

**KIPP AMP ACADEMY CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

# KIPP AMP ACADEMY CHARTER SCHOOL

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**June 30, 2006**

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# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
KIPP AMP Academy Charter School

We have audited the accompanying statement of financial position of KIPP AMP Academy Charter School (the "School") as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the period from March 15, 2005 (date of inception) to June 30, 2006. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2006, and the changes in its net assets and its cash flows for the period from March 15, 2005 (date of inception) to June 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 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 on 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* and should be considered in assessing the results of our audit.

*Goldstein Golub Kessler LLP*

**GOLDSTEIN GOLUB KESSLER LLP**

September 15, 2006

# KIPP AMP ACADEMY CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

June 30, 2006

### ASSETS

Cash	\$467,602
Grants and Contracts Receivable	130,934
Property and Equipment, net	195,020
Prepaid Expenses and Other Assets	13,145
<b>Total Assets</b>	<b>\$806,701</b>

### LIABILITIES AND NET ASSETS

#### Liabilities:

Accounts payable and accrued expenses	\$ 91,695
Due to related parties	8,130
Refundable advances from state and local government grants	35,000
Capital lease obligation	36,018

<b>Total liabilities</b>	<b>170,843</b>
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#### Contingency

#### Net Assets:

Unrestricted	415,878
Temporarily restricted	219,980

<b>Total net assets</b>	<b>635,858</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$806,701</b>
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See Notes to Financial Statements

# KIPP AMP ACADEMY CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

Period from March 15, 2005 (date of inception) to June 30, 2006

	Unrestricted	Temporarily Restricted	Total
Operating revenue:			
State and local per pupil operating revenue	\$616,253		\$ 616,253
Government grants and contracts	324,643		324,643
Total operating revenue	940,896		940,896
Operating expenses:			
Program services:			
School operations	677,647		677,647
School start-up	20,768		20,768
Total program services	698,415		698,415
Supporting services:			
Management and general	51,633		51,633
Fund-raising	24,282		24,282
Total supporting services	75,915		75,915
Total operating expenses	774,330		774,330
School operating surplus	166,566		166,566
Other revenue and expenses:			
Contributions and other grants	215,341	\$219,980	435,321
Interest and other income - net	3,855		3,855
Donated services	30,116		30,116
Change in net assets and net assets at end of period	\$415,878	\$219,980	\$ 635,858

See Notes to Financial Statements

# KIPP AMP ACADEMY CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES

**Period from March 15, 2005 (date of inception) to June 30, 2006**

	Program Services		Total Program Services	Supporting Services			Total
	School Operations	School Start-up		Management and General	Fund- raising	Total Supporting Services	
Salaries	\$366,549		\$366,549	\$28,309	\$19,564	\$47,873	\$414,422
Payroll taxes and employee benefits	55,246		55,246	5,662	3,913	9,575	64,821
Equipment	33,842	\$ 1,847	35,689				35,689
Professional fees	2,210		2,210	16,513		16,513	18,723
Contracted services - other	14,687		14,687	254	35	289	14,976
Supplies and materials	40,236	3,730	43,966	666	619	1,285	45,251
Telephone	11,456	755	12,211	6	46	52	12,263
Insurance	7,504		7,504				7,504
Food	2,183	10	2,193		10	10	2,203
Orchestra	1,234		1,234				1,234
Field lessons	27,986		27,986				27,986
Staff development	36,139	14,276	50,415	223	55	278	50,693
Fees	5,595	150	5,745		40	40	5,785
Other	40,565		40,565				40,565
Depreciation and amortization	32,215		32,215				32,215
<b>Total operational expenses</b>	<b>677,647</b>	<b>\$20,768</b>	<b>\$698,415</b>	<b>\$51,633</b>	<b>\$24,282</b>	<b>\$75,915</b>	<b>\$774,330</b>
Management and general	51,633						
Fund-raising	24,282						
<b>Subtotal</b>	<b>\$753,562</b>						
Total number of students	68						
Average cost per student	<b>\$ 11,082</b>						

See Notes to Financial Statements

# KIPP AMP ACADEMY CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

**Period from March 15, 2005 (date of inception) to June 30, 2006**

Cash flows from operating activities:	
Change in net assets	\$ 635,858
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	32,215
Changes in operating assets and liabilities:	
Increase in grants and contracts receivable	(130,934)
Increase in prepaid expenses and other assets	(13,145)
Increase in accounts payable and accrued expenses	91,695
Increase in refundable advances from state and local government grants	35,000
Increase in due to related parties	8,130
<b>Net cash provided by operating activities</b>	<b>658,819</b>
Cash used in investing activity - purchases of property and equipment	(182,820)
Cash used in financing activity - payments made on capital lease obligation, net proceeds	(8,397)
<b>Net increase in cash and cash at end of period</b>	<b>\$ 467,602</b>

### **Supplemental disclosure of cash flow information:**

Cash paid during the period for interest	\$ 2,034
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### **Supplemental schedule of noncash investing and financing activity:**

Purchase of equipment financed by capital lease	\$ 44,415
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See Notes to Financial Statements

# KIPP AMP ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2006

**1. PRINCIPAL  
BUSINESS  
ACTIVITY AND  
SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES:**

KIPP AMP Academy Charter School (the "School") is an educational corporation that operates in the borough of Brooklyn and county of Kings, New York. On March 15, 2005, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration.

During the period from March 15, 2005 to June 30, 2005, although the School's operation was dormant it generated revenue and expense activities. Additionally, during the period from July 1, 2005 to June 30, 2006, the School incurred other startup related costs pertaining to the School's first year of active operations.

The School's mission is to develop and strengthen the students' academic skills, intellectual habits, and character traits needed to succeed in top quality high schools, colleges, and to contribute to the social improvement of their own community and society at large.

In fiscal year 2006, the School operated classes for students in the 5<sup>th</sup> grade.

The New York City Department of Food Services provides free and reduced-price lunches and the New York City Department of Transportation provides transportation vouchers directly to a majority of the School's students. Amounts with respect to these items are not included in these financial statements.

The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the School reflect contributions received from the public and other organizations.

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Temporarily restricted net assets contain donor-imposed restrictions that permit the organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the organization.

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the organization to use, or expend, part or all of the income derived from the donated assets for either specified or unspecified purposes.



# KIPP AMP ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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Revenue from the state and local government resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and state funds are recorded by the School when expenditures are incurred and billable.

Revenue from other government grants to which the School is entitled is recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by the School.

A number of volunteers have made a contribution of their time to the School. These in-kind contributions have not been reflected in the financial statements since they do not meet the criteria for recognition under Statement of Financial Accounting Standards, No. 116, *Accounting for Contributions Received and Contributions Made*.

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts.

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Property and equipment acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract.

Fixed assets acquired under capital leases are recorded in property and equipment with corresponding obligations carried in liabilities. The amount capitalized is the lower of the present value of minimum lease payments or the fair value of the leased asset. Amortization on assets leased under capital leases is recorded on a straight-line basis over the estimated useful life of the asset or the term of the lease, depending on the criteria used to capitalize the lease.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from those estimates and the differences could be significant.

## 2. RELATED PARTY TRANSACTIONS:

The Knowledge is Power Program Foundation ("KIPP Foundation") is a national, nonprofit organization that trains school leaders to open and run academically rigorous public schools.

The School is a member of KIPP Foundation's KIPP Network of Schools and, as such, is eligible for a range of benefits and fee-based services.

The School has entered into a trademark license agreement with KIPP Foundation subject to a license fee of 1% of per pupil operating revenue not to exceed \$30,000. For the period from March 15, 2005 (date of inception) to June 30, 2006, the School incurred license fees amounting to \$6,177.

# KIPP AMP ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2006

The back-office functions are centralized and handled by KIPP NYC's shared services team, whose salaries are paid by KIPP Academy Charter School. Amounts due to related parties represent short-term timing differences of pending settlements.

**3. PROPERTY AND EQUIPMENT, NET:**

Property and equipment, net, at cost, consists of the following:

June 30, 2006		Estimated Useful Life
Furniture and fixtures	\$ 41,572	5 to 7 years
Equipment and other	185,663	3 to 5 years
	227,235	
Less accumulated depreciation and amortization	(32,215)	
	\$195,020	

Equipment and other includes a copier acquired under a capital lease. As of June 30, 2006, the leased copier was reflected at a cost of \$44,415 and related accumulated amortization amounted to \$5,552.

**4. TAX STATUS:**

The School is waiting for final approval of its tax exempt status from the Internal Revenue Service.

**5. AGREEMENT FOR SCHOOL FACILITY:**

The School is negotiating with the New York City Department of Education for dedicated and shared space at PS 390, a New York City public school located at 1224 Park Place, Brooklyn, New York. The facility is provided to the School at no cost. The School will be responsible for any overtime-related costs for services provided beyond the regular opening hours.

**6. OPERATING EXPENSES:**

Operating expenses are presented in the statement of functional expenses classified according to the significant program activity related to the purpose for which the School exists or supporting service.

The significant activities are:

School operations

Represents work (time and materials) that is specifically related to or necessary for the programming aspects of the School. If the activities and related costs directly affect the students or parents then it falls under this program.

# KIPP AMP ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2006

### Management and general

Represents work (time and materials) that is specifically related to running the non-programmatic/backend operational functions of the School including but not limited to human resources, finance, technology and payroll.

### Fund-raising

Represents work (time and materials) associated with the School's fund-raising program including but not limited to annual mailings, donor meetings and events.

#### **7. CAPITAL LEASE OBLIGATION:**

The School leases a copier under a capital lease expiring in August 2009. The lease requires monthly payments of principal and interest amounting to \$1,043 at an imputed interest rate of 6% per annum. Future minimum lease payments under this lease are as follows:

Year ending June 30,

2007	\$12,517
2008	12,517
2009	12,517
2010	2,087

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39,638

Less amount representing interest

(3,620)

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\$36,018

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#### **8. CONTINGENCY:**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

#### **9. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purpose or periods:

Time restricted for future period	\$219,980
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# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants

## 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

The Board of Trustees  
KIPP AMP Academy Charter School

We have audited the financial statements of KIPP AMP Academy Charter School (the "School") as of June 30, 2006, and for the period from March 15, 2005 (date of inception) to June 30, 2006, and have issued our report thereon dated September 15, 2006. 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.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting which have been reported to management in a separate letter dated September 15, 2006.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 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*.

This report is intended solely for the information and use of the audit committee, board of trustees, management and the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

*Goldstein Golub Kessler LLP*  
**GOLDSTEIN GOLUB KESSLER LLP**

September 15, 2006