

KIPP MIAMI, INC.
MIAMI, FLORIDA
(A COMPONENT UNIT OF THE SCHOOL BOARD
OF MIAMI-DADE COUNTY, FL)

BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITOR'S REPORT AND SUPPLEMENTAL
INFORMATION

JUNE 30, 2022

KIPP MIAMI, INC.
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2022

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KIPP MIAMI, INC.
(A Component Unit of the School Board of Miami-Dade County)

3000 NW 110th Street
Miami, Florida 33167
(786) 822-7702

2021-2022

BOARD OF DIRECTORS

Mr. Dan Adan
Mr. Jeb Bush, Jr.
Mrs. Deborah Dauman
Mr. Bill Diggs
Mr. Billy Krauss
Mr. Larry Quinlan
Ms. Sherelle Harden

SCHOOL ADMINISTRATION

Ms. Taylor Buck, School Leader
Ms. Jodimae A. Lyttle, School Leader
Mr. Luis Nobriga, School Leader
Ms. Kayla Johnson, School Leader



INDEPENDENT AUDITOR'S REPORT

Board of Directors of
KIPP Miami, Inc.
Miami, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Miami, Inc. (the "Organization"), a nonprofit organization and a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

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 KIPP Miami, Inc., as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Organization, 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 opinions.

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 Organization'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 opinions. 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 generally accepted 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 generally accepted 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 Organization'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 Organization'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 budgetary comparison information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2022 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Verdeja DeArmas Trujillo & Alvarez, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 15, 2022

Management's Discussion and Analysis

KIPP Miami, Inc.

June 30, 2022

The corporate officers of KIPP Miami, Inc. (the "Organization") have prepared this narrative overview and analysis of the Organization's financial activities for the fiscal year ended June 30, 2022, the fourth full year of operations.

FINANCIAL HIGHLIGHTS

1. The Organization served a total of approximately 994 students in 2021-2022 at four schools. In the prior School year, the Organization served a total of approximately 679 students at three schools.
2. During the year ended June 30, 2022, net position increased by \$284,182 and fund balance increased by \$2,398,995.
3. The Organization's total net position at June 30, 2022 was \$6,806,337 and its total fund balance was \$8,921,150.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the basic financial statements. The Organization's financial statements for the year ended June 30, 2022 are presented in accordance with GASB Codification Section 2200. The 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 required 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 Organization's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Organization's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether their financial position is improving or deteriorating.

The *Statement of Activities* presents information on how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event resulting in the change occurs, without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 10 – 11 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The Organization, like other state and local governments, uses fund accounting to ensure and report compliance with finance-related legal requirements. All of its funds are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Governmental fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

Prior to the start of the Organization's fiscal year, the Board adopts an annual budget for all of its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to Financial Statements

The notes to the financial statements 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 on pages 16 - 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the Organization's net position as of June 30, 2022 and 2021 follows:

Assets	2022	2021
Cash and cash equivalents	\$ 8,037,768	\$ 2,100,864
Restricted cash	124,317	904,023
Due from other agencies	1,782,546	4,420,005
Accounts receivable	-	381,570
Pledge receivable, current portion	1,048,866	43,976
Due from KSF	550,975	-
Due from management organization	141,182	-
Prepaid expenses and other current assets	249,159	184,200
Capital assets	11,531,097	-
Right-to-use asset, net	4,714,492	-
Total Assets	<u>\$ 28,180,402</u>	<u>\$ 8,034,638</u>
Liabilities and Net Position		
Accounts payable and accrued liabilities	\$ 1,952,676	\$ 592,396
Advanced revenue - grants	12,121	220,077
Due to management organization	-	700,010
Loans payable	14,627,470	-
Lease liability	4,781,798	-
Total Liabilities	<u>21,374,065</u>	<u>1,512,483</u>
Restricted - debt service	124,317	-
Restricted - capital projects	-	904,023
Restricted - pledge	1,048,866	-
Unrestricted	<u>5,633,154</u>	<u>5,618,132</u>
Total Net Position	<u>6,806,337</u>	<u>6,522,155</u>
Total Liabilities and Net Position	<u>\$ 28,180,402</u>	<u>\$ 8,034,638</u>

At June 30, 2022, the Organization's total assets were \$28,180,402 and total liabilities were \$21,374,065. At June 30, 2022, the Organization reported total net position of \$6,806,337.

A summary and analysis of the Organization’s revenues and expenses for the year ended June 30, 2022 follows:

REVENUES	<u>2022</u>	<u>2021</u>
Program Revenues		
Federal, state, local sources - grants	\$ 13,034,241	\$ 8,519,161
General Revenues		
FEFP nonspecific revenues	7,383,402	4,527,431
Gifts, grants, and other revenues	2,372,416	1,568,687
Capital project revenues	177,302	904,023
Total Revenues	<u>\$ 22,967,361</u>	<u>\$ 15,519,302</u>
 EXPENSES		
Instruction	\$ 8,634,381	\$ 4,721,439
Student and instructional support	1,193,277	374,836
General administration	53,538	34,062
School administration	6,256,300	3,369,444
Facilities acquisition & construction	2,756,832	564,741
Fiscal services	886,008	541,213
Food services	239,445	-
Central services	438,188	323,120
Pupil transportation services	539,754	228,020
Operation of plant	1,041,389	968,222
Maintenance of plant	375,921	30,001
Interest expense	268,146	-
Total Expenses	<u>\$ 22,683,179</u>	<u>\$ 11,155,098</u>
Change in Net Position	284,182	4,364,204
 Net Position at Beginning of Year	<u>6,522,155</u>	<u>2,157,951</u>
Net Position at End of Year	<u>\$ 6,806,337</u>	<u>\$ 6,522,155</u>

The Organization’s total revenues for the year ended June 30, 2022 were \$22,967,361 while its total expenses were \$22,683,179 for a net increase of \$284,182. This was the Organization’s fourth full year of operations. The Organization operated three charter schools during the 2020-2021 year and opened its fourth school for the 2021-2022 year. The Organization invested in capital improvements and construction during the 2021-2022 to allow for growth and expansion of the schools at a new location. In addition, temporary facilities were used during the construction process, which was completed subsequent to year-end.

SCHOOL LOCATIONS

The Organization operates the following charter schools in the Miami area that are currently (2022-2023) all located at 3000 NW 110th Street, Miami, FL 33167.

KIPP Liberty Academy
KIPP Sunrise Academy
KIPP Courage Academy
KIPP Royalty Academy

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

GOVERNMENTAL FUNDS

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

The Organization's governmental funds reported a combined fund balance of \$8,921,150 and increase in fund balance of \$2,398,995 for the year ended June 30, 2022.

CAPITAL ASSETS

The Organization's capital assets consist of construction in progress related to improvements to leased property and facilities, which have not been completed as of June 30, 2022. Capital assets totaled \$11,531,097 at June 30, 2022.

BUDGETARY HIGHLIGHTS

Prior to the start of the Organization's fiscal year, the Board of the Organization adopted an annual budget. Over the course of the year, the Board of the Organization revised its budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the Organization's budget.

	All Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 9,447,984	\$ 7,032,608	\$ 7,383,402
Federal and state sources	9,577,016	9,881,174	12,011,895
Capital outlay funding	-	177,302	177,302
Gifts, grants, and other revenues	4,029,892	3,833,668	2,345,896
TOTAL REVENUES	\$ 23,054,892	\$ 20,924,752	\$ 21,918,495
EXPENDITURES			
Instruction	\$ 9,033,928	\$ 8,089,123	\$ 8,634,381
Instructional support services	1,909,880	2,126,413	1,193,277
General administration	-	-	53,538
School administration	5,999,247	5,774,770	6,256,300
Fiscal services	1,334,859	1,051,054	886,008
Food services	-	-	239,445
Central services	380,188	604,823	438,188
Pupil transportation services	673,400	539,801	539,754
Operation of plant	2,088,510	1,569,512	953,342
Maintenance of plant	974,000	493,408	375,921
Capital Outlay	13,429,493	13,606,795	19,090,468
Debt service	-	-	296,887
TOTAL EXPENDITURES	\$ 35,823,505	\$ 33,855,699	\$ 38,957,509
Excess of expenditures over revenues	\$ (12,768,613)	\$ (12,930,947)	\$ (17,039,014)
OTHER FINANCING SOURCES			
Increase in right-to-use liability	-	-	4,802,539
Proceeds from long-term financing	13,685,470	13,685,470	14,635,470
TOTAL OTHER FINANCING SOURCES	13,685,470	13,685,470	19,438,009
Net change in fund balance	\$ 916,857	\$ 754,523	\$ 2,398,995

BUDGETARY HIGHLIGHTS (Continued)

The School's initial and final budget did not reflect awards under the CARES Act that were allocated and available to the School towards the end of the year for expenses already incurred during 2021-2022.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Organization. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Roopa Gottimukkala of KIPP TEAM and Family located at 60 Park Place, Suite 802, Newark, New Jersey, 07102.

KIPP MIAMI, INC.
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 8,037,768
Restricted cash	124,317
Due from other agencies	1,782,546
Pledge receivable, current portion	550,000
Due from KSF	550,975
Due from management organization	141,182
Prepaid expenses and other current assets	249,159
TOTAL CURRENT ASSETS	<u>11,435,947</u>
Pledge receivable, net, long-term portion	498,866
Capital assets	11,531,097
Right-to-use asset, net	4,714,492
TOTAL ASSETS	<u><u>\$ 28,180,402</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 1,952,676
Advanced revenue - grants	12,121
Loans payable, current portion	2,548,000
Right-to-use liability, current portion	931
TOTAL CURRENT LIABILITIES	<u>4,513,728</u>
Right-to-use liability, long-term portion	4,780,867
Loans payable, long-term portion	12,079,470
TOTAL LIABILITIES	<u>21,374,065</u>
NET POSITION	
Restricted - debt service	124,317
Restricted - pledge	1,048,866
Unrestricted	5,633,154
TOTAL NET POSITION	<u>6,806,337</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 28,180,402</u></u>

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

KIPP MIAMI, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ 8,634,381	\$ -	\$ 6,567,236	\$ -	\$ (2,067,145)
Student and instructional support	1,193,277	-	1,045,761	-	(147,516)
General administration	53,538	-	-	-	(53,538)
School administration	6,256,300	-	4,095,918	-	(2,160,382)
Facilities acquisition & construction	2,756,832	-	-	-	(2,756,832)
Fiscal services	886,008	-	233,310	-	(652,698)
Food services	239,445	-	196,264	-	(43,181)
Central services	438,188	-	37,283	-	(400,905)
Pupil transportation services	539,754	-	113,870	-	(425,884)
Operation of plant	1,041,389	-	595,434	177,302	(268,653)
Maintenance of plant	375,921	-	149,165	-	(226,756)
Interest expense	268,146	-	-	-	(268,146)
Total Governmental Activities	\$ 22,683,179	\$ -	\$ 13,034,241	\$ 177,302	\$ (9,471,636)
GENERAL REVENUES:					
					7,383,402
					2,372,416
					<u>9,755,818</u>
					284,182
					6,522,155
					<u>\$ 6,806,337</u>

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

KIPP MIAMI, INC.
BALANCE SHEET- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,599,761	\$ -	\$ 1,438,007	\$ 8,037,768
Restricted cash	124,317	-	-	124,317
Due from other agencies	-	1,605,244	177,302	1,782,546
Due from KSF	550,975	-	-	550,975
Due from management organization	141,182	-	-	141,182
Due from fund	1,782,546	-	-	1,782,546
Deposits receivable and other assets	249,159	-	-	249,159
TOTAL ASSETS	<u>\$ 9,447,940</u>	<u>\$ 1,605,244</u>	<u>\$ 1,615,309</u>	<u>\$ 12,668,493</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 514,669	\$ -	\$ 1,438,007	\$ 1,952,676
Advanced revenue - grants	12,121	-	-	12,121
Due to fund	-	1,605,244	177,302	1,782,546
TOTAL LIABILITIES	<u>526,790</u>	<u>1,605,244</u>	<u>1,615,309</u>	<u>3,747,343</u>
FUND BALANCE				
Nonspendable				
Deposit receivable and other assets	249,159	-	-	249,159
Restricted for debt service	124,317	-	-	124,317
Unassigned	8,547,674	-	-	8,547,674
TOTAL FUND BALANCE	<u>\$ 8,921,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,921,150</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,447,940</u>	<u>\$ 1,605,244</u>	<u>\$ 1,615,309</u>	<u>\$ 12,668,493</u>

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

KIPP MIAMI, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT
OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Total Fund Balance - Governmental Funds		\$ 8,921,150
Amounts reported for governmental activities in the statement of net position are different because:		
Long term liabilities are not due in the current period and accordingly, are not reported as fund liabilities.	Loans payable	(14,627,470)
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the fund.	Capital assets	11,531,097
Right-to-use assets and liabilities used in governmental activities are not financial resources or obligations and therefore are not reported in the funds.	Right-to-use asset	4,714,492
	Right-to-use liability	(4,781,798)
Pledge receivables are not due in the current period and accordingly, are not reported in the fund.	Pledge receivable	1,100,000
	Discount provision	<u>(51,134)</u>
Total Net Position - Governmental Activities		<u>\$ 6,806,337</u>

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

KIPP MIAMI, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
REVENUES				
State passed through local	\$ 7,383,402	\$ -	\$ -	\$ 7,383,402
Federal and state sources	-	12,011,895	-	12,011,895
Capital outlay funding	-	-	177,302	177,302
Gifts, grants, and other revenues	1,073,550	1,022,346	250,000	2,345,896
TOTAL REVENUES	\$ 8,456,952	\$ 13,034,241	\$ 427,302	\$ 21,918,495
EXPENDITURES				
Current:				
Instruction	\$ 2,067,145	\$ 6,567,236	\$ -	\$ 8,634,381
Student and instructional support	147,516	1,045,761	-	1,193,277
General administration	53,538	-	-	53,538
School administration	2,160,382	4,095,918	-	6,256,300
Fiscal services	652,698	233,310	-	886,008
Food services	43,181	196,264	-	239,445
Central services	400,905	37,283	-	438,188
Pupil transportation services	425,884	113,870	-	539,754
Operation of plant	356,665	595,434	1,243	953,342
Maintenance of plant	226,756	149,165	-	375,921
Capital Outlay:				
Facilities acquisition & construction	-	-	14,287,929	14,287,929
Right-to-use assets	-	-	4,802,539	4,802,539
Debt service:				
Redemption of principal- loans	8,000	-	-	8,000
Interest- loans	112,828	-	-	112,828
Redemption of principal- right-to-use liability	-	-	20,741	20,741
Interest- right-to-use liability	-	-	155,318	155,318
TOTAL EXPENDITURES	\$ 6,655,498	\$ 13,034,241	\$ 19,267,770	\$ 38,957,509
Excess of revenues over expenditures	1,801,454	-	(18,840,468)	(17,039,014)
OTHER FINANCING SOURCES				
Transfer (to) from funds	751,564	-	(751,564)	-
Increase in Right-to-use liabilities	-	-	4,802,539	4,802,539
Proceeds from long-term financing	750,000	-	13,885,470	14,635,470
TOTAL OTHER FINANCING SOURCES	1,501,564	-	17,936,445	19,438,009
NET CHANGE IN FUND BALANCE	3,303,018	-	(904,023)	2,398,995
Fund balance at beginning of year	5,618,132	-	904,023	6,522,155
Fund balance at end of year	<u>\$ 8,921,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,921,150</u>

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

KIPP MIAMI, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Change in Fund Balance - Governmental Funds \$ 2,398,995

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

Proceeds from loans and right-to-use liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Proceeds	(14,635,470)
Repayments of principal	28,741

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	11,531,097
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In the statement of activities, amortization of the right-to-use asset is reported as an expense over the estimated life of the lease, however, in the governmental funds report it is not included as an expense.

Amortization expense	(88,047)
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Contributions pledged by donors are reported in the statement of activities, net of discount provisions, when the promise to give is received. However, governmental funds report contributions as financial resources are received.

Pledge contributions, net	<u>1,048,866</u>
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Change in Net Position of Governmental Activities	<u>\$ 284,182</u>
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The accompanying notes are an integral part of this financial statement.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

KIPP Miami, Inc. (the “Organization”) is a not-for-profit corporation, organized pursuant to Chapter 617, of the Florida Statutes, the Florida Not for Profit Corporation Act, and Section 1002.33, of the Florida Statutes. The Organization is part of the KIPP (Knowledge is Power Program) national non-profit network of college-preparatory, public charter schools educating elementary, middle and high school students.

The Organization conducts business as a School of Hope and holds the “Performance Based Agreement” to operate KIPP Miami – Liberty City (the “School of Hope”) established under Section [1002.33] of the Florida Statutes. The governing body of the School of Hope is the Board of Directors of the Organization, which is comprised of seven members.

The School of Hope was established and operates under a School of Hope Performance Based Agreement (“PBA”) between the sponsoring school district, The School Board of Miami-Dade County, Florida (the “District”) and the Organization. In accordance with Florida Statutes, a charter school may be established as a School of Hope under a PBA by a designated Hope Operator. The Organization’s designated Hope Operator is KIPP TEAM and Family Schools, Inc. (formerly known as KIPP New Jersey, Inc.), which is the Organization’s Charter Management Organization (“CMO”) per agreement with the Organization. See Note 9. The PBA is predicated on KIPP TEAM and Family Schools, Inc. continuing to serve as the CMO for the Organization. The PBA is effective until June 30, 2024 and may be renewed for an additional five years in accordance with the law and agreement. The PBA may be automatically terminated if KIPP TEAM and Family Schools, Inc. ceases to serve as the Organization’s CMO, unless the Organization has become approved as a Hope Operator in accordance with the law. The PBA may also be terminated before the date of expiration for reasons set forth in the agreement and Section 1002.33 of the Florida Statutes.

During the year ended June 30, 2022, the Organization operated four charter school campuses under the School of Hope PBA: KIPP Liberty Academy, KIPP Sunrise Academy, KIPP Courage Academy and KIPP Royalty Academy.

The accompanying financial statements of the Organization present the complete operations, balances, activities and disclosures of the School of Hope and its campuses for the year ended June 30, 2022, when approximately 994 students were enrolled in K through 8th grade. The Organization started the 2022-2023 school year operating four schools enrolling approximately 1,060 students in K through 8th grade.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the Organization is presented as a governmental organization for financial statement reporting purposes under standards set by the Governmental Accounting Standards Board (“GASB”).

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the Organization as a whole. Both statements report only governmental activities as the Organization does not engage in any business type activities. These statements do not include fiduciary funds.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue and capital project funds are reported as separate columns in the fund financial statements:

General Fund – is the Organization’s primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service and capital projects.

Capital Projects Fund – used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition and construction of capital facilities and other capital assets. Activity related to the construction and improvement projects for school facilities are reflected in this fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Organization are prepared in accordance with generally accepted accounting principles (GAAP). The Organization applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidelines*.

The government-wide statements report 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 related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Codification Section 1600.111 and Section N50 “*Accounting and Financial Reporting for Non-Exchange Transactions*”. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Organization considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay). Any revisions to the annual budget are approved by the Board.

Cash and Cash Equivalents

The Organization’s cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

Due From Other Agencies

Due from other agency consists of amounts due for revenues from federal, federal through state, state, or other sources.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the component unit financial statements. Property, plant, and equipment with initial individual costs that equal or exceed \$2,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Property, plant, and equipment are depreciated using the straight-line method over the following estimated lives:

Furniture and equipment	10 years
Hardware technology	10 years
Buildings and building improvements	40 years
Leasehold improvements	Term of lease

Compensated Absences

The Organization provides employees with unlimited paid time off as long as the request is approved in accordance with the Organization’s policies. In the event of termination, each qualifying employee is not entitled to receive payment for accumulated unused paid time off. The Organization also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated days available to be used in future benefit years.

Government-wide Fund Net Position

Government-wide fund net position are divided into three components:

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets plus deferred outflows of resources less deferred inflows of resources. The net investment in capital assets for the year ending June 30, 2022, was \$0.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments less related liabilities and deferred inflows of resources. The restricted net position for the year ending June 30, 2022 was \$1,173,183.
- Unrestricted – all other net position is reported in this category, including amounts due from affiliates and charter schools.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – fund balance associated with inventories, prepaid expenses and deposits, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). At June 30, 2022, the Organization’s nonspendable fund balance was \$249,159
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2022, the restricted fund balance was \$124,317.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Organization’s Board of Directors. At June 30, 2022, there is no committed fund balance.
- Assigned – fund balance classification are intended to be used by the Organization’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2022, there was no assigned fund balance.
- Unassigned – fund balance is the residual classification for the Organization’s general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The Organization’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance at the end of the fiscal year by adjusting journal entries. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund. As of June 30, 2022, there are no minimum fund balance requirements for any of the Organization’s funds.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Miami-Dade County (the “School Board”) pursuant to the funding provisions included in the PBA. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the Organization will report the number of full-time equivalent (FTE) students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the Organization is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Organization during the designated full-time equivalent student survey periods.

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in the Florida Statutes. For the fiscal year ended June 30, 2022, the Organization reported 957.93 unweighted FTE and 1,026.45 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.035, Florida Statutes, and Rule SA-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until completion of an FTE audit:

- Attendance and membership documentation
- Teacher certificates and other certification documentation
- Documentation for instructors teaching out-of-field
- Procedural safeguards for weighted programs
- Evaluation and planning documents for weighted programs

The Organization is eligible to receive funds from the Schools of Hope Program, created within the Florida Department of Education, for certain eligible expenditures, as defined in Section 1002.333(10). In addition, the Organization may receive other federal, state or local awards for the enhancement of various education programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal and state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Additionally, other revenues may be derived from various contributions, fundraising activities and certain other programs.

Income Taxes

The Organization qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

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

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through September 15, 2022, which is the date the financial statements were available to be issued.

NOTE 3 – DEPOSITS POLICY AND CREDIT RISK

It is the Organization's policy to maintain its cash and cash equivalents in major banks. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2022, balances held in financial institutions in excess of the Federal Depository Insurance Corporation (FDIC) limit totaled \$7,408,187.

NOTE 4 – DUE FROM OTHER AGENCIES

The amounts due from other agencies included in the accompanying statement of net position and balance sheet – governmental funds mainly consists of amounts due from the Department of Education for funding under the Elementary and Secondary School Emergency Relief Fund (ESSER) in the amount of \$801,212 and from KIPP Foundation, Inc. as pass-through entity for the federal Charter Schools Program Grant in the amount of \$467,642. Remaining amounts totaling \$513,692 are due from agencies under various other federal or state award programs. Of the total amounts due from other agencies of \$1,782,546 at June 30, 2022, \$177,302 is included in the capital projects fund as it related to capital outlay, and \$1,605,244 are included in the special revenue fund. These receivables are considered to be fully collectible and as such, no allowance for uncollectible accounts is accrued.

NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2022, the Organization's special revenue fund and capital projects fund owed the general fund \$1,605,244 and \$177,302, respectively, for expenditures awaiting reimbursement from other agencies. These amounts of inter-fund receivables and payables are netted together and not reported in the statement of net position.

During the year ended June 30, 2022, the capital projects fund transferred \$751,564 to the general fund as reimbursement for expenditures incurred prior to obtaining financing for the capital projects.

NOTE 6 – PLEDGE RECEIVABLE

The Organization received an unconditional promise to give from a member of the Board of Directors of \$1,100,000 during the year ended June 30, 2022. The pledge has been discounted to present value on the statement of net position using the discount rate of 5%. The pledge receivable, net of discount, totaled \$1,048,866 which is included as revenue in the statement of activities. The amount due within one year of June 30, 2022 totaled \$550,000, with the remaining balance due during the year end June 30, 2024.

NOTE 7 – CAPITAL AND RIGHT-TO-USE ASSETS

The following schedule provides a summary of changes in capital assets, acquired through financing from financial institutions and from the State of Florida's Revolving Loan Fund program, and from private donations or grants.

	Balance 7/1/2021	Additions	Deletions	Balance 6/30/2022
Capital assets				
Construction in progress	\$ -	\$ 11,531,097	\$ -	\$ 11,531,097
Total capital assets	<u>\$ -</u>	<u>\$ 11,531,097</u>	<u>\$ -</u>	<u>\$ 11,531,097</u>

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 – CAPITAL AND RIGHT-TO-USE ASSETS (Continued)

Construction in progress related to the projects described in Note 11. Projects were not complete as of June 30, 2022 and therefore, no depreciation has been recorded for the year ended June 30, 2022.

The following schedule describes changes in right-to-use assets:

	Balance 7/1/2021	Additions	Deletions	Balance 6/30/2022
Right-to-use assets				
Right-to-use asset- land	\$ -	\$ 4,802,539	\$ -	\$ 4,802,539
Total capital assets	\$ -	\$ 4,802,539	\$ -	\$ 4,802,539
Less accumulated amortization				
Right-to-use asset- land	-	(88,047)	-	(88,047)
Total accumulated depreciation	-	(88,047)	-	(88,047)
Right-to-use assets, net	\$ -	\$ 4,714,492	\$ -	\$ 4,714,492

Amortization expense for the year ended June 30, 2022 was \$88,047 and is allocated to operation of plant.

NOTE 8 – LOANS PAYABLE

The Organization has entered into the following loan agreements:

Revolving Loan Fund

On March 14, 2022, the Organization entered into a loan agreement with the Florida Department of Education under the School of Hope Revolving Loan Fund Program pursuant to Section 1001.292 Florida Statutes, as amended, in order to assist in financing the construction in connection with the MDC Project (see Note 11) and to support other working capital expenditures. The amount of the loan totaled \$9,835,470 and bears interest at 1.1%. Interest only payments commence April 1, 2022 through April 1, 2024, at which time quarterly payments of principal and interest are due in the amount of \$84,738 through January 1, 2029. The entire remaining balance of principal and interest is due on March 14, 2029. Interest expense for the year ended June 30, 2022 totaled \$24,644. The entire loan amount of \$9,835,470 was outstanding as of June 30, 2022.

Loan payable – KIPP Foundation, Inc.

On January 27, 2022, the Organization entered into a loan agreement of \$750,000 with KIPP Foundation, Inc. for operational purposes. The loan bears simple interest at 2% per year. The entire principal sum and all accrued interest is due in a single payment on January 31, 2025. The Organization may, at any time, pay all or a portion of the outstanding principal of the loan. The entire loan amount of \$750,000 was outstanding as of June 30, 2022.

Revolving Line of Credit

On March 29, 2022, the Organization entered into a revolving line of credit agreement with PNC Bank of up to \$1,500,000 to assist in the funding of capital projects. Advances received under the line of credit totaled \$1,350,000 during the year ended June 30, 2022. The line of credit bears interest at a rate per annum which is equal to the BSBY Rate in effect on the first day of every month plus 1.50%, which was 2.3814% at June 30, 2022. Monthly interest payments are due commencing May 1, 2022 through the maturity date of March 25, 2025 at which time all outstanding principal and accrued interest are due and payable in full. The balance on the line of credit as of June 30, 2022 was \$1,350,000. Interest expense for the year ended June 30, 2022 was \$7,507.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – LOANS PAYABLE (Continued)

Loan payable – Lender

On March 29th, 2022, the Organization entered into a loan agreement with a private lender in the amount of \$2,500,000, to be used to fund the capital projects. See Note 11. The loan bears interest of 5.75%. Monthly payments of interest only commence in April 2022 through the maturity date of April 1, 2023, at which time all unpaid principal and interest are due in full. The balance on the loan as of June 30, 2022 totaled \$2,500,000. Interest expense during the year ended June 30, 2022 was \$36,736.

Loan payable – Cafeteria

On March 7, 2022, the Organization entered into a loan agreement in the amount of \$200,000 with its food service provider to equip a new dining facility. The loan bears no interest and is payable in equal monthly installments beginning May 1, 2022 through June 30, 2026. As of June 30, 2022, the balance on the loan was \$192,000.

	Balance 7/1/21	Proceeds	Repayments	Balance at 6/30/22
Revolving Loan Fund	\$ -	\$ 9,835,470	\$ -	\$ 9,835,470
Loan payable - KIPP Foundation	-	750,000	-	750,000
Revolving Line of Credit	-	1,350,000	-	1,350,000
Loan payable - Lender	-	2,500,000	-	2,500,000
Loan payable - Cafeteria	-	200,000	(8,000)	192,000
	<u>\$ -</u>	<u>\$ 14,635,470</u>	<u>\$ (8,000)</u>	<u>\$ 14,627,470</u>

Future minimum payment under the above loan agreements are estimated as follows:

Year Ended June 30,	
2023	\$ 2,548,000
2024	123,422
2025	2,379,062
2026	281,649
2027	236,266
2028 - 2029	9,059,071
	<u>\$ 14,627,470</u>

NOTE 9 – CHARTER MANAGEMENT ORGANIZATION

The Organization entered into an education services agreement with KIPP TEAM and Family Schools, Inc. (“KTAF”), formerly known as KIPP New Jersey, to provide educational and professional support services to the Organization. In its capacity as the Organization’s CMO, KTAF manages the finances and operations of the Organization and makes recommendations to the Organization’s independent board of directors, which make the final determinations regarding, policies and contracts. In providing these services to the Organization, officers of KTAF may not serve as members of the Board of Directors of the Organization.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – CHARTER MANAGEMENT ORGANIZATION (Continued)

The agreement is in effect through June 30, 2023 with an option to renew. Either party can terminate the contract with 90 days’ notice. The agreement calls for a monthly fee of 12% of full time equivalent (FTE) revenues, which, during the year ended June 30, 2022 was estimated based on enrollment at the start of the start of the school year and adjusted to actual as of year-end. During the year-ended June 30, 2022, the Organization paid management fees based on an estimated enrollment that was higher than actual enrollment as of the end of the year. As a result, there was an amount due from KTAF of \$456,878 as of June 30, 2022. The Organization reported fees of \$886,008 for the year ended June 30, 2022.

The agreement contains a provision for healthcare benefits. With respect to healthcare benefits, KTAF shall annually obtain quotes for benefit plans for all of the Organization’s employees and shall endeavor to determine the most cost-effective means of providing health care benefits. KTAF shall provide a summary to the Organization of the quotations received, recommend a provider to be selected by the Organization and the reasons for selection of the provider as well as a copy of the final plan details. Each of the Organization’s employees shall contribute his/her applicable share of the costs of such benefits as provided by the laws of the State of Florida. The Organization shall be responsible for funding the costs incurred by KTAF to provide health care benefits to the Organization’s employees. During the year ended June 30, 2022, health care benefit expenses totaled \$1,083,455, of which \$315,696 were due to KTAF as of June 30, 2022.

As of June 30, 2022, the net amount due to the Organization under the above agreement totaled \$141,182 and is included as due from management organization on the accompanying financial statements.

NOTE 10 – SPECIAL REVENUE FUND REVENUES

Revenues reported in the special revenue fund consist of federal, state and local funds awarded to the Organization that are restricted or committed to expenditures for specific purposes other than debt service and capital projects. During the year ended June 30, 2022, these revenues consisted of the following:

Sources	Amount
Florida Department of Education:	
State funding:	
Schools of Hope Program	\$ 6,854,033
Classroom Teacher Supply	23,800
Federal funding:	
Elementary and Secondary School Emergency Relief Fund (ESSER)	2,457,743
IDEA Part B K-12 Entitlement	155,992
ARP IDEA	37,454
Elementary and Secondary Education Act Title I, Part A	494,186
Teacher and Principal Training and Recruiting Title II, Part A	30,953
Twenty-First Century Schools Title IV	33,229
Total Florida Department of Education	10,087,390
 Department of Agriculture	
Federal funding:	
National Student Lunch Program	196,264
 Federal Funds passed through the KIPP Foundation, Inc.:	
Charter Schools Program Grants for Replication and Expansion of High Quality Charter Schools - passed through KIPP Foundation	1,728,241
 Private Grants	 1,022,346
Total Revenues - Special Revenue Fund	\$ 13,034,241

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – DEVELOPMENT SERVICES AGREEMENT

In June 2021, the Organization entered into a development services agreement with KIPP South Florida Educational Facilities, Inc. (“KSF”), a nonprofit corporation whose mission is to partner with public charter schools to undertake the development, design, financing, construction, improvement, and equipping of school facilities for lease to its public school partners. This partnership will assist the Organization in leasing build-to-suit facilities to house its planned expansion of operations of public schools in the City of Miami and the City of North Miami, Florida.

Under the terms of the agreement, KSF will be responsible for certain activities related to school facilities to be leased to and occupied by the Organization, including, (i) undertaking certain pre-development and pre-construction activities necessary to enable KSF to obtain rights and interests in land or other property, (ii) obtaining entitlements and/or approvals necessary to develop the school facilities, (iii) obtaining and/or facilitating the obtaining of financing for the facilities projects and (iv) undertaking the development and construction of the school facilities projects. Each school facilities project will be approved by the Organization prior to the commencement of development services for the applicable project. It is expected and intended that for each approved school facilities project, the Organization shall obtain loans from the Revolving Loan Program of the State of Florida and shall contribute loan proceeds to KSF to fund a portion of the costs of each school facilities project. KSF shall obtain all other construction and/or permanent sources of financing to finance the balance of the costs of each school facilities project, including through the issuance of bonds and/or obtaining of loans.

The agreement acknowledges that, in anticipation of the acquisition of properties approved by the Organization and obtaining financing, KSF will be required to expend certain funds prior to closing in connection with predevelopment activities defined in the agreement. The Organization will provide funds to KSF for these predevelopment activities provided that unless otherwise agreed to in writing, such funds are either (i) credited against any amounts required to be contributed by the Organization to any school facilities project from financing obtained by the Organization, (ii) reimbursed to the Organization by KSF from the proceeds of any financing obtained by KSF and/or (iii) credited to the Organization in the form of a lower lease payment for a project.

The agreement calls for the Organization to pay a development fee to KSF equal to 5% of the total cost of each completed project. The development fee will be deemed earned and shall be paid to KSF in one lump sum upon the provision of temporary certificate of occupancy for each school building, unless otherwise agreed to by KSF.

The Organization has approved the development of the first two school facilities projects in which KSF will be engaged: (i) development of a facility on leased land at Miami Dade College North Campus (“MDC”) with a total project budget of \$28,800,000, approved in June 2021 and (ii) development of a facility on property acquired by KSF at NW 79th Street with a total project budget of \$33,300,000, approved in August 2021. Both budget figures exclude financing costs, construction period interest, and reserve funds.

The Organization paid for predevelopment expenses in connection with the approved projects that will be either credited or reimbursed to the Organization by KSF in accordance with the agreement. As of June 30, 2022, the amount remaining to be reimbursed to the Organization for predevelopment costs totaled \$550,975 and is included as due from KSF in the accompanying statement of financial position and balance sheet – governmental funds.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – DEVELOPMENT SERVICES AGREEMENT (Continued)

Below describes the projects approved by the Organization under the Development Services Agreement.

MDC Project

Construction began on the MDC project in Spring 2021. During the construction period, temporary modulars were used on the MDC property to serve students. In August 2021, the Organization entered into a ground sublease agreement with KSF for the current use of the land and the use of constructed facilities once completed. See Note 14.

In accordance with the development services agreement, the Organization is responsible for a portion of each project's construction costs. The amount paid during the year ended June 30, 2022 for MDC project construction totaled \$6,527,075, which is included in construction in progress on the accompanying statement of financial position.

The construction of the MDC project facilities was completed subsequent to year-end, in July 2022. As a result, the Organization has accrued a development fee payable of 5% of the total project costs through June 30, 2022, which amounted to \$1,438,007 and is included in accounts payable and accrued expenses on the accompanying financial statements.

79th Street Project

KSF purchased the 79th Street property during the year ended June 30, 2022. The amount paid by the Organization during the year ended June 30, 2022 to assist in the acquisition of the 79th Street property totaled \$5,004,023, which is included in construction in progress on the accompanying statement of financial position.

The Organization entered into a lease agreement with KSF for the 79th Street property on March 29, 2022. However, the commencement date of the lease is contingent upon completion of construction and issuance of the certificate of occupancy, which is anticipated to be in August 25, 2025. The Organization did not operate any schools on this property during the year ended June 30, 2022.

NOTE 12 – CAPITAL PROJECT FUND CONTRIBUTIONS

The Organization has received contributions from private donors that are restricted for construction costs related to the school facilities project. During the year ended June 30, 2022, the contribution revenue amount recognized totaled \$250,000 and is included in the capital projects fund on the accompanying statement of changes in revenues, expenditures and fund balance. All contributed amounts related to capital projects were spent as of June 30, 2022.

NOTE 13 – TRANSACTIONS WITH THE FOUNDATION

During the startup of the Organization, the KIPP Foundation, Inc. (the "Foundation"), a not-for-profit organization, served as a fiscal agent for the Organization. The fiscal agency ended on June 30, 2017. The Foundation licenses the "KIPP" name to the Organization and provides national support to all "KIPP" regions and schools, including development opportunities and pass through of gifts that are designated for schools under the Organization. During the year ended June 30, 2022, the Organization reported a total of approximately \$2,090,859 of revenue provided either directly from or through the Foundation, consisting of federal grants of \$1,728,241 and other gifts, grants, and bequests of \$362,000. In addition, amounts due to the Foundation for licensing fees of totaled \$75,026 as of June 30, 2022, and are included in accounts payable and accrued liabilities.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 14 – FACILITY LEASE COMMITMENTS

The Organization operated four schools during the year ended June 30, 2022. Starting with the 2022-2023 school year, all four schools will operate at the same location. During the 2021-2022 school year, however, each school operated out of either separate or shared locations as follows:

The Organization entered into two agreements with the District to lease the facilities in which its school campuses operate. The terms of the agreement for each campus location are as follows:

KIPP Sunrise Academy

The Organization entered into a lease agreement on November 1, 2020 with the District, effective through June 30, 2022. Under this agreement, the monthly lease payment will be the equivalent of \$600 per student per year on a monthly basis, which was equal to \$21,650 per month through June 30, 2022 based on student enrollment. The lease was not renewed subsequent to June 30, 2022.

KIPP Liberty Academy

The Organization entered into a lease agreement on November 1, 2020 with the District, effective through June 30, 2022. Under this agreement, the monthly lease payment will be the equivalent of \$600 per student per year on a monthly basis, which was equal to \$12,250 per month through June 30, 2022 based on student enrollment. The lease was not renewed subsequent to June 30, 2022.

Co-Location Service agreement

The Organization also entered into a Co-Location Service agreement with the District applicable to the fiscal year end June 30, 2022. Under the terms of the agreement, the District provided localized support and solutions to include facilities coordination, food services, and IT support services for the above school locations. The one-time co-location fee during the 2021-2022 school year totaled \$51,060. The Organization paid the fee and did not renew the agreement for the following school year.

KIPP Courage Academy and KIPP Royalty Academy

Modular lease agreement

In May 2021, the Organization entered into agreements to lease modular trailers. The lease terms for the trailers began July 1, 2021 and terminated on June 30, 2022. The Organization may extend the lease term on a month to month basis as necessary until the equipment is returned. A payment of \$1,318,825 was required in October 2021 representing a portion of the rent for the term. The remaining rent was payable in monthly payments of \$43,976, with the first payment being made in July 2021. The modular equipment is to be returned to the lessor at the termination date. The Organization was required to pay a security deposit of \$204,200 which will be refunded upon return of the trailers. The Organization was using these temporary facilities on the property related to the MDC project while the facilities were being constructed. The construction was completed in July 2022. As of the date of these financial statements, the Organization is no longer using the trailers and is in the process of returning them to the lessor. Until returned, the Organization is paying the monthly lease amount on a month-to-month basis.

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 14 – FACILITY LEASE COMMITMENTS (Continued)

Right-to-use liability under Ground Sublease agreement

In connection with the MDC project (see Note 11), the Organization entered into a Ground sublease agreement with KSF for use of the land house the temporary facilities and ultimate use of the constructed facilities. The components of basic rent under the sublease agreement are as follows:

- Rent owed to the District under Ground lease agreement between the District and KSF: Commencing August 1, 2021, annual rent of \$240,000, payable monthly, is required for use of the land to house the temporary facilities and constructed facilities. Starting August 1, 2026, the annual base rent shall then increase by an amount determined by the actual increase in CPI with a minimum increase of 2% and a maximum increase of 6% every three years through the expiration date of August 1, 2062. The term can be extended for two additional 10 year periods subsequent to the expiration date. Total payments during the year ended June 30, 2022 were \$220,000.
- Debt service and other financing obligations: Commencing upon completion of construction and certificate of occupancy of the new facilities, monthly payments of debt service related to debt borrowed for the project.
- Operating expenses: Commencing upon completion of construction and certificate of occupancy of the new facilities, the Organization shall pay all operating expenses of KSF.

On July 1, 2021 the Organization implemented GASB Statement No. 87 Leases, and as a result recorded a lease right of use asset and liability in these financial statements for the component of basic rent under the Ground Sublease agreement related to the use of the land. The right to use asset and liability were calculated at the commencement date of the payments, August 1, 2021, by discounting the future lease payments over the term of the lease (including the first renewal period) at an interest rate of 5%. During the year ended June 30, 2022, interest expense related to the right to use liability was \$155,318 and the amortization of the right to use asset was \$88,047.

Annual requirements to amortize the lease liability and related interest are estimated as follows:

Year Ended June 30,	Interest	Principal	Total	
2023	\$ 239,067	\$ 931	\$ 239,998	
2024	239,021	979	240,000	
2025	238,971	1,029	240,000	
2026	238,918	1,082	240,000	
2027	238,770	5,630	244,400	
2028 - 2032	1,187,846	50,434	1,238,280	(Total for 5 Year Period)
2033 - 2037	1,167,671	115,128	1,282,799	(Total for 5 Year Period)
2038- 2042	1,129,812	194,330	1,324,142	(Total for 5 Year Period)
2043 - 2047	1,068,759	298,406	1,367,165	(Total for 5 Year Period)
2048 - 2052	977,707	438,601	1,416,308	(Total for 5 Year Period)
2053 - 2057	847,645	614,298	1,461,943	(Total for 5 Year Period)
2058 - 2062	666,966	842,484	1,509,450	(Total for 5 Year Period)
2063 - 2067	425,547	1,096,353	1,521,900	(Total for 5 Year Period)
2068 - 2072	120,772	1,122,113	1,242,885	(Total for 5 Year Period)
	\$ 8,787,472	\$ 4,781,798	\$ 13,569,270	

KIPP MIAMI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 14 – FACILITY LEASE COMMITMENTS (Continued)

Changes in long term right to use liability during the year are as follows:

	Balance 7/1/2021	Additions	Decreases	Balance 6/30/2022
Right-to-use liability	\$ -	\$ 4,802,539	\$ (20,741)	\$ 4,781,798
Total right-to-use liability	<u>\$ -</u>	<u>\$ 4,802,539</u>	<u>\$ (20,741)</u>	<u>\$ 4,781,798</u>

The Organization will recognize their right to use the facilities component of the sublease agreement upon completion of the construction and occupancy.

NOTE 15 – RELATED PARTY TRANSACTIONS

The Organization leased its facilities from the District during the year ended June 30, 2022. See Note 14.

The Organization received a pledge contribution of \$1,100,000 from one of its board members during the year ended June 30, 2022.

NOTE 16 – RISK MANAGEMENT

The Organization 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 Organization carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

NOTE 17 – GRANT CONTINGENCIES

In the normal course of operations, the Organization receives grant funds from various federal, state and local agencies. See Note 10. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements. In management’s opinion, there will be no adjustments resulting from future audits on grant periods through June 30, 2022, which will have a material effect on the financial statements.

NOTE 18 – RETIREMENT PLAN

The Organization has a salary reduction plan (an IRC Section 403(b) plan) (the “Plan”), whereby employees may make elective tax deferred contributions to the Plan. All full-time employees are eligible to participate in the Plan upon hiring. The Organization has the option to make discretionary matching contributions and discretionary lump-sum contributions to the Plan. The contributions vest 100% after three years of service which is computed based on 1,000 hours of service. During the year ended June 30, 2022, the Organization contributed \$392,086 to the Plan.

REQUIRED SUPPLEMENTAL INFORMATION

KIPP MIAMI, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 9,447,984	\$ 7,032,608	\$ 7,383,402
Gifts, grants, and other revenues	2,500,000	2,303,776	1,073,550
TOTAL REVENUES	11,947,984	9,336,384	8,456,952
EXPENDITURES			
Instruction	\$ 3,024,557	\$ 1,997,986	\$ 2,067,145
Instructional support services	1,128,416	1,212,575	147,516
General administration	-	-	53,538
School administration	2,358,259	2,049,804	2,160,382
Fiscal services	1,133,758	843,913	652,698
Food services	-	-	43,181
Central services	316,188	540,823	400,905
Pupil transportation services	673,400	539,801	425,884
Operation of plant	2,088,510	1,569,512	356,665
Maintenance of plant	864,016	493,408	226,756
Debt service	-	-	120,828
TOTAL EXPENDITURES	11,587,104	9,247,822	6,655,498
Excess of revenues over expenditures	360,880	88,562	1,801,454
OTHER FINANCING SOURCES			
Transfer to other funds	-	-	751,564
Proceeds from long-term note payable	-	-	750,000
TOTAL OTHER FINANCING SOURCES	-	-	1,501,564
Net change in fund balance	\$ 360,880	\$ 88,562	\$ 3,303,018

See accompanying note to the required supplemental information.

KIPP MIAMI, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal and state sources	\$ 9,577,016	\$ 9,881,174	\$ 12,011,895
Gifts, grants, and other revenues	1,229,892	1,229,892	1,022,346
TOTAL REVENUE	\$ 10,806,908	\$ 11,111,066	\$ 13,034,241
EXPENDITURES			
Instruction	\$ 6,009,371	\$ 6,091,137	\$ 6,567,236
Student and instructional support	781,464	913,838	1,045,761
School administration	3,640,988	3,724,966	4,095,918
Fiscal services	201,101	207,141	233,310
Food services	-	-	196,264
Central services	64,000	64,000	37,283
Pupil transportation services	-	-	113,870
Operation of plant	-	-	595,434
Maintenance of plant	109,984	109,984	149,165
TOTAL EXPENDITURES	10,806,908	11,111,066	13,034,241
Net change in fund balance	\$ -	\$ -	\$ -

See accompanying note to the required supplemental information.

KIPP MIAMI, INC.
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The Organization’s annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2022, has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general and special revenue funds for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).



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*

Board of Directors of
KIPP Miami, Inc.
Miami, 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 Miami, Inc. (the “Organization”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements, and have issued our report thereon dated September 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Verdeja De Armas Trujillo & Alway, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 15, 2022



MANAGEMENT LETTER

Board of Directors of
KIPP Miami, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of KIPP Miami, Inc. (the "Organization"), a nonprofit organization and a component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 15, 2022.

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 Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 15, 2022, 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 findings or recommendations in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the Organization are KIPP Miami – Liberty City and #132332.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the Organization has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Organization 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 Organization. It is management's responsibility to monitor the Organization'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. The financial condition assessment procedures applied in connection with our audit, has lead us to believe that the Organization's overall financial condition as of June 30, 2022 is not deteriorating.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the Organization 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 Organization maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such 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 Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the School Board of Miami-Dade County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Verdeja De Armas Trujillo & Alvarez, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 15, 2022