

**KIPP IMPACT
MIDDLE SCHOOL
(A division of KIPP
Jacksonville, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KIPP Jacksonville, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Impact Middle School, (the "School") and a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc. (the "Charterholder") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2015, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the Charterholder.

Other Matters

Required Supplementary Information

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

Other 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 September 28, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

September 28, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of KIPP Impact Middle School (the "School"), a division of KIPP Jacksonville, Inc. (the "Charterholder") and a component unit of the School Board of Duval County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements starting on page 9.

Financial Highlights

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$760,889 (net position).
- The net position of the School increased by \$192,687 during the year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$659,328.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

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

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

The government-wide financial statements can be found on pages 9 and 10 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, 21st Century grant fund, and Title I fund as their major funds.

The basic governmental fund financial statements can be found on pages 11 through 14 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 on pages 27 through 30 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 starting on page 15 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$760,889 (net position) for the year ended June 30, 2015. The School's liabilities exceeded assets by \$953,576 (net position), for the year ended June 30, 2014.

The largest portion of net position is the unrestricted portion. Another portion of the School's net position reflects its 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 Impact Middle School Statement of Net Position

	Governmental Activities		
	2015	2014	Variance
ASSETS			
Current assets	\$ 764,999	\$ 478,194	\$ 286,805
Capital assets, net of accumulated depreciation	63,576	115,176	(51,600)
Total assets	<u>828,575</u>	<u>593,370</u>	<u>235,205</u>
LIABILITIES			
Current liabilities	85,671	216,923	(131,252)
Noncurrent liabilities	1,503,793	1,330,023	173,770
Total liabilities	<u>1,589,464</u>	<u>1,546,946</u>	<u>42,518</u>
NET POSITION			
Net investment in capital assets	63,576	115,176	(51,600)
Unrestricted	<u>(824,465)</u>	<u>(1,068,752)</u>	<u>244,287</u>
Total net position	<u>\$ (760,889)</u>	<u>\$ (953,576)</u>	<u>\$ 192,687</u>

Current assets increased over the prior year primarily due to the timing of cash inflows and outflows. The decrease in current liabilities was due to the timing of vendor invoices at June 30, 2015. The increase in noncurrent liabilities is primarily due to an increase in accrued rent.

**KIPP Impact Middle School
Statement of Activities**

	Governmental Activities		
	2015	2014	Variance
Revenues:			
Program revenues:			
Charges for services	\$ -	\$ 18,825	\$ (18,825)
Operating grants and contributions	1,134,348	915,660	218,688
General revenues:			
State passed through local school district	2,823,388	2,611,758	211,630
Gifts, grants and bequests	669,010	493,959	175,051
Other revenues	11,995	36,076	(24,081)
Total revenues	<u>4,638,741</u>	<u>4,076,278</u>	<u>562,463</u>
Expenses:			
Instruction	2,057,571	2,194,311	(136,740)
Parental involvement	140,032	43,245	96,787
Media services	117,154	72,548	44,606
Staff development	106,347	122,322	(15,975)
School administration	585,254	856,298	(271,044)
Fiscal services	90,381	106,890	(16,509)
Food services	285,619	277,503	8,116
Central services	256,806	180,654	76,152
Transportation	233,282	238,549	(5,267)
Operation of plant	222,210	179,131	43,079
Maintenance of plant	351,398	486,178	(134,780)
Total expenses	<u>4,446,054</u>	<u>4,757,629</u>	<u>(311,575)</u>
Change in net position	192,687	(681,351)	874,038
Net position - beginning	<u>(953,576)</u>	<u>(272,225)</u>	<u>(681,351)</u>
Net position - ending	<u>\$ (760,889)</u>	<u>\$ (953,576)</u>	<u>\$ 192,687</u>

Operating grants and contributions increased in the current year due to an increase in grant contributions from the state due to increased enrollment. The increase in state passed through local school district revenues is a result of an increase in the number of students at the School in 2015. The increase in gifts, grants and bequests was related to an increase in the amount of gifts made to the School in the current year. Due to the increase in student enrollment at KIPP Voice Elementary, KIPP Impact is sharing more of the expenses at the School level, which resulted in a decrease in instruction, school administration, fiscal services, and maintenance of plant.

Governmental activities. Governmental activities increased the School's net position by \$192,687 for the year ended June 30, 2015.

Financial Analysis of the Government's Funds

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

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

The general fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the general fund was \$647,958.

General Fund Budgetary Highlights

The actual revenues and expenses in the general fund equaled the budgeted revenues and expenses for the year.

Capital Asset Administration

Capital Assets. The School's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$63,576 (net of accumulated depreciation). This investment in capital assets includes land, furniture, fixtures and equipment and software. Additional information on the School's capital assets can be found in Note C of this report.

Economic Factors and Events Affecting Operations

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment of approximately 350 students for the 2015/2016 school year.

Request for Information

This financial report is designed to provide a general overview of 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 Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
ASSETS	
Cash	\$ 542,334
Due from other agencies	200,384
Due from KIPP Voice Elementary	2,281
Pledges receivable, net	20,000
Total current assets	764,999
CAPITAL ASSETS	
Capital assets not being depreciated	
Land	10,290
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	53,286
Total capital assets	63,576
Total assets	828,575
LIABILITIES	
Accounts payable	72,618
Accrued expenses	8,364
Accrued payroll and related benefits	2,749
Unearned revenue	1,940
Noncurrent liabilities	
Accrued rent	1,503,793
Total liabilities	1,589,464
NET POSITION	
Net investment in capital assets	63,576
Unrestricted	(824,465)
Total net position	\$ (760,889)

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

KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

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	\$ 2,057,571	\$ -	\$ 781,635	\$ -	\$ (1,275,936)
Parental involvement	140,032	-	-	-	(140,032)
Media services	117,154	-	-	-	(117,154)
Staff development	106,347	-	12,731	-	(93,616)
School administration	585,254	-	-	-	(585,254)
Fiscal services	90,381	-	-	-	(90,381)
Food services	285,619	-	339,982	-	54,363
Central services	256,806	-	-	-	(256,806)
Transportation	233,282	-	-	-	(233,282)
Operation of plant	222,210	-	-	-	(222,210)
Maintenance of plant	351,398	-	-	-	(351,398)
Total governmental activities	\$ 4,446,054	\$ -	\$ 1,134,348	\$ -	(3,311,706)
		General revenues:			
					2,823,388
					669,010
					11,995
					3,504,393
					192,687
					(953,576)
					\$ (760,889)

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

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	21st Century Grant	Title 1	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 542,334	\$ -	\$ -	\$ -	\$ 542,334
Due from other funds	157,917	-	-	-	157,917
Due from other agencies	31,097	126,628	29,197	13,462	200,384
Due from Voice Elementary	2,281	-	-	-	2,281
Total assets	<u>\$ 733,629</u>	<u>\$ 126,628</u>	<u>\$ 29,197</u>	<u>\$ 13,462</u>	<u>\$ 902,916</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 72,618	\$ -	\$ -	\$ -	\$ 72,618
Accrued payroll and related benefits	2,749	-	-	-	2,749
Accrued expenses	8,364	-	-	-	8,364
Due to other funds	-	126,628	29,197	2,092	157,917
Unearned revenue	1,940	-	-	-	1,940
Total liabilities	<u>85,671</u>	<u>126,628</u>	<u>29,197</u>	<u>2,092</u>	<u>243,588</u>
FUND BALANCES					
Unassigned	647,958	-	-	11,370	659,328
Total fund balances	<u>647,958</u>	<u>-</u>	<u>-</u>	<u>11,370</u>	<u>659,328</u>
Total liabilities and fund balances	<u>\$ 733,629</u>	<u>\$ 126,628</u>	<u>\$ 29,197</u>	<u>\$ 13,462</u>	<u>\$ 902,916</u>

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

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

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

June 30, 2015

Fund balances - total governmental funds \$ 659,328

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	<u>53,286</u>	
Total capital assets		63,576

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

Accrued rent liability		<u>(1,503,793)</u>
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Certain pledges receivable reported in governmental activities do not provide current financial resources and therefore are not reported in the funds

Total net position of governmental activities		<u><u>\$ (760,889)</u></u>
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The accompanying notes are an integral part of this financial statement.

KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)

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

For the year ended June 30, 2015

	General Fund	21st Century Grant	Title 1	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal grant	\$ -	\$ -	\$ 142,737	\$ 177,041	\$ 319,778
Federal passed through state	-	397,561	64,296	352,713	814,570
State passed through local school district	2,703,703	-	-	119,685	2,823,388
Gifts, grants and bequests	772,695	-	-	-	772,695
Other revenues	8,991	-	-	3,004	11,995
Total revenues	<u>3,485,389</u>	<u>397,561</u>	<u>207,033</u>	<u>652,443</u>	<u>4,742,426</u>
Expenditures					
Current:					
Instruction	1,571,106	297,011	152,085	37,369	2,057,571
Parental involvement	24,619	60,367	55,046	-	140,032
Media services	60,353	-	-	-	60,353
Staff development	70,427	19,952	-	15,968	106,347
School administration	438,166	-	-	147,088	585,254
Fiscal services	90,381	-	-	-	90,381
Food services	-	-	-	285,619	285,619
Central services	256,806	-	-	-	256,806
Transportation	233,282	-	-	-	233,282
Operation of plant	192,585	-	-	29,625	222,210
Maintenance of plant	59,917	-	-	117,711	177,628
Fixed capital outlay	5,201	-	-	-	5,201
Total expenditures	<u>3,002,843</u>	<u>377,330</u>	<u>207,131</u>	<u>633,380</u>	<u>4,220,684</u>
Excess (deficiency) revenues over (under) expenditures	<u>482,546</u>	<u>20,231</u>	<u>(98)</u>	<u>19,063</u>	<u>521,742</u>
Other financing sources (uses):					
Transfers in	27,826	-	98	-	27,924
Transfers out	-	(20,231)	-	(7,693)	(27,924)
Total other financing sources (uses)	<u>27,826</u>	<u>(20,231)</u>	<u>98</u>	<u>(7,693)</u>	<u>-</u>
Net change in fund balances	510,372	-	-	11,370	521,742
Fund balances at July 1, 2014	137,586	-	-	-	137,586
Fund balances at June 30, 2015	<u>\$ 647,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,370</u>	<u>\$ 659,328</u>

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

**KIPP Impact Middle 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, 2015

Net change in fund balances - total government funds	\$	521,742
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report fixed capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Total fixed capital outlay	\$	5,201
Less: depreciation		<u>(56,801)</u>
		(51,600)
<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		(173,770)
<p>Certain pledge receivables will not be collected for several years after the close of the School's fiscal year end because they are not considered "available" revenues in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized in the fiscal year they are earned.</p>		
		<u>(103,685)</u>
Change in net position of governmental activities	<u>\$</u>	<u>192,687</u>

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

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

KIPP Impact Middle 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 sixth grade through eighth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of eight members. The financial information presented is that of KIPP Impact Middle School only and is not intended to be a complete presentation of the Charterholder. Additionally, there are other related companies and a consolidated financial statement was issued.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Duval County, Florida (the "District"). The current charter is effective until June 30, 2020, and may be renewed in increments of five years by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. KIPP Impact Middle School is considered a component unit of the School Board of Duval County, Florida.

2. Government-wide and fund financial statements

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

Net position, the difference between assets and liabilities, 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 position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

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

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.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Century 21 Fund - is the fund that accounts for the Twenty-First Century Community Learning Center federal grant used to establish or expand activities in community learning centers that provide opportunities for academic enrichment for children.

Title 1 Fund - is a grant the U.S. Department of Education provides to supplement funding to local school district to meet the needs of at-risk and low-income students.

4. Cash

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 other agencies. The School's management determined that 100% of receivables are deemed to be fully collectible. Therefore, no allowance for doubtful accounts has been provided.

The School and their affiliates also have multi-year pledges receivable which are recorded at fair value in the period the promise is made and subsequently carried at their estimated collectible amounts. Pledges receivable are amounts due based on unconditional promises to give made by individuals and entities and are unsecured. Pledges receivable are periodically evaluated for collectability based on past collection history with donors. Provisions for losses on pledges receivables are determined on the basis of loss experience, known and inherent risk in the pledge balances, and current economic conditions. All pledges receivable appear to be fully collectible and thus, no allowance for doubtful accounts has been provided.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

Transfers are used to move unrestricted fund revenues to finance programs and debt service activities that the School must account for in other funds.

7. Prepaid expense

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid expenses in both government-wide and fund financial statements.

8. 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 \$750 and an estimated useful life of more than two years. 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 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	3

9. 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.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Revenue sources (continued)

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.

10. 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.

11. Income taxes

The School is a charter school under KIPP Jacksonville, Inc., which qualifies as a tax-exempt organization, and is, therefore, exempt from income tax. 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 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 Services for years ending before June 30, 2011.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. 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 not in non-spendable form (such as inventory and prepaid expense) or are required to be maintained intact.

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

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

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

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

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

NOTE B - CASH

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The bank balances of the School's deposits were \$529,785 at June 30, 2015. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets not depreciated:				
Land	\$ 10,290	\$ -	\$ -	\$ 10,290
Capital assets depreciated:				
Furniture, fixtures and equipment	251,080	\$ 5,201	\$ -	256,281
Software	119,498	-	-	119,498
Total assets depreciated	<u>370,578</u>	<u>\$ 5,201</u>	<u>\$ -</u>	<u>375,779</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	156,839	\$ 46,156	\$ -	202,995
Software	108,853	10,645	-	119,498
Total accumulated depreciation	<u>265,692</u>	<u>\$ 56,801</u>	<u>\$ -</u>	<u>322,493</u>
Total governmental activities capital assets, net	<u>\$115,176</u>			<u>\$ 63,576</u>

Depreciation expense of \$56,801 was charged to the School's basic instruction for the year ended June 30, 2015.

NOTE D - PLEDGES RECEIVABLE, NET

Pledges in the amount of \$20,000 are expected to be realized in less than one year. The School has evaluated all pledges receivable and determined that no allowance for doubtful accounts is required at June 30, 2015.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E - ACCRUED RENT

A summary of changes in accrued rent is as follows:

	Balance at July 1, 2014	Additions	Payments	Balance at June 30, 2015	Due within one year
Accrued rent	\$ 1,330,023	\$ 173,770	\$ -	\$ 1,503,793	\$ -

In the governmental financial statements stated on a full accrual basis of accounting, GASB Statement No. 13 requires escalating leases to be calculated on a straight-line basis. Terms of the lease (see Note G-2) specify base annual rental payments of \$207,654, payable in equal monthly installments commencing July 1, 2012 through June 30, 2020. The School shares the facility with KIPP Voice Elementary School. The rental payments are allocated based on the use of the facility at 50% to KIPP Impact Middle School and 50% to KIPP Voice Elementary School. Current year facility lease expense charged to operations for the School totaled \$278,093 and \$104,323 on the government-wide and fund financial statements, respectively.

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

	Full Accrual Basis - Rent Expense	Modified Accrual Basis - Rent Expense	Change in Outstanding Liability
2016	\$ 250,189	\$ 94,031	\$ 156,158
2017	250,189	125,460	124,729
2018	250,189	625,199	(375,010)
2019	250,189	626,763	(376,574)
2020	250,189	628,330	(378,141)
	<u>\$ 1,250,945</u>	<u>\$ 2,099,783</u>	<u>\$ (848,838)</u>

Effective July 1, 2017, the annual rent obligation is increased to approximately \$973,000, of which 45% represents the School's portion.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - CONCENTRATIONS

Revenue sources

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

Sources	Amounts
School Board of Duval County, Florida:	
Base student allocation	\$ 1,430,471
Class size reduction	334,642
Exceptional student allocation	273,248
Digital classroom allocation	3,653
Supplemental academic instruction	83,056
Student transportation	100,040
Instructional materials allocation	27,420
Safe schools	8,799
Lead teachers program	5,320
School improvement	1,379
Teacher salary allocation	173
Science laboratory materials	432
Subtotal	2,268,633
Capital outlay	119,685
Title I funds	207,033
Title II funds	12,731
Knowledge is power	400,548
Century 21	397,561
IDEA	33,418
i3g grant	143,623
School Recognition Program	34,522
Total School Board of Duval County, Florida	3,617,754
Gifts, grants and bequests	772,695
National school lunch program	339,982
Other revenues	11,995
	\$ 4,742,426

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Operating agreement

The Charterholder entered into an agreement with the operating company on June 26, 2014 which expired on June 30, 2015. This agreement calls for an ongoing fee for accounting services to be paid in monthly installments of \$8,000. The Charterholder entered into a new agreement on May 4, 2015 that expires June 30, 2016. The new agreement calls for an ongoing fee for accounting services to be paid in monthly installments of \$7,000.

As of July 1, 2012, the School shares its facility with KIPP Voice Elementary School (see Note E). The accounting services are allocated 50% to KIPP Impact Middle School and 50% to KIPP Voice Elementary School, which is based on the number of students enrolled. The total amount charged to operations for the year ended June 30, 2015 was \$73,696.

2. Facilities expense

The Charterholder entered into a lease agreement with Jacksonville Alliance for KIPP Schools, Inc., a related party (see Note H) commencing on August 1, 2010 through June 30, 2020 with two five year renewal options. Terms of the lease specify base annual rental payments of \$207,654, payable in equal monthly installments commencing July 1, 2012 through June 30, 2020. As of July 1, 2012, the School shares the facility with KIPP Voice Elementary School. The School shares the facility with KIPP Voice Elementary School. The rental payments are allocated based on the use of the facility at 50% to KIPP Impact Middle School and 50% to KIPP Voice Elementary School. GASB No. 13 requires escalating leases to be calculated on a straight-line basis (see Note E).

3. Federal grants

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 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.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H - RELATED PARTIES

1. Facilities expense

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

2. Due from KIPP Voice Elementary School

The School shares its facility with KIPP Voice Elementary School. As a result, there are also shared expenses including, but not limited to: rent expense, administrative salaries and benefits, utilities and accounting services. The expenses are allocated 50% to KIPP Impact Middle School and 50% to KIPP Voice Elementary School, which is based on the number of students enrolled. At June 30, 2015, due from KIPP Voice Elementary School totaled \$2,281.

NOTE I - 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 J - SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 28, 2015, the date at which the financial statements became available for issue and has determined that no material events have occurred that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

KIPP Impact Middle 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, 2015

	<u>Budgeted Amounts</u>		
	<u>Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
State passed through local school district	\$ 2,703,703	\$ 2,703,703	\$ -
Gifts, grants and bequests	772,695	772,695	-
Other revenues	8,991	8,991	-
Total revenues	<u>3,485,389</u>	<u>3,485,389</u>	<u>-</u>
Expenditures			
Instruction	1,571,106	1,571,106	-
Parental involvement	24,619	24,619	-
Media services	60,353	60,353	-
Staff development	70,427	70,427	-
School administration	438,166	438,166	-
Fiscal services	90,381	90,381	-
Central services	256,806	256,806	-
Transportation	233,282	233,282	-
Operation of plant	296,270	296,270	-
Depreciation	56,801	56,801	-
Maintenance of plant	233,687	233,687	-
Total expenditures	<u>3,331,898</u>	<u>3,331,898</u>	<u>-</u>
Change in net position	<u>\$ 153,491</u>	<u>\$ 153,491</u>	<u>\$ -</u>
Adjustments to conform to GAAP:			
Capital outlay expenditures		\$ (5,201)	
Depreciation expense		56,801	
Accrued rent		173,770	
Pledges receivable		103,685	
Excess (deficiency) revenues over (under) expenditures		482,546	
Other financing sources		27,826	
Fund balances at July 1, 2014		<u>137,586</u>	
Fund balances at June 30, 2015		<u>\$ 647,958</u>	

See accompanying note to required supplementary information.

KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - CENTURY 21 FUND**

For the year ended June 30, 2015

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	
Revenue			
Federal passed through state	\$ 397,561	\$ 397,561	\$ -
Total revenues	<u>397,561</u>	<u>397,561</u>	<u>-</u>
Expenditures			
Instruction	238,559	238,559	
Staff development	19,952	19,952	
Total expenditures	<u>258,511</u>	<u>258,511</u>	<u>-</u>
Non capital assets			
Furniture, fixtures and equipment	37,062	37,062	-
Software	21,390	21,390	-
	<u>58,452</u>	<u>58,452</u>	<u>-</u>
Administrative expenditures			
Salaries and benefits	60,367	60,367	-
Total administration expenditures	<u>60,367</u>	<u>60,367</u>	<u>-</u>
Total expenditures	<u>377,330</u>	<u>377,330</u>	<u>-</u>
Change in net position	<u>\$ 20,231</u>	20,231	<u>\$ -</u>
Other financing sources (uses)		(20,231)	
Fund balances at July 1, 2014		<u>-</u>	
Fund balances at June 30, 2015		<u>\$ -</u>	

See accompanying note to required supplementary information.

KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - TITLE 1 FUND**

For the year ended June 30, 2015

	<u>Budgeted Amounts</u>		
	<u>Original & Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Federal grant	\$ 142,737	\$ 142,737	\$ -
Federal passed through state	64,296	64,296	-
Total revenues	<u>207,033</u>	<u>207,033</u>	<u>-</u>
Expenditures			
Instruction	<u>152,085</u>	<u>152,085</u>	<u>-</u>
Total expenditures	<u>152,085</u>	<u>152,085</u>	<u>-</u>
Administrative expenditures			
Salaries and benefits	<u>55,046</u>	<u>55,046</u>	<u>-</u>
Total administration expenditures	<u>55,046</u>	<u>55,046</u>	<u>-</u>
Total expenditures	<u>207,131</u>	<u>207,131</u>	<u>-</u>
Change in net position	<u>\$ (98)</u>	(98)	<u>\$ -</u>
Other financing sources		98	
Fund balances at July 1, 2014		<u>-</u>	
Fund balances at June 30, 2015		<u>\$ -</u>	

See accompanying note to required supplementary information.

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2015

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 full accrual basis of accounting. The legal level of budgetary control is the fund level.

SINGLE AUDIT AND COMPLIANCE INFORMATION

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

<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		
Twenty-First Century Community Learning Centers	84.287	\$ 377,329
Title I Grants to Local Educational Agencies	84.010	207,131
Investing in Innovation (i3) Fund	84.411	146,138
Special Education Grants to States	84.027	22,048
Improving Teacher Quality State Grants	84.367	12,731
		<u>765,377</u>
 U.S. DEPARTMENT OF AGRICULTURE/PASS THROUGH FLORIDA DEPARTMENT OF EDUCATION		
National School Lunch Program (NSLP)	10.555	323,381
		<u>\$ 1,088,758</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 July 1, 2014 to June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

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 Impact Middle 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 Impact Middle 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, 2015, 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, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

September 28, 2015
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 OMB CIRCULAR A-133**

To the Board of Directors
KIPP Impact Middle School
Jacksonville, Florida

Report on Compliance for Each Major Federal Program

We have audited KIPP Impact Middle School. ("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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

September 28, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

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 programs:

Material weakness identified? **No**

Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major programs: **Unmodified for all major programs.**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **No**

The programs tested as a major programs are as follows:

<u>CFDA Number</u>	<u>Name of Program</u>
84.287	Department of Education/Pass through - Twenty-First Century Community Learning Centers
10.555	Department of Agriculture/Pass through - National School Lunch Program

The threshold for distinguishing type A and B programs was **\$300,000**

Did the auditee qualify as a low-risk auditee? **No**

**KIPP Impact Middle School
(A division of KIPP Jacksonville, Inc.)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

B. FINDINGS - FINANCIAL STATEMENTS

None in the current year.

C. FINDINGS AND QUESTIONED COSTS - MAJOR 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 Impact Middle School
Jacksonville, Florida

Report on the Financial Statements

We have audited the financial statements of KIPP Impact Middle School (the "School"), a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc. (the "Charterholder"), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 28, 2015.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Required by *Government Auditing Standards*

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, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 28, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

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

Financial Condition

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

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

Transparency

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

Other Matters

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

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

Purpose of this Letter

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

September 28, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the years ended June 30, 2015 and June 30, 2014 there were no audit findings or recommendations.