20 years or life of lease
Furniture and Equipment	7 - 10 years

Leases

The School is a lessee for buildings and various equipment. The School recognizes a lease liability and an intangible right-to-use asset in the government-wide financial statements based on the criteria dictated in GASB Statement No. 87, *Leases*.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made (see Note 5).

An intangible right-to-use asset is initially measured as the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date. The intangible right-to-use asset is amortized on a straight-line basis over the shorter of the life of the underlying asset or the lease term. The intangible right-to-use asset is reported with the School's capital assets.

Key estimates and judgements related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School is utilizing the Treasury bill rate (corresponding to length of lease) in place at the date of implementation (July 1, 2021) along with other risk factors to determine the discount interest rate for leases.

The lease terms include the noncancellable and renewal periods of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments through the end of the term, which includes any renewal periods.

The School has recognized payments for short-term leases with a term of twelve months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use assets on the statement of net position.

KIPP DUBOIS CHARTER SCHOOL

Notes to the Basic Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision or liability for income taxes has been recorded in the accompanying financial statements.

Uncertain Tax Positions

The School accounts for uncertainty in income taxes in which tax positions initially need to be recognized in the financial statements when it is more-likely-than-not that the positions will be sustained upon examination by taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As of June 30, 2023, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the School had no interest or penalties related to income taxes. The School files an information return in the U.S. Federal jurisdiction.

Deferred Revenue

Deferred revenue represents funds that have been received but not yet earned. Deferred revenue as of June 30, 2023, is expected to be earned in fiscal year 2024.

Subsequent Events

Subsequent events have been evaluated through December 13, 2023, which is the date the financial statements were available to be issued. See Note 5 for a significant event. There were no other events that met the criteria for recognition or disclosure in the financial statements.

3. DEPOSITS

The School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the School's deposits are exposed to custodial credit risk. The School does not have a policy for custodial credit risk.

Operating cash accounts are held in the School's name by a banking institution. As of June 30, 2023, \$1,427,369 was exposed to custodial credit risk as follows:

Reconciliation to the financial statements:

Uninsured and collateralized amount	\$ 1,427,369
Plus - insured amount	250,000
Less - outstanding checks	<u>(4,561)</u>
Total cash per school-wide financial statements	<u>\$ 1,672,808</u>

KIPP DUBOIS CHARTER SCHOOLNotes to the Basic Financial Statements
June 30, 2023**4. CAPITAL ASSETS AND RIGHT-TO-USE LEASE ASSETS**

Changes in capital assets are as follows for the year ended June 30, 2023:

	Beginning Balance July 1, 2022	Net Additions	Ending Balance June 30, 2023
Capital assets being depreciated:			
Leasehold improvements	\$ 347,369	\$ -	\$ 347,369
Furniture and equipment	<u>1,585,157</u>	<u>34,751</u>	<u>1,619,908</u>
Total capital assets being depreciated	<u>1,932,526</u>	<u>34,751</u>	<u>1,967,277</u>
Less - accumulated depreciation:			
Leasehold improvements	240,038	5,434	245,472
Furniture and equipment	<u>1,171,968</u>	<u>128,923</u>	<u>1,300,891</u>
Total accumulated depreciation	<u>1,412,006</u>	<u>134,357</u>	<u>1,546,363</u>
Total capital assets, net	<u>\$ 520,520</u>	<u>\$ (99,606)</u>	<u>\$ 420,914</u>

Changes in right-to-use lease assets are as follows for the year ended June 30, 2023:

	Beginning Balance July 1, 2022	Net Additions	Ending Balance June 30, 2023
Right-to-use lease assets:			
Building	\$ 6,660,491	\$ -	\$ 6,660,491
Equipment	<u>119,373</u>	<u>-</u>	<u>119,373</u>
Total right-to-use lease assets	<u>6,779,864</u>	<u>-</u>	<u>6,779,864</u>
Less - accumulated amortization:			
Building	726,599	726,599	1,453,198
Equipment	<u>17,280</u>	<u>29,597</u>	<u>46,877</u>
Total accumulated amortization	<u>743,879</u>	<u>756,196</u>	<u>1,500,075</u>
Total right-to-use lease assets, net	<u>\$ 6,035,985</u>	<u>\$ (756,196)</u>	<u>\$ 5,279,789</u>

Depreciation and amortization expense for the year ended June 30, 2023, amounted to \$890,553 and was charged to an unallocated function in the accompanying statement of activities.

5. LEASES

The School entered into a building lease agreement in September 2015 with a landlord and expires in August 2025. The building lease agreement grants two options to extend the term of the lease for an additional five years. The School has included one extension period in calculating the lease liability and right-to-use asset as the School is not certain they will exercise the second extension. The School is required to make monthly principal and interest payments of \$59,644 during fiscal year 2023. Interest expense on the lease was \$50,485 for the year ended June 30, 2023.

KIPP DUBOIS CHARTER SCHOOL

Notes to the Basic Financial Statements
June 30, 2023

5. LEASES (Continued)

The net present value of the lease liabilities was \$5,371,494 as of June 30, 2023, and was calculated using a discount rate of 0.89% (the estimated incremental borrowing rate as of lease inception). Amortization of the related right-to-use lease asset was \$726,599 for the year ended June 30, 2023.

The School leases copiers under lease agreements which were entered into various dates in fiscal year 2022. The School is required to make monthly principal and interest payments of approximately \$2,500 during fiscal year 2023. Interest expense on the leases was \$769 for the year ended June 30, 2023. The net present value of the lease liabilities was \$72,926 as of June 30, 2023, and was calculated using a discount rate of 0.89% (the estimated incremental borrowing rate as of lease inception). Amortization of the related right-to-use lease asset was \$29,597 for the year ended June 30, 2023.

Future minimum payments under these agreements and future amortization are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Amortization</u>
2024	\$ 712,778	\$ 44,999	\$ 756,196
2025	721,341	38,605	743,984
2026	738,420	32,122	739,796
2027	759,334	25,451	738,916
2028	768,984	18,655	726,599
2029 - 2031	<u>1,743,563</u>	<u>16,313</u>	<u>1,574,298</u>
Total	<u>\$ 5,444,420</u>	<u>\$ 176,146</u>	<u>\$ 5,279,789</u>

Subsequent to June 30, 2023, the School entered into a lease amendment for additional space with increased monthly payments of \$2,405 through August 31, 2025.

6. LOCAL EDUCATIONAL AGENCIES REVENUE

Charter schools are funded by the local public school district in which each student resides. The rate per student is determined annually and is based on the budgeted total expenditure per average daily membership of the prior school year for each school district. All of the students for the School reside in Philadelphia. For the year ended June 30, 2023, the rate for the School District Philadelphia was \$9,442 per year for regular education students plus additional funding for special education students. The annual rate is paid monthly by the School District of Philadelphia and is prorated if a student enters or leaves during the year. Total revenue from the School District of Philadelphia was \$8,178,641.

7. GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS

The School participates in numerous state reimbursement and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement 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 the grants and reimbursement programs, refunds of any money received may be required and collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

KIPP DUBOIS CHARTER SCHOOL

Notes to the Basic Financial Statements
June 30, 2023

8. RETIREMENT PLAN

The School is part of a defined contribution plan under Section 403(b) of the IRC, which all employees of the School can elect to contribute. Employees can contribute up to 5% of their qualified compensation, with the School matching up to 5% of their qualified compensation. For the year ended June 30, 2023, the School had contributed \$230,356 to the Section 403(b) plan.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in the School contributions and earnings on School contributions after one year of service. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the plan's administrative expenses.

The School had a liability to the plan totaling \$39,363 as of June 30, 2023, which is included in accrued benefits payable in the accompanying statement of net position.

9. 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; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

10. RELATED PARTY TRANSACTIONS

The School, KIPP Philadelphia Charter School (KPCS), KIPP West Philadelphia Preparatory Charter School (KWPCS), KIPP North Philadelphia Charter School, KIPP Octavius Catto Elementary Academy (CATTO), and KIPP Administrative Services Corporation (KASC) are considered related parties as a result of common members of the Board and the management of the schools. The School has an arrangement with KASC where KASC provided management, professional, and facility services rendered to the School. The School pays a fee equal to 12% of public local and state funds, as defined in agreement, to KASC. During the year ended June 30, 2023, the School paid an additional fee to KASC of \$320,000 for additional support that was provided during the year.

During fiscal year 2023, the School paid \$1,301,437 to KASC for these services, which is included in business services in the accompanying statement of activities.

From time-to-time, the School and other related entities pay for shared costs which are reimbursed. As of June 30, 2023, the School had a receivable from related parties in the amount of \$3,093,473 and a payable to related parties in the amount of \$2,051,406.

<u>Related Entity</u>	<u>Due to The School</u>	<u>Due from The School</u>
KPCS	\$ 2,859,915	\$ 720,000
KWPCS	9	-
KASC	-	1,331,406
Inter Entity Transactions	<u>233,549</u>	<u>-</u>
Total	<u>\$ 3,093,473</u>	<u>\$ 2,051,406</u>

KIPP DUBOIS CHARTER SCHOOL

Notes to the Basic Financial Statements
June 30, 2023

11. LICENSE AGREEMENTS

The School maintains a trademark licensing agreement with KIPP Foundation (KIPP), a California Public Benefit Corporation, that is renewed annually. The School must abide by certain educational guidelines as set forth in the agreement. Under the licensing agreement, the School has the right to use various trademarks owned by KIPP.

In accordance with its licensing agreement, the School is to pay KIPP an annual fee of 1% of the per-pupil tuition. KIPP's operating committee has elected to charge the School a fee of \$30,000 per fiscal year.

The School can elect to terminate the agreement. However, if the School elects to terminate the agreement, they are required to reimburse KIPP up to \$300,000, which is intended to offset costs KIPP incurred in the training of staff and assistance in operating the School.

12. CONTINGENCIES

The School is sometimes subject to litigation or the threat of litigation in the ordinary course of its business. In accordance with accounting principles generally accepted in the United States of America, the School recognizes such contingencies in the financial statements when it is both probable that a material liability has been incurred and the amount can be reasonably estimated.

KIPP DUBOIS CHARTER SCHOOL

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable (Unfavorable)
Revenues:				
Local educational agency assistance	\$ 7,830,331	\$ 7,666,846	\$ 8,178,641	\$ 511,795
Federal sources	1,970,348	2,170,768	3,120,117	949,349
Other local sources	317,667	317,667	238,093	(79,574)
State sources	100,600	100,600	-	(100,600)
Total revenues	<u>10,218,946</u>	<u>10,255,881</u>	<u>11,536,851</u>	<u>1,280,970</u>
Expenditures:				
Instruction and special education	6,159,040	5,514,987	5,556,739	(41,752)
Student support services	184,437	326,737	324,151	2,586
Instructional staff support	203,828	115,350	173,686	(58,336)
Administration support	692,391	888,404	914,287	(25,883)
Pupil health	92,650	60,250	98,448	(38,198)
Transportation	-	-	656	(656)
Business services	2,397,956	2,417,545	2,803,817	(386,272)
Operations and maintenance	1,321,866	1,395,272	783,609	611,663
Student activities	91,370	93,190	116,660	(23,470)
Noninstructional support services	96,277	10,000	5,040	4,960
Food services	310,417	310,417	255,970	54,447
Capital outlay	-	-	34,751	(34,751)
Debt service:				
Principal	-	-	689,487	(689,487)
Interest	-	-	51,254	(51,254)
Total expenditures	<u>11,550,232</u>	<u>11,132,152</u>	<u>11,808,555</u>	<u>(676,403)</u>
Net change in fund balance	<u>\$ (1,331,286)</u>	<u>\$ (876,271)</u>	(271,704)	<u>\$ 604,567</u>
Fund Balance, July 1			<u>2,191,792</u>	
Fund Balance, June 30			<u>\$ 1,920,088</u>	

KIPP DUBOIS CHARTER SCHOOL

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Communications Commission:			
Direct:			
COVID-19 - Emergency Connectivity Fund Program	32.009	N/A	\$ 126,258
U.S. Department of Education:			
Passed-Through Pennsylvania Department of Education:			
Title I Grants to Local Educational Agencies	84.010	013-22-1138-A 013-23-1138-A	502,039
Supporting Effective Instruction State Grants (Formerly, Improving Teacher Quality State Grants)	84.367	020-22-1138-A 020-23-1138-A	31,927
Student Support and Academic Enrichment Program	84.424	144-22-1138-A 144-23-1138-A	30,897
Special Education Grants to States (Special Education Cluster (IDEA))	84.027	692/FY22 692/FY23	169,245
COVID-19 - Education Stabilization Fund	84.425U	225-21-1138	6,545
COVID-19 - Education Stabilization Fund	84.425D	200-21-1138	1,177,123
COVID-19 - Education Stabilization Fund	84.425	223-21-1138	719,732
COVID-19 - Education Stabilization Fund	84.425C	254-20-1138 224-21-1138	81,285
COVID-19 - Education Stabilization Fund	84.425W	181-21-2546	263
Total AL No. 84.425			1,984,948
Total U.S. Department of Education			2,719,056
Total Expenditures of Federal Awards			\$ 2,845,314

KIPP DUBOIS CHARTER SCHOOL

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

1. GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the Federal financial assistance programs of KIPP Dubois Charter School (the School). Financial awards received directly from Federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. RELATIONSHIP TO FINANCIAL STATEMENTS

The Schedule of Expenditures of Federal Awards presents only a selected portion of the activities of the School. It is not intended to, and does not, present either the balance sheet or statement of revenues, expenditures and changes in fund balances of the governmental fund. The financial activity for the aforementioned awards is reported in the School's statement of revenues, expenditures and changes in fund balance of the governmental fund.

4. INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance for its federal programs.

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

Independent Auditor's Report

To the Board of Trustees of
KIPP Dubois Charter School:

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 and the general fund of KIPP Dubois Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated December 13, 2023.

Report on 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 opinion 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 or significant deficiencies may exist that were not identified.

Report on 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.

AAFCPA, Inc.

Westborough, Massachusetts
December 13, 2023

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

Independent Auditor's Report

To the Board of Trustees of
KIPP Dubois Charter School:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP Dubois Charter School's (the School) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major Federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's Federal programs.

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to on the previous page is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of its major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control Over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

AAFCPA, Inc.

Westborough, Massachusetts
December 13, 2023

KIPP DUBOIS CHARTER SCHOOL

Schedule of Findings and Questioned Costs
June 30, 2023

1. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a “going concern” emphasis-of-matter paragraph included in the auditor’s report? Yes X No

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over each major Federal program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for each major Federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major Federal program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
COVID-19 - Education Stabilization Fund	84.425

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

Auditee qualified as low-risk auditee? X Yes No

2. FINANCIAL STATEMENT FINDINGS

None.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

KIPP DUBOIS CHARTER SCHOOL

Schedule of Prior Year Findings and Questioned Costs
June 30, 2023

Significant Deficiencies

Finding 2022-001: Internal Control Over Financial Reporting

Condition: The internal control structure did not prevent a significant number of AnyBill check transactions and voided check transactions to be processed in the AnyBill disbursement platform but not recorded in the Intacct general ledger through the recording and synchronization of the AnyBill transactions of KIPP Dubois Charter School.

Current Status

Of the transactions tested, management properly recorded check transactions to the general ledger as the Finance team used the cash management module in Intacct to reconcile the Anybill account monthly that highlights any transactions that did not properly sync over from the Anybill platform. This finding is considered addressed.

Finding 2022-002: Internal Control Over Compliance

Condition: During testing of reporting submissions through the Pennsylvania Department of Education's (PDE) Financial Accounting Information website, it was noted that there were two Reconciliation of Cash on Hand – Quarterly Reports required for ESSER and three Reconciliation of Cash on Hand – Quarterly Reports for GEER due to be filed during the fiscal year. The report for the quarter ended June 30, 2022, was not completed, or submitted, and the other reports were submitted late to the Pennsylvania Department of Education.

Current Status

In fiscal year 2023, the School began expanding to close the capacity gaps and hired a Controller and Chief Financial Officer (CFO) in spring of 2023. In addition to the new roles, the Controller has been tasked with reviewing policies and procedures and identifying opportunities to improve efficiencies. For all grants with Assistance Listing No. 84.425, we reviewed the reports for the quarter ended June 30, 2023, and reviewed the grant status listed on the PDE's website. The status of all the grants were in good standing with the exception of one grant with total funds expended of \$263 for the year ended June 30, 2023, which was documented as an immaterial instance of noncompliance. As of June 30, 2023, the School has personnel in place to ensure all reporting compliance requirements are met. This finding is considered addressed.