

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

**Basic Financial Statements and  
Supplementary Information**

**For the year ended  
June 30, 2018**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	26
Note to Required Supplementary Information	27
SINGLE AUDIT AND COMPLIANCE INFORMATION	
Schedule of Expenditures of Federal Awards	29
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 <i>Government Auditing Standards</i>	30
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	32
Schedule of Findings and Questioned Costs	34
Management Letter	36

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
KIPP Voice/KIPP Impact School  
Jacksonville, Florida

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Voice/KIPP Impact School (the "School"), a component unit of the School Board of Duval County, Florida (the "District"), and a division of KIPP Jacksonville, Inc. (the "Charterholder") as of and for the year ended June 30, 2018, 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.

### ***Opinion***

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, 2018, 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, 2018, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the Charterholder or District.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management 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 an opinion on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements of the School. The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018 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 27, 2018  
Melbourne, Florida

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

## Management's Discussion and Analysis

As management of KIPP Voice/KIPP Impact 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, 2018 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 Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found as listed on the table of contents of this report.

### Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$776,593.
- The net position of the School increased by \$43,071 during the year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$450,114.
- The 2017 balances have been restated to be the combined ending balances of KIPP Voice and KIPP Impact schools to reflect the balances as of the merger date of July 1, 2017.

### 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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

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

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

The government-wide financial statements can be found as listed on the table of contents of this report.

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

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

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

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

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

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

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

## Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by \$776,593 and by \$733,522 as of June 30, 2018 and 2017, respectively.

The largest 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. Another portion of net position is the unrestricted portion.

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

### KIPP Voice/KIPP Impact School Statement of Net Position

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Variance</b>
<b>ASSETS</b>			
Current assets	\$ 1,391,547	\$ 1,717,886	\$ (326,339)
Capital assets, net of accumulated depreciation	1,131,181	1,240,919	(109,738)
Total assets	<u>2,522,728</u>	<u>2,958,805</u>	<u>(436,077)</u>
<b>LIABILITIES</b>			
Current liabilities	1,083,220	1,279,856	(196,636)
Noncurrent liabilities	662,915	945,427	(282,512)
Total liabilities	<u>1,746,135</u>	<u>2,225,283</u>	<u>(479,148)</u>
<b>NET POSITION</b>			
Net investment in capital assets	326,479	135,912	190,567
Unrestricted	450,114	597,610	(147,496)
Total net position	<u>\$ 776,593</u>	<u>\$ 733,522</u>	<u>\$ 43,071</u>

The decrease in current assets is due to the timing of cash inflows and outflows for the year ended June 30, 2018. The decrease in current liabilities is due to the timing of vendor invoices at June 30, 2018. The decrease in noncurrent liabilities is primarily due to reduction of debt as described in Note D.



**KIPP Voice/KIPP Impact School  
Statement of Activities**

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 1,513,903	\$ 1,809,834	\$ (295,931)
General revenues:			
State passed through school district	5,503,755	5,715,818	(212,063)
Gifts, grants and bequests	1,729,540	1,073,028	656,512
Other revenues	641,330	1,125,386	(484,056)
Forgiveness of accrued rent	-	2,212,751	(2,212,751)
Total revenues	<u>9,388,528</u>	<u>11,936,817</u>	<u>(2,548,289)</u>
Expenses:			
Instruction	4,212,717	4,007,625	205,092
Parental involvement	630,388	501,773	128,615
Staff development	152,282	170,782	(18,500)
School administration	1,636,764	1,950,602	(313,838)
Fiscal services	142,555	144,422	(1,867)
Food services	653,012	681,653	(28,641)
Central services	289	60,424	(60,135)
Transportation	184,158	178,153	6,005
Operation of plant	1,716,206	1,362,066	354,140
Maintenance of plant	17,086	127,139	(110,053)
Enrichment	-	1,156	(1,156)
Total expenses	<u>9,345,457</u>	<u>9,185,795</u>	<u>159,662</u>
Change in net position	43,071	2,751,022	(2,707,951)
Net position - beginning	<u>733,522</u>	<u>(2,017,500)</u>	<u>2,751,022</u>
Net position - ending	<u>\$ 776,593</u>	<u>\$ 733,522</u>	<u>\$ 43,071</u>

The decrease in total revenues is primarily due to the forgiveness of accrued rent which occurred in the prior year. The School was successful in obtaining a higher amount of contributions during 2018 compared to 2017 as well.

The increase in total expenses was due to increased costs for operation of plant and instruction which in turn was primarily due to increased salary costs. These increases were offset by reduced costs for school administration primarily due to a reduced admin district fee. This reduction in the admin district fee was due to a partial rebate as a result of the merger between the KIPP Impact and KIPP Voice Schools.

## **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 \$450,114.

### **General Fund Budgetary Highlights**

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

### **Capital Asset and Debt Administration**

**Capital Assets.** The School's capital assets for its governmental activities as of June 30, 2018, amounts to \$1,131,181 (net of accumulated depreciation). These capital assets include land, furniture, fixtures and equipment, and software. Additional information on the School's capital assets can be found in Note C of this report.

**Debt Administration.** During the year, accrued rent was forgiven and the School financed the acquisition of new buses. The School's long-term portion at June 30, 2018 totaled \$662,915 a decrease of \$300,305 from the June 30, 2017 outstanding balance of \$1,105,007. The balance as of June 30, 2018, is due to the School's portion of the bus loan which totaled \$804,702. Additional information about the School's long-term obligations can be found in Note D.

**Economic Factors and Events Affecting Operations.** A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase from 775 students in the current year to 777 students for the 2018/2019 school year. Effective July 1, 2018, KIPP Jacksonville K-8 School was merged into KIPP Voice/KIPP Impact School.

### **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 Voice/KIPP Impact School  
(A division of KIPP Jacksonville, Inc.)**

**STATEMENT OF NET POSITION**

**June 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 351,550
Accounts receivable	287,790
Due from KIPP Jacksonville Alliance	<u>752,207</u>
Total current assets	<u>1,391,547</u>
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated	
Land	10,290
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	1,113,412
Software	<u>7,479</u>
Total capital assets	<u>1,131,181</u>
Total assets	<u>2,522,728</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	18,147
Accrued expenses	71,996
Due to KIPP Jacksonville, Inc.	851,290
Current portion of long-term debt	<u>141,787</u>
Total current liabilities	1,083,220
<b>NONCURRENT LIABILITIES</b>	
Long-term debt	<u>662,915</u>
Total liabilities	<u>1,746,135</u>
<b>NET POSITION</b>	
Net investment in capital assets	326,479
Unrestricted	<u>450,114</u>
Total net position	<u><u>\$ 776,593</u></u>

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

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

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2018**

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	\$ 4,212,717	\$ -	\$ 805,236	\$ -	\$ (3,407,481)
Parental involvement	630,388	-	-	-	(630,388)
Staff development	152,282	-	-	-	(152,282)
School administration	1,636,764	-	-	-	(1,636,764)
Fiscal services	142,555	-	-	-	(142,555)
Food services	653,012	-	708,667	-	55,655
Central services	289	-	-	-	(289)
Transportation	184,158	-	-	-	(184,158)
Operation of plant	1,716,206	-	-	-	(1,716,206)
Maintenance of plant	17,086	-	-	-	(17,086)
Total governmental activities	<u>\$ 9,345,457</u>	<u>\$ -</u>	<u>\$ 1,513,903</u>	<u>\$ -</u>	<u>(7,831,554)</u>
General revenues:					
State passed through school district					5,503,755
Gifts, grants and bequests					1,729,540
Other revenues					641,330
Total general revenues					<u>7,874,625</u>
Change in net position					43,071
Net position at July 1, 2017					<u>733,522</u>
Net position at June 30, 2018					<u>\$ 776,593</u>

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

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 351,550	\$ -	\$ 351,550
Accounts receivable	287,790	-	287,790
Due from KIPP Jacksonville Alliance	752,207	-	752,207
Total assets	\$ 1,391,547	\$ -	\$ 1,391,547
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 18,147	\$ -	\$ 18,147
Accrued expenses	71,996	-	71,996
Due to KIPP Jacksonville, Inc.	851,290	-	851,290
Total liabilities	941,433	-	941,433
<b>FUND BALANCES</b>			
Unassigned	450,114	-	450,114
Total liabilities and fund balances	\$ 1,391,547	\$ -	\$ 1,391,547

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

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

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

**June 30, 2018**

Fund balances - total governmental funds \$ 450,114

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

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

Land	\$ 10,290	
Furniture, fixtures and equipment, net	1,113,412	
Software, net	<u>7,479</u>	
Total capital assets		1,131,181

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

Long-term debt		<u>(804,702)</u>
Total net position of governmental activities		<u><u>\$ 776,593</u></u>

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

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

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

**For the year ended June 30, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Federal grant	\$ -	\$ 774,790	\$ 774,790
Federal passed through state	-	739,113	739,113
State passed through school district	5,503,755	-	5,503,755
Gifts, grants and bequests	1,729,540	-	1,729,540
Other revenues	641,330	-	641,330
Total revenues	<u>7,874,625</u>	<u>1,513,903</u>	<u>9,388,528</u>
<b>Expenditures</b>			
Current:			
Instruction	3,974,992	231,357	4,206,349
Parental involvement	304,855	325,533	630,388
Staff development	121,837	30,445	152,282
School administration	1,562,844	66,887	1,629,731
Fiscal services	142,555	-	142,555
Food services	563,516	89,496	653,012
Central services	289	-	289
Transportation	88,545	-	88,545
Operation of plant	1,640,806	58,206	1,699,012
Maintenance of plant	17,086	-	17,086
Debt service	144,650	-	144,650
Fixed capital outlay	16,469	-	16,469
Total expenditures	<u>8,578,444</u>	<u>801,924</u>	<u>9,380,368</u>
Excess (deficiency) revenues over (under) expenditures	<u>(703,819)</u>	<u>711,979</u>	<u>8,160</u>
Other financing sources (uses):			
Transfers in	711,979	-	711,979
Transfers out	-	(711,979)	(711,979)
Loan reduction due to new estimation	(155,655)	-	(155,655)
Total other financing sources (uses)	<u>556,324</u>	<u>(711,979)</u>	<u>(155,655)</u>
Net change in fund balances	(147,495)	-	(147,495)
Fund balances at July 1, 2017	597,609	-	597,609
Fund balances at June 30, 2018	<u>\$ 450,114</u>	<u>\$ -</u>	<u>\$ 450,114</u>

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

**KIPP Voice/KIPP Impact 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, 2018**

Net change in fund balances - total government funds \$ (147,495)

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

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

Capital outlay	\$ 16,469	
Depreciation expense	<u>(126,208)</u>	
		(109,739)

The issuance of long-term debt provides current financial  
resources to governmental funds, while the repayment of  
the principal of long-term debt consumes current financial  
resources of governmental funds. Neither transaction,  
however, has any effect on net assets.

Principal payments on long-term debt	144,650	
Reduction on long-term debt due to new estimation	<u>155,655</u>	
		<u>300,305</u>

Change in net position of governmental activities \$ 43,071

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



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

1. Reporting entity

KIPP Voice/KIPP Impact School (the "School") is a division of KIPP Jacksonville, Inc. (the "Charterholder") which is a Florida non-profit corporation. The School provides education services to students in kindergarten through eighth grade. The governing body of the School is the Board of Directors (the "Board"), which is composed of ten members. Effective July 1, 2017, KIPP Voice School merged into KIPP Impact School to form KIPP Voice/KIPP Impact School.

The financial information presented is that of the School only and is not intended to be a complete presentation of the Charterholder. Additionally, there are financial statements issued for a related school and a consolidated financial statement issued for the Charterholder.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Duval County, Florida (the "District"). The current charter is effective until June 30, 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. The School is considered a component unit of the District.

2. Government-wide and fund financial statements

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

Net position, the sum of assets and deferred outflows less liabilities and deferred inflows, as presented in the statement of net position, is subdivided into three categories: amounts invested in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation. Unrestricted net position includes all of the remaining net position that do not meet the definition of the other two categories.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

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

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

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

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

4. Cash

Cash is made up of cash on hand at the School and checking accounts held at financial institutions. The School has no cash equivalents.

5. Accounts receivable

Accounts receivable typically include amounts due from other agencies. The School's management determined, based on prior experience, that 100% of accounts receivable are deemed to be fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

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

7. Capital assets

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

7. Capital assets (continued)

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

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

8. Revenue sources

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

9. Use of estimates

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**10. Income taxes**

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

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

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

**11. Fund balance classification**

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

11. Fund balance classification (continued)

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

**NOTE B - CASH**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The bank balances of the School's deposits were approximately \$351,550 at June 30, 2018. 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.

**NOTE C - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets not depreciated:				
Land	\$ 10,290	\$ -	\$ -	\$ 10,290
Capital assets depreciated:				
Furniture, fixtures and equipment	1,639,422	-	-	1,639,422
Software	59,002	16,469	-	75,471
Total assets depreciated	1,698,424	16,469	-	1,714,893
Less accumulated depreciation:				
Furniture, fixtures and equipment	(408,792)	(124,712)	-	(533,504)
Software	(59,002)	(1,496)	-	(60,498)
Total accumulated depreciation	(467,794)	(126,208)	-	(594,002)
Total governmental activities capital assets, net	<u>\$ 1,240,920</u>	<u>\$ (109,739)</u>	<u>\$ -</u>	<u>\$ 1,131,181</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE C - CAPITAL ASSETS (continued)**

Depreciation expense at June 30, 2018 was charged to functions of the School as follows:

Transportation	\$	95,613
Operations of plant		17,194
School administration		7,033
Instruction		6,368
		6,368
	\$	126,208

**NOTE D - NONCURRENT LIABILITIES**

A summary of changes in noncurrent liabilities is as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Adjustments</u>	<u>Balance at June 30, 2018</u>	<u>Due within one year</u>
Wells Fargo (Bus loan)	<u>\$ 1,105,007</u>	<u>\$ -</u>	<u>\$ (144,650)</u>	<u>\$ (155,655)</u>	<u>\$ 804,702</u>	<u>\$ 141,787</u>

Wells Fargo (Bus loan)

On July 27, 2016, the Charterholder entered into a loan for acquiring and maintaining school buses. This loan is allocated across several entities with the School's portion being \$804,702 as of June 30, 2018. The loan bears interest at a rate of 3.61% per annum for a term of seven years. The School's portion of principal and interest of \$42,233 is due quarterly. The loan is secured by the underlying property.

As of June 30, 2018, the future principal and interest maturities are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 141,787	\$ 27,145
2020	146,976	21,956
2021	152,354	16,578
2022	157,929	11,003
2023	163,707	5,225
2024	41,949	379
	\$ 804,702	\$ 82,286

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE E - CONCENTRATIONS**

Revenue sources

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

Sources	Amounts
School Board of Duval County, Florida:	
Base student allocation	\$ 3,982,289
Class size reduction	937,099
Supplemental academic instruction	176,495
Student transportation	188,661
Instructional materials allocation	57,598
Safe schools	20,522
Digital classroom allocation	15,166
Reading allocation	33,516
School improvement	1,432
Lead teachers program	11,925
School recognition program	78,145
Science laboratory materials	907
Subtotal	5,503,755
Title I funds	465,828
Capital outlay	175,670
IDEA	133,292
Title II funds	30,446
Total School Board of Duval County, Florida	6,308,991
Gifts, grants and bequests	1,729,540
National school lunch program	708,667
Other revenues	641,330
Total revenues	\$ 9,388,528



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

1. Accounting services

The Charterholder entered into an agreement with the operating company which expired on June 30, 2016 and still in effect on a month by month basis. This agreement calls for an ongoing fee for accounting services to be paid in monthly installments of \$6,000.

The accounting services are allocated 72% to KIPP Voice/KIPP Impact School and 28% to KIPP Jacksonville K-8 School, which is based on the number of students enrolled. The amount charged to operations for the year ended June 30, 2018 was approximately \$51,840.

2. 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, 2018 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.

3. Legal

The School may be involved in legal actions arising from the normal course of activities and is also subject to periodic audits and inquiries by various regulatory agencies. Management is not aware of any pending or threatened litigation, claims or unasserted claims or assessments that may have a material effect on the School's financial statements.

**NOTE G - RELATED PARTIES**

1. Due (to) from KIPP Jacksonville K-8 School

The School shares its facility with KIPP Jacksonville K-8 School. As a result, there are also shared expenses including, but not limited to: administrative salaries and benefits, utilities and accounting services. The expenses are allocated 72% to KIPP Voice/KIPP Impact School and 28% to KIPP Jacksonville K-8 School, which is based on the number of students enrolled.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE G - RELATED PARTIES (continued)**

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

The School's checks are disbursed using the operating cash account of KIPP Jacksonville, Inc. and expenses are allocated accordingly. The due from (to) accounts on the balance sheet consist of amounts due from the management company to the School or vice versa. As of June 30, 2018 the School has \$851,290 due to Jacksonville, Inc.

3. Due from (to) KIPP Jacksonville Alliance

Jacksonville Alliance for KIPP Schools, Inc. ("JAKS") holds, develops and maintains financing as needed for the School. As of June 30, 2018 the School has \$752,207 due from JAKS.

**NOTE H - RISK MANAGEMENT**

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

**NOTE I - SUBSEQUENT EVENTS**

The School has evaluated subsequent events and transactions for potential recognition or disclosure through September 27, 2018, the date at which the financial statements were available to be issued, and has determined that no material events have occurred that would warrant additional disclosure in the financial statements except as discussed below.

Effective July 1, 2018, KIPP Jacksonville K-8 School was merged into KIPP Voice/KIPP Impact School.

**REQUIRED SUPPLEMENTARY INFORMATION**

**KIPP Voice/KIPP Impact 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, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
State passed through school district	\$ 6,032,098	\$ 5,503,755	\$ 5,503,755	\$ -
Gifts, grants and bequests	2,116,965	1,729,540	1,729,540	-
Other revenues	-	641,330	641,330	-
Total revenues	<u>8,149,063</u>	<u>7,874,625</u>	<u>7,874,625</u>	<u>-</u>
Expenditures				
Instruction	3,146,132	3,974,992	3,974,992	-
Parental involvement	655,992	304,855	304,855	-
Staff development	191,891	121,837	121,837	-
School administration	1,665,935	1,562,844	1,562,844	-
Fiscal services	155,841	142,555	142,555	-
Food service	741,153	563,516	563,516	-
Central services	2,425	289	289	-
Transportation	248,717	88,545	88,545	-
Operation of plant	1,178,383	1,640,806	1,640,806	-
Maintenance of plant	17,944	17,086	17,086	-
Debt service	144,650	144,650	144,650	-
Total expenditures	<u>8,149,063</u>	<u>8,561,975</u>	<u>8,561,975</u>	<u>-</u>
Change in net position	<u>\$ -</u>	<u>\$ (687,350)</u>	<u>\$ (687,350)</u>	<u>\$ -</u>
Adjustments to conform to GAAP:				
Capital outlay expenditures			<u>\$ (16,469)</u>	
Excess (deficiency) revenues over (under) expenditures			(703,819)	
Other financing sources			556,324	
Fund balances at July 1, 2017			<u>597,609</u>	
Fund balances at June 30, 2018			<u>\$ 450,114</u>	

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**For the year ended June 30, 2018**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION/PASS THROUGH DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA</b>		
Title I Grants to Local Educational Agencies	84.010	\$ 465,828
Special Education Grants to States	84.027	133,292
Improving Teacher Quality State Grants	84.367	30,446
		<u>629,566</u>
 <b>U.S. DEPARTMENT OF AGRICULTURE/PASS THROUGH FLORIDA DEPARTMENT OF EDUCATION</b>		
<u>Pass through from KIPP Jacksonville, Inc:</u>		
National School Lunch Program (NSLP)	10.555	708,667
		<u>\$ 1,338,233</u>

**Note 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of the School during its fiscal year June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2. INDIRECT COST RATE**

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

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

To the Board of Directors  
KIPP Voice/KIPP Impact School  
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of KIPP Voice/KIPP Impact 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, 2018, 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 27, 2018.

**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 27, 2018  
Melbourne, Florida

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

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

To the Board of Directors  
KIPP Voice/KIPP Impact School  
Jacksonville, Florida

**Report on Compliance for Each Major Federal Program**

We have audited KIPP Voice/KIPP Impact 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 Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

September 27, 2018  
Melbourne, Florida

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2018**

**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**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) are included in this schedule? **No**

The programs tested as major programs are as follows:

CFDA Number

Name of Program

10.555

National School Lunch Program

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

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2018**

**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 Voice/KIPP Impact School  
Jacksonville, Florida

### Report on the Financial Statements

We have audited the financial statements of KIPP Voice/KIPP Impact School (the "School"), a component unit of the School Board of Duval County, Florida (the "District"), and a division of KIPP Jacksonville, Inc. (the "Charterholder"), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 27, 2018.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.850, 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 required by the Uniform Guidance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 27, 2018, 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 or recommendations.

## **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name of the official title of the entity. As of July 1, 2017, to reflect the merging of KIPP Voice School and KIPP Impact School, the official title of the entity is KIPP Voice/KIPP Impact School, a component unit of the School Board of Duval County, Florida, and a division of KIPP Jacksonville, Inc.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

## **Transparency**

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

## **Additional Matters**

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

September 27, 2018  
Melbourne, Florida

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