



**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2022

with

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's regulatory basis financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the School, as of June 30, 2022, and the respective regulatory basis statement of revenues, expenditures and changes in fund balances and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, in accordance with the financial reporting provision of Arkansas Code Ann. §10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the School, as of June 30, 2022, or changes in net position, or cash flows thereof for the year then ended. Further, the School has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the School, on the basis of the financial reporting provisions of Arkansas Code Ann. §10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the State of Arkansas. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed by Arkansas Code Ann. §10-4-413(c) as provided in Act 2201 of 2005. Management is also responsible 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.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's regulatory basis financial statements. The schedule of capital assets, schedule of state assistance, schedule of statutes required by Arkansas Department of Education and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state assistance, schedule of statutes required by Arkansas Department of Education and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines but does not include the regulatory financial statements and our auditor's report thereon. Our opinions on the regulatory financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2023 on our consideration of the School's internal control over financial reporting and 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

HCS CPAs & Advisors PLLC

Little Rock, Arkansas
March 14, 2023

FINANCIAL STATEMENTS

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2022

	Governmental Funds		
	Major		
	General	Special Revenue	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 2,684,186	\$ 548,190	\$ 622,171
Accounts Receivable	47,259	269,226	54,840
Pledges Receivable	150,000	-	-
Due from Other Funds	292,469	-	-
	<u>\$ 3,173,914</u>	<u>\$ 817,416</u>	<u>\$ 677,011</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 307,629	\$ 274,346	\$ 1,504
Accrued Payroll Liabilities	7,783	-	-
Due to Other Funds	-	163,231	129,238
	<u>315,412</u>	<u>437,577</u>	<u>130,742</u>
Total Liabilities	315,412	437,577	130,742
Fund Balances:			
Restricted:			
State Programs	730,188	-	-
Federal Programs	-	379,839	-
Capital Projects	-	-	546,269
Other	167,988	-	-
Assigned	228,411	-	-
Unassigned	1,731,915	-	-
	<u>2,858,502</u>	<u>379,839</u>	<u>546,269</u>
Total Fund Balances	<u>\$ 3,173,914</u>	<u>\$ 817,416</u>	<u>\$ 677,011</u>

See accompanying notes.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

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

YEAR ENDED JUNE 30, 2022

	Major		
	General	Special Revenue	Capital Projects
REVENUES			
State Assistance	\$ 11,082,133	\$ 3,597	\$ 632,707
Federal Assistance	-	6,947,875	-
Contributions	345,139	-	-
Activity Revenues	57,632	-	-
Earnings on Investments	5,058	-	-
Other Revenues	224,468	6,199	-
	<u>11,714,430</u>	<u>6,957,671</u>	<u>632,707</u>
EXPENDITURES			
Current:			
Regular Programs	3,999,000	298,206	-
Special Education	367,140	270,512	-
Compensatory Education	660,593	1,829,880	-
Student Support Services	751,384	268,210	-
Instructional Staff Support Services	1,183,256	680,695	-
General Administration Support Services	535,463	179,200	-
School Administration Support Services	1,180,525	210,168	-
Business Support Services	867,091	327,072	-
Operation and Maintenance of Plant Services	960,638	142,697	634,206
Student Transportations Services	933,022	306	-
Other Support Services	13,651	-	-
Food Services Operations	-	1,183,686	-
Community Services Operations	-	925	-
Other	126,008	105,063	-
Capital Outlay	71,587	1,216,489	8,835
Debt Service:			
Principal Retirement of Debt and Capital Leases	676,500	-	-
Interest and Fiscal Charges	427,447	-	-
	<u>12,753,305</u>	<u>6,713,109</u>	<u>643,041</u>
(Deficiency) Excess of Revenue Over Expenditures	(1,038,875)	244,562	(10,334)
OTHER FINANCING SOURCES (USES)			
Compensation for Disposal of Capital Assets	125,000	-	-
Transfers, Net	11,250	(11,250)	-
Total Other Financing Sources (Uses)	<u>136,250</u>	<u>(11,250)</u>	<u>-</u>
Net Change in Fund Balances	(902,625)	233,312	(10,334)
Fund Balance - Beginning	<u>3,761,127</u>	<u>146,527</u>	<u>556,603</u>
Fund Balance - Ending	<u>\$ 2,858,502</u>	<u>\$ 379,839</u>	<u>\$ 546,269</u>

See accompanying notes.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET TO ACTUAL - GENERAL AND SPECIAL
REVENUE FUNDS - REGULATORY BASIS**

YEAR ENDED JUNE 30, 2022

	General		
	Budget	Actual	Variance
REVENUES			
State Assistance	\$ 10,938,459	\$ 11,082,133	\$ 143,674
Federal Assistance	-	-	-
Contributions	1,128,092	345,139	(782,953)
Activity Revenues	83,196	57,632	(25,564)
Tuition	500	-	(500)
Earnings on Investments	30,393	5,058	(25,335)
Other Revenues	186,653	224,468	37,815
	<u>12,367,293</u>	<u>11,714,430</u>	<u>(652,863)</u>
EXPENDITURES			
Current:			
Regular Programs	4,755,724	3,999,000	756,724
Special Education	303,147	367,140	(63,993)
Compensatory Education	616,088	660,593	(44,505)
Other Instructional Services	2,152	-	2,152
Student Support Services	959,147	751,384	207,763
Instructional Staff Support Services	1,263,780	1,183,256	80,524
General Administration Support Services	787,299	535,463	251,836
School Administration Support Services	1,581,737	1,180,525	401,212
Business Support Services	1,116,737	867,091	249,646
Operation and Maintenance of Plant Services	1,217,006	960,638	256,368
Student Transportations Services	481,141	933,022	(451,881)
Other Support Services	24,999	13,651	11,348
Food Services Operations	-	-	-
Community Services Operations	-	-	-
Other	9,665	126,008	(116,343)
Capital Outlay	54,476	71,587	(17,111)
Debt Service:			
Principal Retirement of Debt and Capital Leases	600,984	676,500	(75,516)
Interest and fiscal charges	418,417	427,447	(9,030)
	<u>14,192,499</u>	<u>12,753,305</u>	<u>1,439,194</u>
(Deficiency) Excess of Revenues Over Expenditures	(1,825,206)	(1,038,875)	786,331
OTHER FINANCING SOURCES (USES)			
Compensation for Disposal of Capital Assets	-	125,000	125,000
Transfers, Net	21,495	11,250	(10,245)
Total Other Financing Sources	<u>21,495</u>	<u>136,250</u>	<u>114,755</u>
Net Change in Fund Balances	<u>\$ (1,803,711)</u>	<u>\$ (902,625)</u>	<u>\$ 901,086</u>

See accompanying notes.

Special Revenue		
Budget	Actual	Variance
\$ -	\$ 3,597	\$ 3,597
6,405,919	6,947,875	541,956
-	-	-
-	-	-
-	-	-
-	-	-
3,699	6,199	2,500
6,409,618	6,957,671	548,053
6,821,946	298,206	6,523,740
372,667	270,512	102,155
2,686,715	1,829,880	856,835
-	-	-
330,635	268,210	62,425
1,209,643	680,695	528,948
917,183	179,200	737,983
176,317	210,168	(33,851)
333,710	327,072	6,638
15,420,594	142,697	15,277,897
250,000	306	249,694
-	-	-
1,671,386	1,183,686	487,700
5,000	925	4,075
156,693	105,063	51,630
947,543	1,216,489	(268,946)
-	-	-
-	-	-
31,300,032	6,713,109	24,586,923
(24,890,414)	244,562	25,134,976
-	-	-
154,033	(11,250)	(165,283)
154,033	(11,250)	(165,283)
\$ (24,736,381)	\$ 233,312	\$ 24,969,693

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Board of Directors is the level of government which has responsibilities over all activities of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School"). The School's financial statements reflect all funds and accounts directly under the control of the School.

Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

1. **General Fund** - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.
2. **Special Revenue Fund** - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the School's food services operations. The Special Revenue Fund also includes transfers from the general fund to supplement such programs.

Other governmental funds consist of the following:

3. **Capital Projects Fund** - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Arkansas Code Ann. 10-4-413 (c), as provided in Act 2205 of 2005 and amended by Act 867 of 2019, requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of capital leases are reported as other financing sources.

Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

Capital Assets

Information on capital assets and related depreciation is reported on the schedule of capital assets in the supplemental information. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The School maintains a threshold level of \$1,000 and a useful life in excess of two years for capitalizing equipment.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/Infrastructure	5-40
Buildings	40
Furniture and Equipment	3-15

Income Taxes

The School is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and comparable provisions of state income tax laws. The previous three years of federal tax returns, along with the current year return, are subject to potential examination by taxing authorities.

Fund Balance Classifications

Fund balance is reported under the following five classifications:

1. **Nonspendable Fund Balance** - includes amounts that are not in a spendable form or are required to be maintained intact. The School does not have any nonspendable fund balance at year end.
2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The fund balance that is restricted for state programs and federal programs reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The fund balance that is restricted for capital projects reflects amounts that are restricted for construction or other capital outlay projects. The fund balance that is restricted for other purposes includes donated funds in which the funds have been restricted by the donor for specific uses.
3. **Committed Fund Balance** - includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority (the Board of Directors) and does not lapse at year end. The School does not have any committed fund balance at year end.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

4. **Assigned Fund Balance** - includes amounts intended for a specific purpose by the Board of Directors or by a School official that has been delegated authority to assign amounts. The assigned fund balance at year end represents funds that are intended for debt service payments.
5. **Unassigned Fund Balance** - includes any remaining fund balance that has not been reported in any other classification. This classification can also include negative amounts in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The School's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the School's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned or unassigned) funds. The School does not have a policy addressing whether it considers restricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. School personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The School does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. For the purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Pledges Receivable

An allowance for uncollectible pledges receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund-raising activity. Pledges not expected to be collected within one year are discounted if such discount is considered to be significant. During 2022 management determined that pledges receivable of \$112,500 was uncollectable and recorded as bad debt expense. Management determined that an allowance for uncollectible pledges was not required at June 30, 2022. Conditional promises to give are not included as support until the conditions are substantially met.

Budget and Budgetary Accounting

The School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The School prepares and amends the budget throughout the fiscal year which is reviewed and approved by the Board. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the schools employ the cash basis method.

The School budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - General and Special Revenue Funds - Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Regulatory Basis. Additionally, the School routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

Stabilization Arrangements

The School's Board of Directors has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

Minimum Fund Balance Policies

The School's Board of Directors has not formally adopted a minimum fund balance policy.

Encumbrances

The School does not utilize encumbrance accounting.

Subsequent Events

The School has evaluated all subsequent events for potential recognition and disclosure through March 14, 2023, the date these financial statements were available to be issued.

Note 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized by Letter of Credit issued by the Federal Home Loan Bank	<u>3,604,547</u>	<u>3,892,692</u>
Total Deposits	<u>\$ 3,854,547</u>	<u>\$ 4,142,692</u>

Note 3: Accounts Receivable

The accounts receivable balance of \$371,325 is comprised of the following at June 30, 2022:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Due from Other Governments	\$ -	\$ 269,226	\$ 54,840	\$ 324,066
Other	<u>47,259</u>	<u>-</u>	<u>-</u>	<u>47,259</u>
Total	<u>\$ 47,259</u>	<u>\$ 269,226</u>	<u>\$ 54,840</u>	<u>\$ 371,325</u>

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 4: Pledges Receivable

Pledges receivable of \$150,000 at June 30, 2022, are attributable to one donor, for which no reserve has been provided.

Scheduled maturities of pledges receivable are as follows:

2023	\$ 75,000
2024	<u>75,000</u>
	<u>\$ 150,000</u>

Note 5: Accounts Payable

The accounts payable balance of \$583,479 is comprised of the following at June 30, 2022:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Vendor Payables	\$ 307,629	\$ 274,346	\$ 1,504	\$ 583,479

Note 6: Commitments

The School was contractually obligated for the following at June 30, 2022:

Notes Payable Issued and Outstanding

Changes in notes payable:

<u>Description</u>	<u>Balance at July 1, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2022</u>
Arvest Bank ⁽¹⁾	\$ 2,110,950	\$ -	\$ 133,328	\$ 1,977,622
Charter School Growth Fund ⁽²⁾	300,000	-	100,000	200,000
USDA loan ⁽³⁾	9,456,008	-	244,119	9,211,889
Arvest Bank ⁽⁴⁾	69,434	-	56,034	13,400
Heartland Renaissance Fund ⁽⁵⁾	<u>1,057,525</u>	<u>-</u>	<u>101,397</u>	<u>956,128</u>
	<u>\$ 12,993,917</u>	<u>\$ -</u>	<u>\$ 634,878</u>	<u>\$ 12,359,039</u>

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Total long-term debt and interest payments are as follows:

Year Ended June 30	Principal	Interest	Total
2023	\$ 613,807	\$ 400,737	\$ 1,014,544
2024	620,365	462,721	1,083,086
2025	542,579	358,457	901,036
2026	565,130	335,906	901,036
2027	949,953	301,812	1,251,765
2028-2032	2,563,132	1,169,550	3,732,682
2033-2037	1,877,892	764,558	2,642,450
2038-2042	1,999,666	505,874	2,505,540
2043-2047	2,294,191	211,349	2,505,540
2048-2052	<u>332,324</u>	<u>43,507</u>	<u>375,831</u>
Total	<u>\$ 12,359,039</u>	<u>\$ 4,554,471</u>	<u>\$16,913,510</u>

- 1) Construction loan with Arvest Bank up to \$3,000,000 secured by certain real estate and guaranteed by USDA. The proceeds of the loan are to be used for the construction of facilities. The loan matures in December 2032 and has a fixed interest rate of 5.39%.
- 2) Unsecured loan with the non-profit organization Charter School Growth Fund for a total of \$1,000,000. The loan matures in June 2024 and has a fixed interest rate of 1.00%. The proceeds of the loan are to be used for the general support of the organization. In July 2014, an agreement was reached to forgive \$250,000 of this loan effective June 1, 2014, and \$250,000 effective August 31, 2014.
- 3) Loan guaranteed by the USDA Rural Development for a total of \$9,990,000 and secured by certain real estate. The loan was issued in March 2018 and is financed by USDA. This loan consists of refinanced loans for construction-related expenses. The loan matures March 2048 and has a fixed interest rate of 2.75%.
- 4) Loan with Arvest Bank for a total of \$210,592, secured by certain equipment. The loan has a fixed interest rate of 5.05% and matures in September 2022.
- 5) Loan with Heartland Renaissance Fund Sub XXVII, LLC for a total of \$1,200,000, secured by certain real property. The loan has a fixed interest rate of 5.25% and matures in December 2026.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 7: Capital Leases

The School has two capital leases for copiers at year-end and two such leases that expired during the year. Rent expense for these leases totaled \$44,686 for 2022. The School's capital leases will expire between July 2022 and September 2025 and have monthly payments ranging from \$210 - \$1,116, with imputed interest rates ranging from 4.00% - 5.25%. The property held under the capital leases consisted of equipment with total cost of \$62,176 and accumulated depreciation of \$24,871 as of June 30, 2022. Subsequent to June 30, 2022, the School extended various leases for twelve copiers. The extended leases will expire October 2025 and include monthly payments of \$2,453 beginning November 2022.

Future capital lease obligations at June 30, 2022 are as follows:

2023	\$ 3,883
2024	2,520
2025	2,520
2026	696
Total minimum lease payments	9,619
Interest	(691)
	<u>\$ 8,928</u>

Note 8: Operating Leases

The School leases equipment under various operating leases. Rent expense for these leases totaled \$55,649 for 2022. Future minimum lease payments at June 30, 2022 are as follows:

2023	\$ 38,713
2024	28,668
2025	2,968
Total	<u>\$ 70,349</u>

Note 9: Retirement Plans

Arkansas Teacher Retirement System

Plan description: The School contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-501-682-1517, or by visiting the ATRS website at www.atrs.gov.

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6.75% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14.75%. The School's contributions to ATRS for the years ended June 30, 2022, 2021, and 2020 were \$1,287,125, \$1,432,399, and \$1,290,171, respectively, equal to the required contributions each year.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the School's proportionate share of the collective net pension liability. The School's proportionate share of the collective net pension liability at June 30, 2021 (actuarial valuation date and measurement date) was \$8,431,479.

Note 10: Fundraising Expenses

The School uses fundraising to encourage donations within the community. The costs of fundraising activities are expensed as incurred. During 2022, fundraising costs totaled \$1,748.

Note 11: Interfund Transfers

The following details the transfers between governmental funds for operating purposes:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Transfers in	\$ 12,332,150	\$ 309,482	\$ -	\$ 12,641,632
Transfers out	<u>(12,320,900)</u>	<u>(320,732)</u>	<u>-</u>	<u>(12,641,632)</u>
	<u>\$ 11,250</u>	<u>\$ (11,250)</u>	<u>\$ -</u>	<u>\$ -</u>

Note 12: Significant Concentration

The School is economically dependent on funding received through state awards, federal awards, and private donations. Approximately 61%, 36%, and 2% of total revenues were from state sources, federal sources and private donations, respectively, during the year ended June 30, 2022.

Note 13: Contingencies

The School participates in federally assisted grant programs. The School is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

The School participates in the Arkansas Fidelity Bond Trust Fund administered by the Arkansas Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 14: On-Behalf Payments

During the year ended June 30, 2022, health insurance premiums of \$232,043 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of School employees.

Note 15: Related Party Transactions

During the year ended June 30, 2022, the School contracted with a company owned by the spouse of a member of the Board of Directors to provide therapy services for the School. The contract was approved by the Arkansas Department of Education on October 28, 2021. During the year ended June 30, 2022, therapy costs paid to related parties totaled \$145,178.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF CAPITAL ASSETS

YEAR ENDED JUNE 30, 2022

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Depreciable Capital Assets:				
Building and Improvements	\$ 23,150,582	\$ 8,836	\$ 622,346	\$ 22,537,072
Furniture and Equipment	<u>4,414,052</u>	<u>1,288,079</u>	<u>-</u>	<u>5,702,131</u>
Total Depreciable Capital Assets	27,564,634	1,296,915	622,346	28,239,203
Nondepreciable Capital Assets:				
Land	<u>945,105</u>	<u>-</u>	<u>-</u>	<u>945,105</u>
Total Nondepreciable Capital Assets	<u>945,105</u>	<u>-</u>	<u>-</u>	<u>945,105</u>
Total Capital Assets	28,509,739	1,296,915	622,346	29,184,308
Less Accumulated Depreciation for:				
Building and Improvements	6,266,925	605,013	281,381	6,590,557
Furniture and Equipment	<u>3,668,815</u>	<u>246,294</u>	<u>-</u>	<u>3,915,109</u>
Total Accumulated Depreciation	<u>9,935,740</u>	<u>851,307</u>	<u>281,381</u>	<u>10,505,666</u>
Capital Assets, Net	<u>\$ 18,573,999</u>	<u>\$ 445,608</u>	<u>\$ 340,965</u>	<u>\$ 18,678,642</u>

**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 Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, Arkansas

We have audited, 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, the financial statements of each major governmental fund and the aggregate remaining fund information of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's regulatory basis financial statements, and have issued our report thereon dated March 14, 2023.

We issued an adverse opinion because the School prepared the financial statements in conformity with accounting practices prescribed or permitted by the Arkansas Code Ann. §10-4-413(c) provided in Act 2201 of 2005, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the School as of June 30, 2022, and the respective changes in financial position thereof, and the budgetary results for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis 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 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 of significant deficiencies may exist that have not been identified.

To the Board of Directors
Page Two

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's regulatory basis 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 statement. 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.

HCJ CPAs & Advisors PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
March 14, 2023

**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 Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP Delta, Inc. d/b/a KIPP Delta Public Schools' (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. 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.

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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. Material weaknesses in internal control over compliance may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be significant deficiencies.

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

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

HCJ CPAs & Advisors PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
March 14, 2023

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grant/Pass-Through Grantor/Program Title	Pass through Entity Identifying Number	Federal Assistance Listing Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	54407	10.553	\$ 399,046
COVID-19 Emergency Operational Costs	54407	10.555	74,686
National School Lunch Program - Cash Assistance	54407	10.555	460,769
Total Arkansas Department of Education			934,501
Passed through Arkansas Department of Human Services:			
National School Lunch Program - Non-Cash Assistance	54407	10.555	89,104
Total Child Nutrition Cluster			1,023,605
SPECIAL EDUCATION CLUSTER			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title VI, Part B - Special Education Grants to States	54407	84.027	440,659
Title VI - Special Education - Preschool Grants	54407	84.173	10,572
COVID-19 Title VI - Special Education - Preschool Grants	54407	84.173X	7,934
Total Special Education Cluster			459,165
OTHER PROGRAMS:			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title I, Part A - Grants to Local Education Agencies	54407	84.010	2,185,135
Title II, Part A - Improving Teacher Quality State Grants	54407	84.367	273,467
Rural and Low Income School Program	54407	84.358B	33,391
AR Comprehensive State Literacy Development Grant	54407	84.371	65,000
COVID-19 Education Stabilization Fund - ESSER I	54407	84.425D	1,012,455
COVID-19 Education Stabilization Fund - ESSER II	54407	84.425D	1,027,926
COVID-19 Education Stabilization Fund - ESSER III	54407	84.425U	383,197
Total U.S. Department of Education (Other Programs)			4,980,571
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
Child and Adult Care Food Program	54407	10.558	151,748
Fresh Fruit and Vegetable Program	54407	10.582	31,946
Total U.S. Department of Agriculture (Other Programs)			183,694
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Human Services:			
Child Care and Development Block Grant - Better Beginnings	54407	93.575	3,000
Child Care and Development Block Grant	54407	93.575	5,373
Total U.S. Department of Health and Human Services (Other Programs)			8,373
Total Other Programs			5,172,638
Total Expenditures of Federal Awards			\$ 6,655,408

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2022

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. This schedule includes the federal awards activity of the School and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of the 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. The School did not elect to use the 10% de minimis indirect cost rate but instead used an indirect cost rate approved by the Arkansas Department of Education.
2. Medicaid reimbursements are defined as contracts for services and not federal awards; therefore, such reimbursements totaling \$90,796 are not covered by the reporting requirements of the Uniform Guidance.
3. Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
4. The School received approval from the Arkansas Department of Education to transfer \$320,732 of Title IV, Part A - Student Support and Academic Enrichment funds to Title I, Part A - Grants to Local Education Agencies.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF STATE ASSISTANCE

YEAR ENDED JUNE 30, 2022

Arkansas Department of Education

Arkansas Better Chance Program	\$ 263,640
Charter School Funding	8,315,679
Charter School Facilities Funding	632,707
Declining Enrollment	360,860
English Language Learners (ELL)	3,231
GT Advanced Placement	300
National Board Certification Supplemental Salary Funding	12,240
Enhanced Student Achievement	1,735,866
School Food Service - State Matching	3,597
National School Lunch Matching Grant Program	134,432
Professional Development Funding	41,683
Teacher Salary Equalization Program	214,202
	<hr/>
Total State Assistance	<u>\$ 11,718,437</u>

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. Our report expresses an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on regulatory basis of accounting on the basic financial statements of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools.

2. The independent auditor's report on internal control over financial reporting described:

Significant deficiency(ies) identified? ☐ Yes ☒ No

Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiency(ies) identified? ☒ Yes ☐ No

Material weakness(es) identified? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:

☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance? ☒ Yes ☐ No

7. The Auditee's major programs were:

Cluster/Program	CFDA Number
• Education Stabilization Fund	84.425D and 84.425U

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

9. The Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance? ☒ Yes ☐ No

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2022

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

SIGNIFICANT DEFICIENCY

Education Stabilization Fund: Assistance Listing Numbers 84.425D and 84.425U

U.S. Department of Education Passed through Arkansas Department of Education

2022-001 Maintenance of Property Records

Statement of condition: Property records for equipment acquired under the Education Stabilization Fund program were not maintained.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.313(d)(1) requires that property records be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property. Per the School's policies, property records should be maintained for all equipment and theft-sensitive assets.

Cause of condition: Procedures are in place for property records to be maintained for all equipment acquired during the fiscal year. However, these procedures do not include maintaining all of the information required by 2 CFR 200.313(d)(1).

Effect of condition: During testing, it was noted that property records including all required information were not maintained for capital assets acquired under the Education Stabilization Fund program.

Context: Property including school buses and various computer equipment and furniture and fixtures was acquired under the Education Stabilization Fund program. The audit testing found that for all property acquired during the fiscal year, records including a description of the property, the acquisition date, and the cost of the property are being maintained. However, the property records do not include various additional information as required by 2 CFR 200.313(d)(1).

Recommendation: Procedures should be put in place to ensure that property records including all required information are maintained for all capital assets purchased by the School in accordance with 2 CFR 200.313(d)(1).

Views of responsible officials and planned corrective actions: Management agrees with this finding and will put procedures in place to maintain adequate property records.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2022

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-001 Completion of Time Certifications

Statement of Condition: Time certifications for the Title I, Part A – Grants to Local Education Agencies program were not completed.

Recommendation: To ensure all time certifications are completed by employees who work within federal programs, a review of completed time certifications should be compared to the employee listing for all federal program employees.

Current Status: The recommendation was implemented in 2022. No similar findings were noted in the June 30, 2022 audit.

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-002 Improper Support of Salaries and Wages

Statement of Condition: Salaries and wages were charged to the Title I, Part A – Grants to Local Education Agencies program for employees tested but time certifications indicated these employees did not work in the program.

Recommendation: To ensure that salaries and wages charged to federal award programs are supported by time certifications, a review of completed time certifications should be compared to salaries and wages recorded to the program.

Current Status: The recommendation was implemented in 2022. No similar findings were noted in the June 30, 2022 audit.

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

Education Stabilization Fund: Assistance Listing Number 84.425D

U.S. Department of Education Passed through Arkansas Department of Education

2021-003 Review and Approval of Time Certifications and Timesheets

Statement of Condition: Time certifications and timesheets that support salaries and wages charged to the Title I, Part A – Grants to Local Education Agencies and Education Stabilization Fund Programs showed no evidence of review and approval performed.

Recommendation: To ensure the accuracy of time certifications and timesheets and that salaries and wages charged to federal award programs are accurate, all time certifications and timesheets should be reviewed and approved by the appropriate School personnel. This review and approval should be evidenced by the School personnel's signature.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2022

Current Status: The recommendation was implemented in 2022. No similar findings were noted in the June 30, 2022 audit.

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-004 Improper Allocation of Salaries and Wages

Statement of Condition: The allocation of salaries and wages charged to the Title I, Part A – Grants to Local Education Agencies program based on time spent in the program for employees tested was not accurate per supporting documentation of time certifications and timesheets.

Recommendation: To ensure that salaries and wages charged to federal award programs are supported by time certifications and timesheets, a review of completed time certifications and timesheets should be compared to salaries and wages recorded to the program.

Current Status: The recommendation was implemented in 2022. No similar findings were noted in the June 30, 2022 audit.

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-005 No Purchase Orders

Statement of Condition: Expenditures of Title I, Part A – Grants to Local Education Agencies program funds that exceeded \$500 did not have a purchase order approved prior to the purchase.

Recommendation: To ensure that expenditures are allowable per federal award statutes, regulations, and the terms and conditions, all expenditures of federal award funds over \$500 need to be pre-approved with a purchase order.

Current Status: The recommendation was implemented in 2022. No similar findings were noted in the June 30, 2022 audit.

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

To the Board of Directors
KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, Arkansas

We have examined management's assertions that KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2022. Management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the School's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, KIPP Delta, Inc. d/b/a KIPP Delta Public Schools complied with the aforementioned requirements for the year ended June 30, 2022.

This report is intended solely for the information and use of the Board of Directors, management, and the Arkansas Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

HCJ CPAs & Advisors PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
March 14, 2023

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

**SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE
ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**

YEAR ENDED JUNE 30, 2022

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	
• Bonded & Non-bonded Debt, District School Bonds	6-20-402 6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Fund	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.
• District Treasurer	6-13-701
○ Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws – Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or more (certified & classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et seq., 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213; 11-4-218; 11-4-403; 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

**SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE
ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**

YEAR ENDED JUNE 30, 2022

DESCRIPTION

STATUTES

On Behalf Payments

The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of School's employees
10-4-413(c)

Regulatory Basis of Accounting

26-35-802

Real Estate and Personal Property Tax

19-11-201 et seq.

Appeals

6-20-1901 et seq.

Arkansas Procurement Law

Fiscal Accountability

Enhanced Student Achievement Funding

ESA

6-20-2305(B)(4)(F)(I)

Limitation on Fund Balances

6-20-2210

CARES Act (COVID-19) Education

Funding

Commissioner's Memo LS-20-089

Charter Facilities Funding

6-23-908

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

**SUPPLEMENTAL DATA SHEET AS REQUIRED BY ARKANSAS DEPARTMENT
OF HUMAN SERVICES AUDIT GUIDELINES**

YEAR ENDED JUNE 30, 2022

The following information is being provided to satisfy the requirements of Arkansas Department of Human Services Audit Guidelines:

1. Entity's Full Name: KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
2. Entity's Address: 514 Missouri Street
Helena-West Helena, AR 72342
3. Entity's FEIN: 31-1807400
4. Entity's Telephone Number: 870-753-9035
5. Name of Director: Megan Stitzinger, Interim Executive Director
6. Name of Contact Person: Raven Robinson, Managing Director of Finance