

KIPP West Philadelphia Preparatory Charter
School

Charter Annual Report

07/01/2013 - 06/30/2014

School Profile

Demographics

5900 Baltimore Ave
Philadelphia, PA 19143
(215)294-2973

Phase:

Phase 3

CEO Name:

Gregory Leap

CEO E-mail address:

gleap@kippphiladelphia.org

Governance and Staff

Leadership Changes

Leadership changes during the past year on the Board of Trustees and in the school administration:

On our board, there were no changes in the officers during the 2013-14 school year, however, Donald Brown was elected to join the board and to become the Board Treasurer, replacing Sanjeev Midha, effective September 2014. Sanjeev Midha will remain an active KIPP supporter, joining our Leadership Council, and has been preparing Donald Brown for this role for several months. Donald has served on the Board Finance Committee for the 2013-14 SY.

Board of Trustees Meeting Schedule

Location	Date and Time
KIPP DuBois Collegiate Academy 5070 Parkside Avenue, Philadelphia, PA 19131	9/10/2013 4:00 PM
Temple Administrative Services Building 2450 W Hunting Park Ave, Philadelphia, PA 19140	12/3/2013 4:00 PM
KIPP Philadelphia Elementary Academy 2409 West Westmoreland Street, Philadelphia, PA 19129	3/4/2014 4:00 PM
KIPP West Philadelphia Preparatory Charter School 5900 Baltimore Avenue, Philadelphia, PA 19143	6/3/2014 4:00 PM
KIPP DuBois Collegiate Academy 5070 Parkside Avenue, Philadelphia, PA 19131	9/9/2014 4:00 PM
KIPP Philadelphia Elementary Academy 2409 West Westmoreland Street, Philadelphia, PA 19129	12/2/2014 4:00 PM
KIPP Philadelphia Elementary Academy 2409 West Westmoreland Street, Philadelphia, PA 19129	3/3/2015 9:00 AM
KIPP West Philadelphia Preparatory Charter School 5900 Baltimore Avenue, Philadelphia, PA 19143	6/2/2015 4:00 PM

Professional Staff Member Roster

There are no professional staff members.

The professional staff member roster as recorded originally on the PDE-414 form

XLSX file uploaded.

Quality of Teaching and Other Staff

Position Categories	All Employed per Category	Appropriately Certified	Promoted	Transferred	Terminated	Contracted for Following Year
Chief Academic Officer/Director	0.00	0.00				
Principal	1.00	0.00				
Assistant Principal	2.00	2.00				
Classroom Teacher (including Master Teachers)	15.00	14.00				
Specialty Teacher (including Master Teachers)	2.00	1.00				
Special Education Teacher (including Master Teachers)	4.00	4.00				
Special Education Coordinator	1.00	1.00				
Counselor						
Psychologist						
School Nurse						
Totals	25.00	22.00	0	0	0	0

Further explanation:

Gregory Leap is School Leader and CEO. School also has an Operations team of three people: Director of Operations, Office Manager, and Director of Outreach.

Fiscal Matters

Major Fundraising Activities

Major fundraising activities performed this year and planned for next year:

In addition to grant writing, individual fundraising, and corporate partnerships, the major fundraising events in 2013-14 were: a 10 Year Anniversary Gala and Young Friends After Party, both held at the Museum of American Jewish History on April 26, 2014 for 350 people.

In 2014-15, we will not host a fundraising gala/dinner. We will continue to conduct grant writing, individual fundraising, and corporate fundraising activities. It is possible that we will conduct a capital campaign (TBD October 2014).

Fiscal Solvency Policies

Changes to policies and procedures to ensure and monitor fiscal solvency:

No changes beyond updating our accounting software to Intacct.

Fiscal Solvency Policies

Charter School documents that describe policies and procedures that have been established to ensure and monitor fiscal solvency (optional if described in the narrative)

Files uploaded:

- KWPP FINANCIAL POLICY MANUAL - revised 03 04 14 - FINAL.pdf

Accounting System

Changes to the accounting system the charter school uses:

This year we updated our accounting system from Sage MIP to Intacct. Intacct is a cloud-based system and allows us to do our entire purchasing approval process electronically and keep audited approval documentation.

Preliminary Statements of Revenues, Expenditures & Fund Balances

The completed and CEO signed Fiscal Template – Preliminary Statements of Revenues, Expenditures & Fund Balances

PDF file uploaded.

Financial Audits

Basics

Audit Firm: CliftonLarsonAllen
 Date of Last Audit: 06/23/2014
 Fiscal Year Last Audited: 2013-14

Explanation of the Report

Detailed explanation of the report (if the previous year's report has been submitted.) Any audit report for a school year that precedes this annual report by more than 2 years is not acceptable and may be considered a material violation:

The report attached is the SY2012-13 audit because we are still in the process of completing our SY2013-14 audit. Preliminary fieldwork was completing at the end of June and final fieldwork will happen in August 2014.

Financial Audit Report

The Financial Audit Report, which should include the auditor's opinion and any findings resulting from the audit

PDF file uploaded.

Citations

Financial audit citations and the corresponding Charter School responses

Description	Response
-------------	----------

Federal Programs Consolidated Review

Basics

Title I Status: Yes
 Date of Last Federal Programs Consolidated Review: 05/17/2011
 School Year Reviewed: 2010-11

Federal Programs Consolidated Review Report

The Federal Programs Consolidated Review Report, which should include the Division's opinion and any findings resulting from the audit

PDF file uploaded.

Citations

Federal Programs Consolidated Review citations and the corresponding Charter School responses

Description	Response
--------------------	-----------------

Special Education

Chapter 711 Assurances

The LEA agrees to comply with all requirements of Special Education outlined in 22 PA Code Chapter 711 and other state and federal mandates. These include:

Implementation of a full range of services, programs and alternative placements available to the Charter School for placement and implementation of the special education programs in the Charter School.

Implementation of a child find system to locate, identify and evaluate young children and children who are thought to be a child with a disability eligible for special education residing within the Charter School's jurisdiction. Child find data is collected, maintained and used in decision-making. Child find process and procedures are evaluated for their effectiveness. The Charter School implements mechanisms to disseminate child find information to the public, organizations, agencies and individuals on at least an annual basis.

Assurances of students with disabilities are included in general education programs and extracurricular and non-academic programs and activities to the maximum extent appropriate in accordance with an Individualized Education Program.

Following the state and federal guidelines for participation of students with disabilities in state and Charter School-wide assessments including the determination of participation, the need for accommodations and the methods of assessing students for whom regular assessment is not appropriate.

Assurance of funds received through participation in the medical assistance reimbursement program, ACCESS, will be used to enhance or expand the current level of services and programs provided to students with disabilities in this local education agency.

Special Education Support Services

Support Service	Location	Teacher FTE
Assistant Principal of Student Support Services	KIPP West Philadelphia Preparatory Charter School 5900 Baltimore Avenue, Philadelphia, PA 19143	1
Learning Support Teacher, 5th grade	KIPP West Philadelphia Preparatory Charter School 5900 Baltimore Avenue, Philadelphia, PA 19143	1
Learning Support Teacher, 6th grade	KIPP West Philadelphia Preparatory Charter School 5900 Baltimore Avenue, Philadelphia, PA 19143	1
Learning Support Teacher, 7th grade	KIPP West Philadelphia Preparatory Charter School 5900 Baltimore Avenue, Philadelphia, PA 19143	1
Learning Support Teacher, 8th grade	KIPP West Philadelphia Preparatory Charter School 5900 Baltimore Avenue, Philadelphia, PA 19143	1

Special Education Contracted Services

Title	Amt. of Time per Week	Operator	Number of Students
Occupational Therapist	2 Hours	Outside Contractor	10 or fewer
Psychologist	10 Hours	Outside Contractor	10 or fewer
Social worker	8 Hours	Outside Contractor	10 or fewer
Speech therapist	5 Hours	Outside Contractor	10 or fewer

Special Education Cyclical Monitoring

Date of Last Special Education Cyclical Monitoring:
Link to Report (Optional):

01/24/2011
Not Provided

Special Education Cyclical Monitoring Report

The Special Education Cyclical Monitoring Report, which should include the Bureau's findings

PDF file uploaded.

Facilities

Fixed assets acquired by the Charter School during the past fiscal year

Fixed assets acquired by the Charter School during the past fiscal year:

purchased some desks and shelves

The total Charter School expenditures for fixed assets during the identified fiscal year:

\$2,000.00

Facility Plans and Other Capital Needs

The Charter School's plan for future facility development and the rationale for the various components of the plan:

N/A

Memorandums of Understanding

Organization	Purpose
Philadelphia Police Department	Safe Schools MOU

Charter School Annual Report Affirmations

Charter Annual Report Affirmation

I verify that all information and records in this charter school annual report are complete and accurate.

The Chief Executive Officer and the Board of Trustee President of the charter school must sign this verification.

Affirmed by Jay Coen Gilbert on 8/1/2014

President, Board of Trustees

Affirmed by Greg Leap on 8/1/2014

Chief Executive Officer

Charter School Law Affirmation

Pennsylvania's first Charter School Law was Act 22 of 1997, 24 P.S. § 17-1701-A et seq., which primarily became effective June 19, 1997, and has subsequently been amended.

The Charter School Law provides for the powers, requirements, and establishment of charter schools. The Charter School Law was passed to provide opportunities to teachers, parents, pupils and community members to establish and maintain schools that operate independently from the existing school district structure as a method to accomplish all of the following: (1) improve pupil learning; (2) increase learning opportunities for all pupils; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers; (5) provide parents and pupils with expanded choices in types of educational opportunities that are available within the public school system; and (6) hold charter schools accountable for meeting measurable academic standards and provide the school with a method to establish accountability systems.

The charter school assures that it will comply with the requirements of the Charter School Law and any provision of law from which the charter school has not been exempted, including Federal laws and regulations governing children with disabilities. The charter school also assures that it will comply with the policies, regulations and procedures of the Pennsylvania Department of Education (Department). Additional information about charter schools is available on the Pennsylvania Department's website at: <http://www.education.state.pa.us>.

The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.

Affirmed by Jay Coen Gilbert on 8/1/2014

President, Board of Trustees

Affirmed by Greg Leap on 8/1/2014

Chief Executive Officer

Ethics Act Affirmation

Pennsylvania's current Public Official and Employee Ethics Act (Ethics Act), Act 93 of 1998, Chapter 11, 65 Pa.C.S. § 1101 et seq., became effective December 14, 1998 and has subsequently been amended.

The Ethics Act provides that public office is a public trust and that any effort to realize personal financial gain through public office other than compensation provided by law is a violation of that trust. The Ethics Act was passed to strengthen the faith and confidence of the people of Pennsylvania in their government. The Pennsylvania State Ethics Commission (Commission) administers and enforces the provisions of the Ethics Acts and provides guidance regarding its requirements.

The regulations of the Commission set forth the procedures applicable to all proceedings before the Commission as well as for the administration of the Statement of Financial Interests filing requirements. See 51 Pa. Code § 11.1 et seq.

The charter school assures that it will comply with the requirements of the Ethics Act and with the policies, regulations and procedures of the Commission. Additional information about the Ethics Act is available on the Commission's website at: <http://www.ethics.state.pa.us>.

The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.

Affirmed by Jay Coen Gilbert on 8/1/2014

President, Board of Trustees

Affirmed by Greg Leap on 8/1/2014

Chief Executive Officer

Staff No.	Name of employee (List all names in alphabetical order)	PA Certified Yes/No	Areas of Certification Type of Certificate	Grades Teaching or Serving	All Areas of Assignment Subject Areas Teaching or Services Provided	Number of Hours Worked in Assignmnt	Percentage of Time in Certified Position	Percentage of Time in Areas Not Certified
-----------	---	---------------------	--	----------------------------	---	-------------------------------------	--	---

Total Number of Administrators (do not include CEO) 3

Total Number of Teachers 21 Counselors _____ School Nurses _____ Others _____

Total Number of Professional Staff 24

PA Department of Education, 333 Market Street, Harrisburg, PA 17126-0333

Preliminary Statement of Revenues, Expenditures & Fund Balances
 Include ALL Funds
 as of June 30, 2014

Name of School KIPP West Philadelphia Preparatory Charter School

Address of School 5900 Baltimore Ave., Philadelphia, PA 19143

CEO Signature 

REVENUES

6000		REVENUE FROM LOCAL SOURCES	
6500		EARNINGS ON INVESTMENTS	88
	6510	Interest on Investments and Interest-Bearing Checking Accounts	
	6520	Dividends on Investments	
	6530	Gains or Losses on Sale of Investments	
	6540	Earnings on Investments in Real Property	
	6590	Other Earnings or Investments	
6600		FOOD SERVICE REVENUE	
	6610	Daily Sales - Reimbursable Programs	
	6620	Daily Sales - Non-Reimbursable Programs	
	6630	Special Functions	
	6640	Non-Cash Contributions	
	6650	Price Reduction for Reduced Price and Free Meals (Debit)	
	6690	Other Food Service Revenues	
6700		REVENUES FROM STUDENT ACTIVITIES	
	6710	Admissions	4,983
	6720	Bookstore Sales	
	6730	Student Organization Membership Dues and Fees	
	6740	Fees	8,774
	6750	Student Activity - Special Events	5,394
	6790	Other Student Activity Income	
6800		REVENUES FROM INTERMEDIARY SOURCES / PASS THROUGH	
	6810	Revenue from Local Governmental Units	
	6820	Revenue from Intermediary Sources - Commonwealth Funds	
	6830	Revenues from Intermediary Sources - Federal Funds	
	6890	Other Revenues from Intermediary Sources	

6900			OTHER REVENUE FROM LOCAL SOURCES	
	6910		Rentals	9,451
	6920		Contributions & Donations from Private Sources / Capital Contributions	
	6930		Gains or Losses on Sale of Fixed Assets (Economic Resource Measurement Focus Only)	
	6940		Tuition from Patrons	3,689,197
	6941		Regular Day School Tuition	
	6942		Summer School Tuition	
	6943		Adult Education Tuition	
	6944		Receipts From Other LEAs in Pennsylvania - Education	
	6945		Receipts from Out-of-State LEAs	
	6946		Receipts from Member Districts - AVTS / Special Program Jointure only	
	6947		Receipts from Members of Intermediate Units for Education by Withholding	
	6948		Receipts from Members of Intermediate Units for Direct Contributions	
	6949		Other Tuition from Patrons	
	6950		Unassigned	
	6960		Services Provide Other Local Governmental Units / LEAs	
	6961		Transportation Services Provided Other Pennsylvania LEAs	
	6969		All Other Services Provided Other Governments and LEAs Not Specified Above	
	6970		Services Provided Other Funds	
	6980		Revenue from Community Service Activities	23,358
	6990		Refunds and Other Miscellaneous Revenue	847
	6991		Refunds of a Prior Year Expenditure	
	6999		Other Revenues Not Specified Above	
7000			REVENUE FROM STATE SOURCES	
7100			BASIC INSTRUCTIONAL AND OPERATING SUBSIDIES	
	7150		Unassigned	
	7160		Tuition for Orphans and Children Placed in Private Homes	
	7180		Staff and Program Development	
7200			REVENUE FOR SPECIFIC EDUCATIONAL PROGRAMS	
	7210		Homebound Instruction	
	7220		Vocational Education	
	7230		Alternative Education	
	7240		Driver Education - Student	
	7250		Migratory Children	
	7260		Workforce Investment Act (WIA)	
	7270		Specialized Education of Exceptional Pupils	
	7280		Adult Literacy	

	7290	Additional Educational Program Revenues	
7300		REVENUES FOR NON-EDUCATIONAL PROGRAMS	
	7310	Transportation (Regular and Additional)	
	7320	Rental and Sinking Fund Payments / Building Reimbursement Subsidy	47,873
	7330	Health Services (Medical, Dental, Nurse, Act 25)	6,917
	7340	Unassigned	
	7350	Sewage Treatment Operations / Environmental Subsidies	
	7360	Safe Schools	
7400		VOCATIONAL TRAINING OF THE UNEMPLOYED	
7500		STATE REVENUE NOT LISTED ELSEWHERE IN THE 7000 SERIES OF ACCOUNTS	
	7502	Dual Enrollment Grants	
	7503	Project 720/High School Reform	
	7599	Other State Revenue Not Listed Elsewhere in the 7000 Series	
7600		REVENUE FOR MILK, LUNCH AND BREAKFAST PROGRAMS	
7800		REVENUE FOR THE COMMONWEALTH'S SHARE OF PAID BENEFITS	
	7810	State Share of Social Security and Medicare Taxes	
	7820	State Share of Retirement Contributions	197,851
7900		REVENUE FOR TECHNOLOGY	
	7910	Educational Technology	
	7990	Other Technology Grants	
8000		REVENUE FROM FEDERAL SOURCES	
8100		UNRESTRICTED GRANTS-IN-AID DIRECT FROM THE FEDERAL GOVERNMENT	
	8110	Payments for Federally Impacted Areas - P.L. 81-874	
	8190	Other Unrestricted Federal Grants-in-Aid Direct from the Federal Government	
8200		UNRESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH	
8300		RESTRICTED GRANTS-IN-AID DIRECTLY FROM THE FEDERAL GOVERNMENT	
	8310	Payments for Federally Impacted Areas - P.L. 81-815	
	8320	Energy Conservation Grants - TA and ECM	

	8390	Other Restricted Federal Grants-in-Aid Directly from the Federal Government	
8500		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA), NO CHILD LEFT BEHIND (NCLB), VOCATIONAL EDUCATION, CHILD NUTRITION AND CAREER EDUCATION PROGRAMS	
	8510	Individuals with Disabilities Education Act (IDEA) and No Child Left Behind (NCLB)	284,524
	8520	Vocational Education	
	8530	Child Nutrition Program	
	8540	Nutrition Education and Training	
	8560	Federal Block Grants	
	8570	Unassigned	
	8580	Child Care and Development Block Grants	
	8590	Unassigned	
8600		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR DRIVER EDUCATION, ADULT EDUCATION, CETA, HEADSTART, ENERGY CONSERVATION, WORKFORCE INVESTMENT ACT AND OTHER PROGRAMS	
	8610	Homeless Assistance Act	
	8620	Adult Basic Education	
	8640	Headstart	
	8650	Unassigned	
	8660	Workforce Investment Act (WIA)	
	8670	Unassigned	
	8680	Unassigned	
	8690	Other Restricted Federal Grants-in-Aid through the Commonwealth	
8800		MEDICAL ASSISTANCE REIMBURSEMENTS	
9000		OTHER FINANCING SOURCES	
9100		SALE OF BONDS	
	9110	Bond Issue Proceeds (Gross)	
	9120	Proceeds from Refunding of Bonds	
9200		PROCEEDS FROM EXTENDED TERM FINANCING	
9300		INTERFUND TRANSFERS	
	9310	General Fund Transfers	
	9320	Special Revenue Fund Transfers	

	9330	Capital Projects Funds Transfers	
	9340	Debt Service Fund Transfers	
	9350	Enterprise Fund Transfers	
	9360	Internal Service Fund Transfers	
	9370	Trust and Agency Fund	
	9380	Activity Fund Transfers	
	9390	Permanent Fund Transfers	
9400		SALE OF OR COMPENSATION FOR LOSS OF FIXED ASSETS	
9500		Unassigned	
9600		Unassigned	
9700		TRANSFERS INVOLVING COMPONENT UNITS AND PRIMARY GOVERNMENTS	
	9710	Transfers from Component Units	
	9720	Transfers from Primary Governments	
9800		INTRAFUND TRANSFERS IN	
	9810	General Fund Intrafund Transfers	
	9820	Special Revenue Intrafund Transfers	
	9840	Debt Service Intrafund Transfers	
	9850	Enterprise Intrafund Transfers	
	9860	Internal Service Intrafund Transfers	
	9870	Trust and Agency Intrafund Transfers	
	9880	Activity Interfund Transfers	
TOTAL REVENUES			4,279,257

**KIPP WEST PHILADELPHIA
PREPARATORY CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)**

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
TABLE OF CONTENTS
JUNE 30, 2013**

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF ACTIVITIES	8
BALANCE SHEET – GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	12
NOTES TO FINANCIAL STATEMENTS	13
SUPPLEMENTARY INFORMATION (UNAUDITED)	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	22
INDEPENDENT AUDITORS' 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>	23



INDEPENDENT AUDITORS' REPORT

Board of Trustees
KIPP West Philadelphia Preparatory Charter School
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of KIPP West Philadelphia Preparatory Charter School (a nonprofit organization) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of KIPP West Philadelphia Preparatory Charter School as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, the School implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of revenues, expenditures and changes in fund balance- budget and actual on pages 4 through 6 and page 22 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.

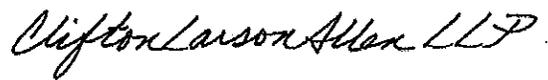
Report on Summarized Comparative Information

We have previously audited The School's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Trustees
KIPP West Philadelphia Preparatory Charter School

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of KIPP West Philadelphia Preparatory Charter 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 result of that testing, and not to provide an opinion on 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 KIPP West Philadelphia Preparatory Charter School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 3, 2013

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2013**

The Board of Trustees of the KIPP West Philadelphia Preparatory Charter School (the School) offers 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, 2013. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- Total revenues increased from \$3,031,702 to \$3,867,801 due primarily from an increase in enrollment during fiscal year and state reimbursement programs.
- At the close of the current fiscal year, the School reports ending net position of \$590,962. The net position balance represents a decrease in net position of \$25,232 for the year ended June 30, 2013.
- The School's cash balance at June 30, 2013 was \$924,794, representing an increase of \$299,595 from June 30, 2012.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information and reporting in accordance with *Government Auditing Standards*.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has one governmental fund, the general fund.

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2013**

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.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$590,962 as of June 30, 2013.

	2013	2012
Total Assets	\$ 1,196,310	\$ 904,982
Total Liabilities	605,348	288,788
Total Net Position	\$ 590,962	\$ 616,194

The School's revenues are predominately from the School District of Philadelphia, based on the student enrollment.

	2013	2012
REVENUES		
Local Educational Agencies	\$ 3,274,321	\$ 2,622,104
Other Local Sources	47,947	25,208
State Sources	222,080	124,915
Federal Sources	323,453	259,475
Total Revenues	3,867,801	3,031,702
EXPENDITURES		
Instruction	2,496,821	1,663,871
Instructional Staff Support	60,722	44,790
Administration Support	245,585	300,849
Pupil Health	31,727	31,630
Business Services	477,400	352,612
Operations and Maintenance	374,473	266,957
Student Activities	68,720	133,876
Parent Involvement	67,146	11,748
Depreciation	70,439	63,038
Total Expenditures	3,893,033	2,869,371
Change in Net Position	(25,232)	162,331
Net Position, Beginning	616,194	453,863
Net Position, Ending	\$ 590,962	\$ 616,194

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2013**

Governmental Fund

The focus of the School's *governmental fund* 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, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

Governmental Fund

The School's governmental fund, (the General Fund), reported an ending fund balance of \$454,366. For the year ended June 30, 2013, the School's revenues (\$3,867,801) exceeded expenditures (\$3,859,598) by \$8,203.

Governmental Fund Budgetary Highlights

The School's final budget for the general fund anticipated that expenditures would exceed revenues by \$22,135. The actual results for the year reflected that revenues exceed expenditures by \$8,203, which increased the general fund equity to \$454,366. This variance reflects a revenue variance of \$139,083 due to higher than budgeted per-pupil payments and higher than budgeted federal revenue. There is also an expense variance of \$108,745 higher than budgeted due to higher than budgeted instructional and support services expenditures.

Capital Asset and Debt Administration

CAPITAL ASSETS

As of June 30, 2013, the School's investment in capital assets for its governmental activities totaled \$136,596 (net of accumulated depreciation). This investment in capital assets includes classroom and office furniture and equipment and library books.

Major capital asset purchases during the year included the following:

- Capital expenditures of \$37,004 for furniture and equipment.

Additional information on the School's capital assets can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2013-14 school year, the School will be fully enrolled from 5th grad to 8th grade with 345 students. An increase of 6.2% in regular education per pupil tuition rate and 13.1% in special education per pupil tuition rate will be paid to the School by the School District of Philadelphia. As a result, the total per pupil revenue is expected to increase by approximately \$406,732 to \$3,681,053.

Future Events that will Financially Impact the School

The School expects a decrease in per-pupil payment rate in 2014-15 based on current School District budget developments, but the School is not able to assess the exact financial impact as the School District hasn't announced any specific data.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Chief Executive Officer, KIPP West Philadelphia Preparatory Charter School, 5900 Baltimore Avenue, Philadelphia, PA 19143.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2013
(WITH COMPARATIVE TOTALS AT JUNE 30, 2012)

	Governmental Activities	
	2013	2012
ASSETS		
Cash	\$ 924,794	\$ 625,199
State Subsidies Receivable	99,229	63,210
Federal Subsidies Receivable	425	22,864
Local Receivables	1,025	467
Inventory	4,714	4,089
Prepaid Expense	29,527	19,122
Capital Assets, Net	136,596	170,031
Total Assets	1,196,310	904,982
LIABILITIES		
Accounts Payable	121,982	33,263
Accrued Benefits Payable	283,602	145,305
Due to Pennsylvania Department of Education	-	2,800
Due to KIPP Philadelphia Charter School	199,764	107,420
Total Liabilities	605,348	288,788
NET POSITION		
Invested in Capital Assets	136,596	170,031
Unrestricted	454,366	446,163
Total Net Position	\$ 590,962	\$ 616,194

See accompanying Notes to Financial Statements.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

Functions	Expenses	Program Revenues		2013	2012
		Charges For Service	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
				Total Governmental Activities	Total Governmental Activities
Governmental Activities:					
Instruction	\$ 2,496,821	\$ -	\$ 323,453	\$ (2,173,368)	\$ (1,404,396)
Instructional Staff Support	60,722	-	-	(60,722)	(44,790)
Administration Support	245,585	-	-	(245,585)	(300,849)
Pupil Health	31,727	-	-	(31,727)	(31,630)
Business Services	477,400	-	-	(477,400)	(352,612)
Operations and Maintenance	374,473	-	-	(374,473)	(266,957)
Student Activities	68,720	-	-	(68,720)	(133,876)
Parent Involvement	67,146	-	-	(67,146)	(11,748)
Depreciation	70,439	-	-	(70,439)	(63,038)
Total	\$ 3,893,033	\$ -	\$ 323,453	(3,569,580)	(2,609,896)
General Revenues:					
State Grants and Reimbursements				222,080	124,915
Local Educational Agencies				3,274,321	2,622,104
Other Local Sources				47,947	25,208
Total General Revenues				<u>3,544,348</u>	<u>2,772,227</u>
Change in Net Position				(25,232)	162,331
Net Position - Beginning of Year				<u>616,194</u>	<u>453,863</u>
Net Position - End of Year				<u>\$ 590,962</u>	<u>\$ 616,194</u>

See accompanying Notes to Financial Statements.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013
(WITH COMPARATIVE TOTALS AT JUNE 30, 2012)

	General Fund	
	2013	2012
ASSETS		
Cash	\$ 924,794	\$ 625,199
State Subsidies Receivable	99,229	63,210
Federal Subsidies Receivable	425	22,864
Other Receivable	1,025	467
Inventory	4,714	4,089
Prepaid Expense	29,526	19,122
Total Assets	\$ 1,059,713	\$ 734,951
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 122,938	\$ 33,263
Accrued Benefits Payable	283,602	145,305
Due to Pennsylvania Department of Education	-	2,800
Due to KIPP Philadelphia Charter School	198,807	107,420
Total Liabilities	605,347	288,788
FUND BALANCE		
Nonspendable Fund Balance	29,526	19,122
Unassigned Fund Balance	424,840	427,041
Total Fund Balance	454,366	446,163
Total Liabilities and Fund Balance	\$ 1,059,713	\$ 734,951

See accompanying Notes to Financial Statements.

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Fund Balance for Governmental Funds - General Fund \$ 454,366

Total Net Position Reported for Governmental Activities in the Statement
of Net Position is Different because:

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

Leasehold Improvements, Furniture, and Equipment	330,196	
Accumulated Depreciation	<u>(193,600)</u>	
		<u>136,596</u>

Total Net Position of Governmental Activities \$ 590,962

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	General Fund	
	2013	2012
REVENUES		
Local Educational Agency Assistance	\$ 3,274,321	\$ 2,622,104
Other Local Sources	47,947	25,208
State Sources	222,080	124,915
Federal Sources	323,453	259,475
Total Revenues	<u>3,867,801</u>	<u>3,031,702</u>
EXPENDITURES		
Instruction	2,524,771	1,740,184
Support Services	1,198,961	1,045,083
Non-Instructional Services	135,866	145,624
Total Expenditures	<u>3,859,598</u>	<u>2,930,891</u>
NET CHANGE IN FUND BALANCE	8,203	100,811
Fund Balance - Beginning of Year	<u>446,163</u>	<u>345,352</u>
FUND BALANCE - END OF YEAR	<u>\$ 454,366</u>	<u>\$ 446,163</u>

See accompanying Notes to Financial Statements.

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balance - Total Governmental Funds \$ 8,203

Amounts Reported for Governmental Activities in the Statement of Activities are
Difference because:

Governmental funds report capital outlays as expenditures. However, in the statement
of activities, assets are capitalized and the cost is allocated over their estimated useful
lives and reported as depreciation expense. This is the amount by which depreciation
exceeds capital outlays in the current period.

Capital Outlays	37,004
Depreciation Expense	<u>(70,439)</u>

Change in Net Position of Governmental Activities \$ (25,232)

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The KIPP Philadelphia Charter School (the School) is a charter school located in Philadelphia, Pennsylvania. The charter school was established in 2008 and operates under the provisions enacted by the General Assembly of the Commonwealth of Pennsylvania in 1997. The School's charter has been approved for renewal through June 30, 2017.

KIPP West Philadelphia Preparatory Charter School opened in the fall of 2009 with the fifth grade. The School added an eighth grade during the current year. The School is a charter school which has financial accountability and control over all activities related to the students' education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources. The School, however, is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement. In addition, there are no component units as defined by GASB.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for year ended June 30, 2012, from which the summarized information was derived.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance) report on the School's general fund.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by provider have been met.

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental fund:

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

Method of Accounting

The Accounting Standards require a statement of net position, a statement of activities and changes in net position. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These calculations are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The School presently has not incurred any related debt.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Method of Accounting (Continued)

- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School presently has no restricted net position.

- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid expenses, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances represent resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, other post-employment benefits and termination benefits. Committed fund balances are established and modified by a resolution approved by the Board of Trustees. Assigned fund balances are intended by the School to be used for specific purposes, but are neither restricted nor limited. Unassigned fund balances are considered the remaining amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is the School’s policy to use restricted first, then unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the School’s policy to use committed first, then assigned, and finally unassigned amounts.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School has a governmental fund budget. The original budget was filed and accepted by the Labor, Education and Community Services Comptroller’s Office in July 2012. An amended budget was approved by the Board of Trustees in December 2012. The budget is included as supplementary information.

Use of Estimates

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

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's limit of \$250,000, with financial institutions.

Cash

The School's cash is considered to be cash on hand and demand deposits.

Accounts Receivable

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal and state subsidy programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2013, no allowance for doubtful accounts was deemed warranted.

Capital Assets

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets. The estimated useful life for computers, furniture and equipment is three to five years.

Capital assets purchased as leasehold improvements are capitalized at cost and depreciated using the straight-line method over the useful lives of the assets or the length of operating lease, whichever is comes first.

Inventory

Inventory consists principally of student uniforms and is recorded at cost.

Deferred Revenue

Funds received in advance of the services performed are recorded as deferred revenue in the statement of net position. As of June 30, 2013, the amount of \$0 was reported as deferred revenue.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 CASH

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a policy for custodial credit risk. As of June 30, 2013, \$744,337 of the School's bank balance of \$924,794 was exposed to custodial credit risk as:

Uninsured and Collateralized Amount	\$	744,337
Plus: Insured Amount		250,000
Less: Outstanding Checks		(69,642)
Plus: Deposits in Transit		-
Carrying Amount - Bank Balances		924,695
Plus: Petty Cash		99
Total Cash Per Financial Statements	\$	924,794

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Leasehold Improvements	\$ 33,000	\$ -	\$ -	\$ 33,000
Furniture and Equipment	260,192	37,004	-	297,196
Total	293,192	37,004	-	330,196
Less: Accumulated Depreciation	123,161	70,439	-	193,600
Capital Assets, Net	\$ 170,031	\$ (33,435)	\$ -	\$ 136,596

Depreciation expense for year ended June 30, 2013 amounted to \$70,439 in the statement of activities.

NOTE 4 LOCAL EDUCATIONAL AGENCIES REVENUE

Charter schools are funded by the local public school district in which each student resides. The rate per student is determined annually and is based on the budgeted total expenditure per average daily membership of the prior school year for each school district. All of the students for the School reside in Philadelphia. For the year ended June 30, 2013, the rate for the School District of Philadelphia was \$8,096 per year for regular education students plus additional funding for special education students. The annual rate is paid monthly by the School District of Philadelphia and is prorated if a student enters or leaves during the year. Total revenue from the School District of Philadelphia was \$3,274,321.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 LEASING ARRANGEMENTS

The School leases space within the John P. Turner, Middle School, 5900 Baltimore Avenue in Philadelphia, Pennsylvania under a licensing agreement with the School District of Philadelphia. Under the terms of this agreement, the School will be provided all utility, janitorial, building engineering and security services by the School District for a three year term expiring June 30, 2015. At the discretion of the School District, this licensing agreement can be renewed for two additional one year terms. For the year ended June 30, 2013, the School's monthly license payments were \$26,821 for a total of \$321,850 in rent expense.

Minimum annual rental payments for each year subsequent to June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 321,850
2015	321,850
Total	<u>\$ 643,700</u>

On September 1, 2009, the School entered into a lease obligation for office equipment, which has been classified as an operating lease. The lease requires the School to pay sixty monthly installments of \$603 through August 31, 2014. The total expense on this lease agreement was \$7,236 for the year ended June 30, 2013.

Minimum annual rents for each year subsequent to June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 7,236
2015	1,206
Total	<u>\$ 8,442</u>

NOTE 6 GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS

The School participates in numerous state reimbursement and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs for social security taxes, retirement expense, facility lease costs and health services 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 the grants and reimbursement programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 RETIREMENT PLAN

Plan Description:

The School contributes to the Public School Employees' Retirement System (the System), a governmental cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement and disability benefits, legislatively mandated *ad hoc* cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy:

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth of Pennsylvania.

Member contributions are as follows:

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Employer contributions are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer's contribution was 8.64% of covered payroll. The 8.64% rate is composed of a pension contribution rate of 8.00% for pension benefits and .64% for healthcare insurance premium assistance.

Payroll expense for employees covered by the System for the year ended June 30, 2013 was approximately \$1.93 million.

In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania will pay school entities for contributions made to the System based on the formula in Act 29 of 1994, but not less than one-half of the school entities contributions. The School's contributions to the Plan for the years ended June 30, 2013, 2012 and 2011 totaled \$237,764, \$118,453 and \$60,598, respectively.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 RETIREMENT PLAN (CONTINUED)

Effective July 1, 2013, the School established a defined contribution plan under Section 403(b) of the Internal Revenue Code, which employees of the School can elect to contribute. Employees, who do not participate in the PSERS retirement plan, can contribute up to 5% of their qualified compensation, with the School matching up to 5% of their qualified compensation. As of June 30, 2013, the School did not contribute to the Section 403(b) plan.

NOTE 8 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; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

NOTE 9 TRADEMARK LICENSE AGREEMENT

The School has a trademark license agreement with the KIPP Foundation, a California public benefit corporation, to use the trademarks KIPP, KIPP ACADEMY and KNOWLEDGE IS POWER PROGRAM in connection with its educational services. The agreement provides for a payment to the KIPP Foundation as licensor, and annual fee not to exceed 3% of state and local per pupil funding received, either directly or indirectly. The fee for the year ended June 30, 2013 was \$30,000.

NOTE 10 RELATED PARTY TRANSACTIONS

The School and KIPP Philadelphia Charter School (the Affiliate) are considered related parties as a result of common members of the board and the management of the schools. The School also has an arrangement with the Affiliate that the School will reimburse KIPP Philadelphia Charter School for management and professional services rendered at a rate of 8% of total cash basis revenue.

As of June 30, 2013, the School has a payable to KIPP Philadelphia Charter School in the amounts of \$199,764.

Related party expenses charged to the School from KIPP Philadelphia Charter School for management and professional services were \$298,313 for the year ended June 30, 2013.

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 NEW ACCOUNTING STANDARDS ADOPTED

The School adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, as of June 30, 2013, which incorporates into the GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements.

The School also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of June 30, 2013, which changed the statement of net assets to the statement of net position and provides guidance for reporting deferred outflows and inflows of resources.

**KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUNDS
YEAR ENDED JUNE 30, 2013**

	(Unaudited)		Actual Amounts	Over (Under) Final Budget
	Budgeted Amounts			
	Original	Final		
REVENUES				
Local Educational Agency Assistance	\$ 3,041,646	\$ 3,218,663	\$ 3,274,321	\$ 55,658
Other Local Sources	91,391	64,782	47,947	(16,835)
State Sources	222,181	227,355	222,080	(5,275)
Federal Sources	190,747	217,918	323,453	105,535
Total Revenues	<u>3,545,965</u>	<u>3,728,718</u>	3,867,801	139,083
EXPENDITURES				
Instruction	2,425,230	2,422,115	2,524,771	102,656
Support Services	1,029,621	1,158,856	1,198,961	40,105
Non-Instructional Services	176,726	169,882	135,866	(34,016)
Total Expenditures	<u>3,631,577</u>	<u>3,750,853</u>	3,859,598	108,745
NET CHANGE IN FUND BALANCE	<u>\$ (85,612)</u>	<u>\$ (22,135)</u>	8,203	<u>\$ 30,338</u>
Fund Balance - Beginning of Year			<u>446,163</u>	
FUND BALANCE - END OF YEAR			<u>\$ 454,366</u>	



CliftonLarsonAllen LLP
CLAconnect.com

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

Board of Trustees
KIPP West Philadelphia Preparatory Charter School
Philadelphia, Pennsylvania

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 and the general fund information of KIPP West Philadelphia Preparatory Charter School, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise KIPP West Philadelphia Preparatory Charter School's basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KIPP West Philadelphia Preparatory Charter 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 KIPP West Philadelphia Preparatory Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of KIPP West Philadelphia Preparatory Charter 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.



An independent member of Nexia International

Board of Trustees
KIPP West Philadelphia Preparatory Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIPP West Philadelphia Preparatory Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 3, 2013

KIPP WEST PHILADELPHIA PREPARATORY CHARTER SCHOOL
FINANCIAL POLICY MANUAL

This internal controls manual provides policies and procedures for handling financial transactions. Responsible parties are identified and the segregation of duties among these parties is outlined. This manual is a resource to ensure compliance with state and federal laws, as well as a tool to help produce timely and accurate financial information.

REVISED AND EFFECTIVE JULY 1, 2013

Table of Contents

1	Procurement.....	3
2	Expenses and Employee Reimbursement	6
3	Banking and Cash Management	7
4	Investments.....	9
5	Debt.....	9
6	Grants and Donations	10
7	Payroll	12
8	Fixed Assets.....	13
9	Financial Data & Record Keeping	13
10	Insurance	15
11	Budgeting	15
12	Reporting of financial statements	16
13	Whistleblower.....	19
14	Fraud.....	19
15	Attachments	22

1 Procurement

1.1 Purchasing approvals

1.1.1 All purchases except personal purchase & reimbursement, petty cash and school credit card purchases require a purchase order approved by the individuals noted below:

Values of...	Require purchase orders approved by...
Under \$5,000 (within approved budget)	<u>One of the following:</u> School leader, COO, CEO, and CAO
\$5,000 - \$50,000 (within approved budget)	<u>Two of the following:</u> School leader, COO, CEO, and CAO
Over \$50,000 (within approved budget)	<u>All of the following</u> School leader, CEO, President of the Board of Trustees
\$0 - \$50,000 (not in approved budget)	<u>Both of the following:</u> School leader, COO <u>AND one of the following:</u> CEO, President of the Board of Trustees
Over \$50,000 (not in approved budget)	<u>All of the following:</u> School Leader, CEO, Board of Trustees

1.2 Contracts

1.2.1 Description of terms

1.2.1.1 Where possible, the school will enter into contracts for goods and services that stipulate exactly what is included and excluded from the scope of the contract, the agreed delivery, payment terms, and other standard contractual terms and legal protections.

1.2.1.2 Contracts should provide for monthly payment, with at least 15 days from the date of invoice to make payment when possible

1.2.2 Contracts can be negotiated by the following individuals or their designees: President of the Board of Trustees, CEO, COO, School Leader, Managing Director of Finance and Operations

1.2.3 Services from individuals

1.2.3.1 If contracting with an individual for services that are likely to exceed the IRS threshold (currently \$600 per year¹), the school will obtain required documentation to complete a 1099 tax return at the time the services are agreed upon, including the individual's social security number, address and other contact information.

1.2.4 Approval

1.2.4.1 Prior to signing a contract committing KWPP to purchasing goods / services, a Purchase Order Form must be completed to approve the expenditure (see attachment).

¹ <http://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

1.3 Account purchase

- 1.3.1 The Director of Finance must approve new vendor accounts.
- 1.3.2 Account documentation should identify payment terms, with at least 15 days from the date of invoice to make payment.

1.4 Receiving

- 1.4.1 The Office Manager counts materials and supplies when they are received and inspects them for condition, ensuring that the goods received match the Purchase Order.
- 1.4.2 Any shortages or rejections are noted on the Purchase Order.
- 1.4.3 Goods may not be received by the same employee that approved the purchase.

1.5 Payment approval

1.5.1 Invoice collection & payment

- 1.5.1.1 All unpaid invoices must be directed to the Office Manager or Director of Operations
- 1.5.1.2 Payment for goods or services will only be made upon approval of the Purchase Requisition (approval by School Leader) and Vendor Invoice in Intacct (our accounting software). DOO's will convert approved Purchase Requisitions to Purchase Orders, which are then reviewed by the MDFO and converted to Vendor Invoices for payment approval by the COO and CEO.

1.5.2 Immediate payment

- 1.5.2.1 The process is similar to an Account purchase, except that the Purchase Order, with a note in the memo line indicating payment as "check prepayment," is routed to the MDFO in Intacct with the appropriate approval.
- 1.5.2.2 The Office Manager or Director of Operations must ensure that goods received upon payment match the Purchase Order.

1.5.3 School credit card purchases

- 1.5.3.1 While not the preferred method of purchasing, schools do have this option.
- 1.5.3.2 The school credit cards shall have a purchasing limit of \$5,000 per month, with the exception of those of the CEO and school leader. Purchases in amounts exceeding \$1,500 for a single purchase must be approved in advance through the purchase order process and, consistent with that process, require dual authorization. CEO and school leader credit cards will have higher limits to accommodate the occasional large purchase that must be made by credit card (year end trip travel reservations, etc.). The authorized signatories on the school credit cards are the CEO, school leaders, and one senior operations staff member at each school site (typically the Director of Operations).
- 1.5.3.3 Cardholders will submit a Credit Card Expense Report on a monthly basis, attaching receipts for all charges incurred, and, for all purchases originating with non-

cardholders and all purchases exceeding \$1,500, Purchase Orders, and providing an explanation of the purpose of the charges. Expense Reports must be approved by signature of the cardholder's manager prior to submission to accounting.

- 1.5.3.4 The CEO will submit the Credit Card Expense Report to the Treasurer of the Board of Trustees for review and approval prior to submitting it to accounting.
- 1.5.3.5 The school credit card bill will be reconciled monthly against the submitted Expense Reports and receipts.
- 1.5.3.6 The points earned on the credit card reward program are KWPP's fiscal property. They carry the monetary value as specified by the credit card agreement. The usage of the points is subject to the approval process as stated by item 1.1.1 in this manual.

1.5.4 School cash purchases

- 1.5.4.1 In very rare circumstances, vendors may require purchases to be made with cash only.
- 1.5.4.2 School cash purchases may not exceed \$500.
- 1.5.4.3 When possible, the School Leader or Office Manager will obtain a money order or other instrument that can be documented.
- 1.5.4.4 The School Leader must authorize disbursement of any cash for purchases by signature on the Petty Cash Log form (see attachment).
- 1.5.4.5 An employee making a cash purchase must return a receipt to the Office Manager or Director of Operations documenting the purchase. If an employee is unable to document a cash purchase with a receipt, the employee must submit a signed letter of explanation to the School Leader. The school may require repayment of undocumented petty cash expenditures.

1.5.5 Personal purchase & reimbursement

- 1.5.5.1 The School Leader can authorize an employee to spend their own funds to make a purchase that will then be reimbursed by the school. It is in the employee's best interest to have the purchase pre-approved verbally by the School Leader to ensure the expense is reimbursable.
- 1.5.5.2 Personal purchases may not exceed \$1000.
- 1.5.5.3 After the purchase, the employee must complete an Expense Reimbursement form (see attachment) providing detailed information about the purchase and its intended use. Expense Reimbursement forms must be signed by the School Leader or CEO (an employee may not approve their own expense reimbursement form).
- 1.5.5.4 The original receipt must be attached to the signed form and submitted to the Director of Operations as soon as possible.
- 1.5.5.5 The CEO will submit Expense Reimbursement forms with original receipts to the Treasurer of the Board of Trustees, who will review and approve expenses before reimbursement is processed.

1.6 Transactions with related parties

- 1.6.1 All employees must disclose relationships (e.g., immediate family or close interpersonal relationships) prior to initiating transactions with proposed or current vendors.
- 1.6.2 The CEO must review related party transactions and has the right to request additional transaction information, including fair market value assessments, to determine whether the transaction is in the best interest of the school.
- 1.6.3 The CEO must disclose any related party transactions involving sums greater than \$5,000 to the Board of Trustees for review.
- 1.6.4 In the event of transactions between KIPP entities, the finance team needs to conduct quarterly reconciliation and prepare a report to the Board of Trustees for review. Any net payment is executed following item 1.5, payment approval, in this manual.

2 Expenses and Employee Reimbursement

2.1 Expenses relating to staff recruitment

- 2.1.1 KWPP may reimburse certain expenses incurred by non-employees, in the process of interviewing these individuals to become employees of KWPP. The School Leader or the CEO must approve this reimbursement. The following language explains this policy:

- 2.1.1.1 Applicants who must travel further than 25 miles to get to the interview are eligible to apply for travel reimbursement. KWPP may reimburse travel costs including plane fare (plus applicable taxes), train fare, taxi fare, metro fare, rental car expense and hotel expense in an amount up to \$300. Ineligible expenses include food, entertainment and side trips to other destinations. To obtain this reimbursement, the applicant must submit a detailed list of expenses that includes the date that the expense was incurred, the vendor name (e.g., Delta, Amtrak, Yellow Cab, etc), a description of the service (e.g., taxi from Airport to school) and the amount of the expense. Original receipts must be attached to the list.

- 2.1.2 Other teacher and staff recruitment expenses should can be paid directly by KWPP, per the Board approved budget and standard procurement processes in place.

2.2 Expenses relating to staff travel

- 2.2.1 When staff are required by supervisors (School Leader, CEO, etc) to attend events (e.g., conferences, workshops, professional development, etc) relating to the conduct of their job, certain travel expenses are eligible for reimbursement.
- 2.2.2 In no case should a KWPP employee spend personal funds for work-related travel without first consulting their supervisor about reimbursement. In all cases, individuals are expected to be frugal in their expenditures and use the federal travel regulations as a guideline (FTR)².

2.3 Other non-staff expenses

- 2.3.1 Other non-staff expenses (board members, etc.) must be evaluated on a case by case basis & and approved by the CEO or School Leader

² Available at <http://www.gsa.gov>

2.4 Expenses of the CEO

- 2.4.1 The CEO will submit Expense Reimbursement forms with original receipts to the Treasurer of the Board of Trustees, who will review and approve expenses before reimbursement is processed

3 Banking and Cash Management

3.1 Bank Account Structure

- 3.1.1 KWPP will maintain at least one business operating bank account at any given time. KWPP will maintain additional bank accounts to comply with regulations issued by state and local government in regards to funds received for charter school programs.
- 3.1.2 In particular, the school will maintain at least one non-interest bearing account at all times. Federal funds received will be deposited into this account until such time as the funds can be shown to be spent on eligible expenses and documented accordingly to the Federal Government or representatives thereof.
- 3.1.3 KWPP will maintain at least one savings or money market account that earns a higher yield than a standard business checking account and can be used to collect funds that are not immediately required to support school operations at a given point in time.
- 3.1.4 All accounts will be held in the domestic United States with banks that offer standard FDIC insurance on deposits.

3.2 Check Writing

- 3.2.1 Checks can only be signed by the COO, CEO, or CAO.
- 3.2.2 Checks can only be printed by the Accounting Associate or Controller.
- 3.2.3 All checks over \$5000 must be signed by two signatories.
- 3.2.4 All signatures shall be reviewed by the Accounting Associate before checks are mailed out. A subsequent review is performed during the bank reconciliation to ensure proper internal control.
- 3.2.5 Blank checks will be held at KWPP in a secure location.
- 3.2.6 All duplicate checks or check stubs will be stored with their associated Purchase Order, packing slip (if applicable), and invoice with a Payment Approval stamp.

3.3 Cash Collection

- 3.3.1 The school office may collect small amounts of cash from students and parents for incidental items (e.g., school trips, uniforms, etc). Cash/checks dropped off at the school office will be placed directly into a lock box by the person dropping off the cash/checks or handed to the Office Manager, who will place them in the lock box. In situations where staff collects cash/checks for school-related activities, they will collect all forms and payments from students, note the payment on a roster, place forms, payments and roster in a large envelope, and submit the envelope before lunch to the school office, where it will be placed into the lock box by the Office Manager.
- 3.3.2 This cash must be held in a locked safe at the school site until it can be picked up and transported to the bank by the Accounting Associate.

- 3.3.3 Cash collected must be accompanied by a receipt from triplicate receipt book, which clearly documented in terms of the payee, date of collection and the amount.
- 3.3.4 Cash in the school safe should not exceed \$500 at any given time, with the exception of beginning of year collections and end of year trips, at which time the amount may be as high as \$2500.

3.4 Deposits

- 3.4.1 A deposit slip must be completed for all deposits of cash or checks. The deposit slip is provided by the bank receiving the deposit.
- 3.4.2 On a weekly basis, the senior operations staff member at the school records all cash and checks to be deposited in a Deposit Log (see attachment). The deposit is counted by the senior operations staff member and the School Leader, both of whom sign the Deposit Log to verify the amount of the deposit.
- 3.4.3 The Accounting Associate recounts the cash deposit, signs the Deposit Log to verify the amount of the deposit, and deposits the cash and/or checks. The School Leader will verify the deposit slip and initial prior to deposit by the Accounting Associate. The Managing Director of Finance and Operations records the information in Intacct (our accounting software) upon receiving the deposit paperwork from the Accounting Associate. The deposit entries are reviewed by the Controller before posting to our General Ledger.
- 3.4.4 The entry of the deposit into the accounting system may not be completed by the same employee who made the deposit.
- 3.4.5 The deposit Log and deposit slip will be filed with the associated cash collection or accounts receivable documentation.
- 3.4.6 To collect cash receipts effectively, the school/regional office may set up online accounts, such as PayPal, upon approval by Managing Director of Finance and Operations or the Controller. The school/regional office is not authorized to use or disburse any funds accumulated in those accounts. Instead, the funds shall be transferred to the linked merchant account on a monthly basis with proper deposit log accompanied by the back-up documentation.

3.5 Other Banking Functions

- 3.5.1 Intra-KWPP transfers (fund transfers between KWPP owned bank accounts) can be executed by the Director of Finance or CEO as necessary to make funds available in needed operating accounts.
- 3.5.2 Wire transfers out of KWPP accounts require standard purchase documentation (e.g., contracts / Purchase Orders / Payment Approvals).
- 3.5.3 Bank statements are entered into the books and reconciled monthly by a third party accountant, prior to being filed in a secure location.
- 3.5.4 Bank reconciliations are reviewed monthly by the Director of Finance and quarterly by CEO/COO. As part of monthly closing, the Director of Finance shall compare the bank reconciliation with trial balance to determine the final cash balance.

4 Investments

4.1 Securities

- 4.1.1 Board approval is required to purchase any security or certificate that is different from a standard certificate of deposit issued by a U.S. bank.
- 4.1.2 Federal funds may not be used to purchase any interest-bearing security & all investments must be made in compliance with PA 24 PS 4-440.1
- 4.1.3 Any proposed security purchase must conform to applicable tax law and be consistent with our stated 501c3 purpose. In all cases, the Board and the School Administrators should exercise extreme caution when considering purchasing any securities.
- 4.1.4 U.S. Government backed treasury bills and other similar instruments are considered examples of conservative securities available for purchase.

4.2 Real Property

- 4.2.1 KWPP can purchase real property (property, physical plant and equipment) that is in the service of its mission as a public charter school.
- 4.2.2 Any purchase of real property is subject to the same procurement guidelines outlined in this document.
- 4.2.3 Large facility purchases that require debt financing are subject to the debt guidelines outlined in this document.

4.3 Considerations

- 4.3.1 All investments made by KWPP should be extremely conservative and take all necessary precautions to limit down-side risk. High risk/return securities and real estate speculation are examples of investments that KWPP will not participate in.

5 Debt

5.1 Working Capital

- 5.1.1 The CEO, COO and the Managing Director of Finance and Operations should develop recommendations to the Board of Trustees outlining any needs for working capital lines of debt.
- 5.1.2 The Board must approve any new line of working capital debt to KWPP.
- 5.1.3 Working capital lines of credit should not exceed 20% of the operating budget for any given fiscal year.
- 5.1.4 Certain long-term leases may be treated as capital leases and thus reported as liabilities on the financial statements. In these cases, KWPP will adhere to FASB guidelines and adhere to advice from its auditor in completing the proper accounting and bookkeeping for these leases.

5.2 Term Debt

- 5.2.1 In order to complete larger purchases of property (e.g., facilities or improvements thereof), KWPP will need to enter into a longer term obligation to a bank or other fiduciary institution.
- 5.2.2 The term of the loan should not exceed the useful life of the asset itself.
- 5.2.3 Term debt is subject to the approvals outlined in the Approvals section.
- 5.2.4 The Controller should attempt to obtain the most competitive rates and terms from accessible lenders, adhering to bid guidelines for public charter schools when necessary.

5.3 Considerations

- 5.3.1 All debt taken on by KWPP should be extremely conservative and KWPP shall take all necessary precautions to limit down-side risk. Variable rate loans are examples of potentially risky debt that KWPP shall avoid when possible.

6 Grants and Donations

6.1 Private Contributions

- 6.1.1 The Development Director and CEO are responsible for coordinating efforts to obtain private contributions, whether these contributions are cash or in-kind services.
- 6.1.2 The Development Director must record each pledge made, including the name of the contributor, the date of the pledge, the amount and any restrictions. Further, the Development Director must provide such information to the Controller and Managing Director of Finance and Operations.
- 6.1.3 The Development Director should work with the Controller and Managing Director of Finance to monitor pledge receivables throughout the fiscal year. At the end of the fiscal year, the Development Director and Controller should decide whether to write-off pledge receivables that are more than six (6) months old, based on the probability of collection.
- 6.1.4 The Development Director and Controller must maintain adequate provision for non-collection of pledges. A suggested guideline would be at least 5% of the outstanding balance of pledges.
- 6.1.5 KWPP must comply with IRS regulations and guidelines concerning the acknowledgement of private contributions in the form of letters that outline the value of any goods or services received by the donor in conjunction with the donation and the net amount that is considered a direct donation.

6.2 Private Grants

- 6.2.1 Grants from private foundations or individuals are considered distinct from contributions insofar as they come with additional reporting or compliance features, and/or they include multiple disbursements over time.
- 6.2.2 The CEO and Development Director are responsible for preparing grant applications and negotiating grant agreements with foundations or individuals.

- 6.2.3 Grants applications must be approved by the board if the grant will introduce potentially significant changes to the operation of the school (such as restrictive oversight or changes to day to day management).
- 6.2.4 The Development Director has the same responsibility to work with the Controller and Managing Director of Finance and Operations in regards to accounting for grants as for private contributions.
- 6.2.5 Additionally, the Development Director must work with the Controller and Managing Director of Finance and Operations to ensure that expenses incurred that are eligible under certain grants get properly flagged with the grant name. The Managing Director of Finance and Operations must establish a set of program or fund codes to track eligible grant expenses.
- 6.2.6 The Development Director must maintain paper and electronic documentation concerning grants pledged, including the date of the pledge, copies of executed grant agreements, reporting requirements, and copies of reports submitted.

6.3 Federal Funds

- 6.3.1 The Controller is responsible for applying for entitlement funds (funds currently available through the No Child Left Behind Act). The CEO and Director of Development are responsible for applying for competitive public funds available through specific notice.
- 6.3.2 KWPP shall submit budgets and narratives, per the program requirements, explaining how such supplementary funding will be applied towards program expense.
- 6.3.3 Additionally, the Controller must work with operations staff to ensure that expenses incurred that are eligible under certain grants are properly flagged with the grant name. The Director of Finance must establish a set of program or fund codes to track eligible grant expenses.
- 6.3.4 The Controller is responsible for working with the Director of Development, the CEO and 3rd party experts (auditors, accountants, lawyers) to ensure compliance with program regulations at all times.
- 6.3.5 Quarterly reports on satisfaction of program requirements shall be submitted to monitoring authorities including all sufficient documentation. In the case of entitlement grants, such reports are the primary responsibility of the Controller and are prepared in collaboration with operations staff at the academies and the Director of Development. In the case of competitive federal grants, such reports are the primary responsibility of the Director of Development and are prepared in collaboration with operations staff at the academies and the Controller.

6.4 In-Kind Donations

- 6.4.1 It is necessary to document the cost of in-kind contributions for financial statements and matching grant purposes. There are three accepted methods of accounting for in-kind costs: a book of original entry; general journal entries supported by worksheets detailing the in-kind costs; or worksheet entries without recording in-kind costs in the school's official accounts.

- 6.4.2 In-kind cost and contributions will be recorded in the school's accounts either in a special in-kind book of original entry or a general journal entry.
- 6.4.3 When services are donated outside of KWPP, rates applied to donated hours should be documented and substantiated in order to arrive at the amount booked as in-kind services. For in-kind goods, documentation should include: date of donation, description of donated item, estimated fair market value of donated items, and how each item was donated along with the locations of the item (cross referenced to the fixed asset listing, if applicable). Each donated item could be accompanied by a document containing the signature of the donor indicating that the item is being donated to KWPP.

7 Payroll

- 7.1 **Employees at KWPP are either full-time salaried, part-time salaried or part-time hourly. Hours of operation are noted in the employee handbook, along with policies regards sick and vacation days. KWPP is an equal opportunity employer, regardless of employee status. Pay rates are determined at the start of the school year, including bonus eligibility.**
- 7.2 **Pay Process**
 - 7.2.1 Pay is remitted on a semi-monthly basis.
 - 7.2.2 The Director of Operations, at academies having this position, and Managing Director of Finance and Operations, for all other academies and the regional office, prepare pay data and submit it to the Accounting Associate and Managing Director of Finance and Operations for review.
 - 7.2.3 The Accounting Associate compiles the payroll files, enters them into the payroll database system, and submits a pre-processing payroll register to the Managing Director of Finance and Operations, who reviews the data again for discrepancies before submitting the data for paycheck processing.
 - 7.2.4 The Office Manager or 3rd party designee prepares the checks, completes federal and state withholdings, and maintains records and issues reports.
 - 7.2.5 Payroll reports are received and reviewed by the Controller or designee.
 - 7.2.6 Payroll data is entered into the accounting system by the Controller and reviewed by the Managing Director of Finance and Operations prior to being posted.
- 7.3 **Timekeeping**
 - 7.3.1 Full-time salaried employees are responsible for tracking their attendance and reporting regularly to supervisors concerning planned or unplanned absence.
 - 7.3.2 Part-time salaried or part-time hourly employees must track the time spent working for KWPP & KWPP each week and report this information to their supervisors on a regular basis. Supervisors can require that employees fill out time worksheets, as necessary.
 - 7.3.3 Timekeeping relating to specific grant funds must be reviewed and addressed periodically in the books, per the requirements of the grant. In these cases, certain individuals may be asked to track time pertaining to a specific function or type of task.

7.4 Taxes and Compliance

7.4.1 Annual tax returns are prepared using a third party.

7.4.2 Withholdings, W-2s and 1099s can be prepared and managed by the Controller or by a 3rd party designee.

8 Fixed Assets

8.1 Capitalization

8.1.1 Operating assets are capitalized when the value of a bulk order of like items exceeds \$1,500 and/or the value of a single item exceeds \$1,500, and the item's useful life exceeds one year with reasonable expectation.

8.2 Depreciation

8.2.1 Fixed assets are depreciated in accordance with IRS guidelines by type of asset and in consultation with the third-party auditor.

8.2.2 Depreciation schedules are currently maintained by a third-party business services vendor and reconciled at fiscal year end.

8.3 Disposal or Sale

8.3.1 Fixed assets with value in excess of \$500 and less than \$25,000 should be sold at the end of their useful lives and/or donated to another 501c3 of choice with approval from the CEO or COO.

8.3.2 Assets with value in excess of \$25,000 that need to be sold require Board approval.

8.3.3 Fixed assets that are broken and cannot be repaired should be disposed and recorded as impaired on the books.

8.4 Inventory

8.4.1 KWPP must maintain an inventory of all operating assets.

8.4.2 The inventory document should include serial numbers for all equipment that was purchased for an amount exceeding \$1,000.

8.4.3 Items should be noted by description, date purchased, cost or fair value and approximate location.

8.4.4 The inventory should be reconciled with the books annually to impair operating assets.

9 Financial Data & Record Keeping

9.1 Accounting Data

9.1.1 The financial books shall be maintained electronically in a software application that is suitably robust to address the tracking and reporting needs.

9.1.2 The Managing Director of Finance and Operations or Controller shall review and update (if necessary) the books at least weekly with expenses, deposits and other transactions. All purchasing transactions are entered directly in Intacct, our accounting software, and then posted to the GL after review by the Managing Director of Finance and Operations or Controller.

9.2 Bank Account Data

9.2.1 The Controller shall maintain records and secure files concerning bank accounts that are open, as well as any bank accounts that have been open for the prior two fiscal years.

9.2.2 Bank statements shall be stored at KWPP, where the office can be locked during non-business hours and access is restricted to approved personnel and registered visitors.

9.3 Procurement Documentation

9.3.1 The Accounting Associate or designee shall maintain files with all relevant purchase orders, invoices, payment approvals and check stubs that are organized alphabetically by vendor name.

9.3.2 The Controller shall review these files periodically to ensure that they are accurate and well-organized, such that receipts and documentation will support a clean audit.

9.4 Grants and Contributions

9.4.1 The Development Director must maintain files including all pledges, grant notices, awards and agreements as well as copies of reports submitted to private and public funders.

9.4.2 The Controller or designee shall maintain additional files documenting funds receipt for per pupil funding and federal funds (entitlement or other).

9.4.3 Copies of reports shall be made available to School Leaders at request.

9.5 Audits and 990s

9.5.1 The Controller or designee shall maintain copies of the annual financial audit and prepared 990s to make available as parties request these documents, in compliance with KWPP's 501c3 status.

9.6 Asset Inventories

9.6.1 The School Leader or Director of Operations at each Academy and the Regional Office shall maintain records of the assets on-site, including all inventory information described in this document.

9.6.2 Copies of these inventories shall be provided to the Controller or designee on an annual basis for purposes on the financial audit.

9.7 Insurance Certificates

9.7.1 The School Leader or Director of Operations will maintain records showing adequate insurance coverage (per the public charter school requirements) at the school site.

9.7.2 The COO or designee will maintain duplicate records at the headquarters office.

9.8 Corporate Documents

9.8.1 Original articles of incorporation, by-laws, the corporate certificate and the tax exempt certificate will be stored in a fire retardant unit at KWPP.

10 Insurance

10.1 **To ensure the viability and continued operations of KWPP, the school needs to have an active risk management program that includes a comprehensive insurance package. KWPP maintains adequate insurance against general liability, as well as coverage for building contents, student accident, and Directors and Officers Liability, among other risks.**

10.2 **The KWPP COO will recommend to the Board of Trustees the type and level of insurance needed for the school and for any sub-grantees or subcontractors. These levels are currently dictated by the School District of Philadelphia.**

11 Budgeting

11.1 Planning

11.1.1 Budgets are created for each school, program, and, when applicable, grant annually. The budgeting process involves key stakeholders including school leaders and other school leadership, operations staff, and finance staff. The budget should be prepared by the appropriate levels of management on an accrual basis for final approval by the KWPP Board of Trustees.

11.1.2 The Managing Director of Finance and Operations or designee will establish guidelines, priorities and assumptions for preparation of the budget. These assumptions will be communicated to other members of the management team. The Managing Director of Finance and Operations will also establish procedures, budgeting formats and a timetable for budget preparation. The timetable, which will begin no later than May of each year, will result in the Finance Committee receiving the proposed budget in time to review and approve it before presentation to the full Board at its June meeting.

11.2 Preparation

11.2.1 The Managing Director of Finance and Operations and the Controller will prepare initial projections of revenues and expenditures for planned services, projects and programs, considering historical data and future growth plans and factoring in any shifts or adjustments to staffing levels communicated by School Leaders and the CEO. Once these budgets are complete, they will be submitted to the School Leaders, in the case of the academies, and the CEO, in the case of the regional office, for review and revision based on new program planning. Upon submission of revised budgets by School Leaders and the CEO, the Director of Finance will consolidate the budgets into a total organizational budget. The consolidated budget will be reviewed by the CEO. After any adjustments or changes, the budget will be ready for submission to the Finance Committee of the Board of Trustees at least two weeks prior to the June Board of Trustees meetings.

11.3 Approval

11.3.1 The Chair of the Finance Committee, along with the CEO, Managing Director of Finance and Operations, and School Leaders, will present the proposed budgets to the Board of Trustees for final approval prior to the end of the fiscal year.

11.4 Revisions

11.4.1 Based on monitoring events that occur during the year, if it is determined that a significant revision to the budget is required and appropriate, budget revisions may be initiated, reviewed and approved by the CEO and COO or designee. Proposed budget revisions will be submitted for approval to the Board of Trustees. Approved budget revisions will be communicated to all parties with budgetary responsibilities. Revisions to the budget, once it is approved by the Board of Trustees, will be subject to significant scrutiny to ensure that they are necessary.

11.5 Control

11.5.1 Once budgets are approved by the Board of Trustees before the start of the fiscal year, they are uploaded into the accounting software. These budgets are then used to run monthly Budget-to-Actual Expense Reports that are distributed to School Leaders, operations staff, program managers and the CEO. Monthly Cash Flow Statements are also created and are reviewed by the Finance team and distributed upon request. Quarterly variance reports are prepared and submitted to the Board of Trustees.

12 Reporting of financial statements

12.1 **Preparing financial statements and communicating key financial information is an important accounting function. Statements are management tools used in making decisions, in monitoring the success of financial objectives and as a standard method for providing information to interested parties external to the organization. KWPP statements are audited each fiscal year and reflect year-to-year historical comparisons.**

12.2 **The Statement of Financial Activity, presented according to program revenue and cost centers, reflects the financial activities of a period. A balance sheet presenting assets, liabilities and surplus (equity) provides a financial “picture” of KWPP as of a particular date.**

12.3 **In designing and distributing financial statements, the Finance team will consider the following:**

12.3.1 Confidentiality and public disclosure requirements.

12.3.2 Purpose to serve – internal or external

12.3.3 Amount of detail and technical data to include

12.3.4 Frequency of distribution

12.3.5 Presentation of variances, footnotes and graphics

12.4 Policy

12.4.1 The objective of KWPP is to prepare accurate financial statements according to GAAP and distribute them on a timely basis in the most cost effective manner.

12.5 Procedures

12.5.1 Monthly Financial Statements

12.5.1.1 Monthly financial statements will be provided to the CEO and the School Leaders.

- 12.5.1.2 Financial Statements for the month will be prepared by the fifteenth (15) day of the following month.
- 12.5.1.3 Such monthly financial statements will be reviewed by the recipients for accuracy and comprehensiveness.
- 12.5.1.4 These statements will report the year-to-date actual revenues and expenses, the year-to-date budget, and a comparison of actual vs. budget for the period.
- 12.5.1.5 Significant variances will be reviewed by the Finance team and the School/Program Leaders to identify any potential fiscal issues or irregularities.

12.5.2 Quarterly Financial Statements

- 12.5.2.1 Quarterly financial statements will be provided to the Board of Trustees at the regular Board meetings.
- 12.5.2.2 Such quarterly financial statements will be reviewed by the Boards for accuracy and comprehensiveness.
- 12.5.2.3 These statements will report the year-to-date actual revenues and expenses, the year-to-date budget, and a comparison of actual vs. budget for the period.
- 12.5.2.4 Significant variances will be explained by the Finance team for the Board review to identify any potential fiscal issues or irregularities.

12.5.3 Annual Financial Statements Audit

- 12.5.3.1 To provide an independent opinion of the KWPP financial status, an independent audit will be conducted annually by a certified public accounting firm.
- 12.5.3.2 The Board of Trustees, or its designee, will appoint this firm.
- 12.5.3.3 The audit will cover the twelve (12) month period ending June 30th. In accordance with Federal regulations, these Financial Statements will be completed no later than four (4) months following the close of the fiscal year.
- 12.5.3.4 The board of trustees finance committee will act as the audit committee.
- 12.5.3.5 The audit will include the following actions:
 - 12.5.3.5.1 All receipts, statements, checks, Board minutes and other required information will be compiled and assembled after the close of the Corporation's fiscal year by the Finance Team.
 - 12.5.3.5.2 A formal letter of engagement specifying the start and end date of the audit engagement will be conveyed to the auditor.
 - 12.5.3.5.3 A copy of the audited financial statements will be provided to all members of the Board of Trustees. The Treasurer of the Board of Trustees, along with the independent auditor, will review the statements with the members present. A vote to accept the report will be held, with the results of the vote recorded in the minutes of the annual meeting.

12.5.3.5.4 The Treasurer will present any recommendation made by the independent auditor to the Board of Trustees at a regularly scheduled meeting. Recommendations will be discussed and adopted in principle by the Board, if deemed appropriate.

12.5.3.6 The Linear Responsibility Chart (see attached) indicates who performs, supervises and approves the accounting activities

12.5.4 Annual Close

12.5.4.1 After the annual audit, KWPP will prepare adjusting entries from the audit and perform a final, audited close. Reports will then be issued.

12.5.5 Accrual Processing

12.5.5.1 In order to match expenses and income appropriately, KWPP will recognize expenses and income as they are incurred and earned, whether payments have been made or received, or not. Therefore, at year end and at whatever other times it is necessary for external reporting purposes, income and expenses which have been incurred but not settled will be recognized and recorded through journal entries (e.g. depreciation, vacation accrual, audit fees).

13 Whistleblower

- 13.1 **KWPP requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations. It is the responsibility of all directors, officers and employees to comply and to report violations or suspected violations in accordance with this Whistleblower Policy. No director, officer or employee who in good faith reports a violation will suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within KWPP prior to seeking resolution outside KWPP.**
- 13.2 **KWPP has an open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with the CEO or anyone in management whom you are comfortable in approaching. The Finance Committee of the Board of Trustees will address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing.**
- 13.3 **Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.**
- 13.4 **Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.**

14 Fraud

- 14.1 **KWPP does not tolerate any fraud or suspected fraud involving employees, officers or directors, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with the Schools. Any investigative activity required is conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with the KWPP.**
- 14.2 **The School leader, CEO, Director of Finance, and Board of Trustees are responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. The Superintendent is familiar with the types of improprieties that might occur within his or her area of responsibility, and is alert for any indication of irregularity.**
- 14.3 **Any fraud that is detected or suspected is reported immediately to the Audit Committee; they take the necessary actions.**
- 14.4 **The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:**
 - 14.4.1 Any dishonest or fraudulent act
 - 14.4.2 Forgery or alteration of any document or account belonging to the Schools

- 14.4.3 Forgery or alteration of a check, bank draft, or any other financial document
- 14.4.4 Misappropriation of funds, supplies, equipment, or other assets of the Schools
- 14.4.5 Impropriety in the handling or reporting of money or financial transactions
- 14.4.6 Disclosing confidential and proprietary information to outside parties
- 14.4.7 Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services the Schools
- 14.4.8 Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- 14.4.9 Any similar or related irregularity

14.5 Investigation Responsibilities

- 14.5.1 The Finance Committee have the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Finance Committee may utilize whatever internal and/or external resources considered necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Finance Committee will issue reports to appropriate designated personnel and to the Board of Trustees.
- 14.5.2 Decisions to prosecute or to refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation are made in conjunction with legal counsel and senior management, as are final dispositions of the case.

14.6 Confidentiality

- 14.6.1 The Audit Committees treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity notifies the Chairmen or members of the Audit Committees immediately (either by writing, phone or email) and does not him- or herself attempt to conduct investigations or interviews/interrogations related to any suspected fraudulent act.
- 14.6.2 Investigation results are not disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Schools from potential civil liability.

14.7 Authority for Investigation of Suspected Fraud

- 14.7.1 Members of the finance committee will have:
 - 14.7.1.1 Free and unrestricted access to all of the School's records and premises; and
 - 14.7.1.2 The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities when it is within the scope of their investigations.

14.8 Reporting Procedures

- 14.8.1 An employee who discovers or suspects fraudulent activity contacts the school's Board Chairman or Audit Committee members immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected

individual(s), his or her attorney or representative(s), or any other inquirer are directed to the Audit Committee or legal counsel. No information concerning the status of an investigation is given out. The proper response to any inquiry is, "I am not a liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

14.8.2 The reporting individual is informed of the following:

14.8.2.1 Do not contact the suspected individual in an effort to determine facts or demand restitution.

14.8.2.2 Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the KWPP's legal counsel or the Audit Committee.

15 Attachments

15.1 **Attachment 1: Table of approved designees**

Approved employees	Designee (if applicable)
President of the Board of Trustees	
Treasurer of the Board of Trustees	
Chief Executive Officer	
COO	
Director of Finance	Accounting Manager
Director of Development	
School Leader	
Office Manager	

15.3 Attachment 3: Payment Approval stamp

To be paid by KIPP Philadelphia Charter School

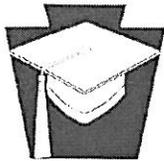
Amount: _____ Acct #: _____

Project/Grant (if applicable): _____

Authorized: _____ Date: _____

15.7 Attachment 7: Linear responsibility chart

Function	Functional Responsibility	Supervise and Review	Timing
Establish Chart of Accounts	Director of Finance	CEO/COO	Annually
Draft Statement & Report Formats	Director of Finance	CEO/COO	Annually
Prepare Journal Entries	Accounting Manager	Director of Finance	Weekly
Close Books	Director of Finance	CEO/COO	Monthly
Prepare Trial Balance	Director of Finance	CEO/COO/ 3 rd party	Monthly
Reconcile Accounts	Director of Finance / 3 rd party	CEO/COO	Monthly
Prepare Statements	Accounting Manager	Director of Finance	Monthly
Review Statements with CEO	Director of Finance	Treasurer	Monthly
Reconcile accounts to the general ledger; make adjustments for any material errors.	Director of Finance / 3 rd party	Treasurer	Quarterly
Collect Adjusting Data & Update Statements	Director of Finance	School leader	Quarterly
Distribute Final Statements	Director of Finance	Treasurer	Quarterly



pennsylvania
DEPARTMENT OF EDUCATION

333 MARKET STREET
HARRISBURG, PA 17126-0333
www.pde.state.pa.us

June 1, 2011

Ms. Shawn Wells
CEO
KIPP West Philadelphia Preparatory CS
5900 Baltimore Avenue
Philadelphia, PA 19143

Dear Ms. Wells:

I thank you and your staff for participating in the Federal Programs Consolidated Review on May 17, 2011. This review indicates that your Title I, Title II Part A, Title III (if applicable) and Fiscal Requirements are in complete compliance with current statute, regulations, and guidance released by the United States Department of Education.

You can print off a copy of your completed Monitoring Instrument at http://www.leaderservices.com/_fedmonitor. Below is your username and password to access the instrument online:

Username: 172510793
Password: 856698723

If you have any questions, please feel free to contact your regional coordinator at (717) 783-2193. Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Renee Palakovic".

Renee' Palakovic
Chief

kjt
cc: Project File



Executive Summary
BSE Compliance Monitoring Review
of the
KIPP West Philadelphia Preparatory CS

PART I
SUMMARY OF FINDINGS

A. Review Process

Prior to the Bureau's monitoring the week of November 2, 2010, the KIPP West Philadelphia Preparatory CS was formally notified of the dates the onsite review would be conducted. Notice and invitation to comment was also provided to the Local Task Force on Right-to-Education. The charter school was informed of its responsibility to compile various reports, written policies, and procedures to document compliance with requirements.

While onsite, the monitoring team employed a variety of techniques to gain an in depth understanding of the charter school's program operations. This included:

- Interviews of charter school administrative and instructional personnel
- Review of policies, notices, plans, outcome and performance data, special education forms and formats, and data reports used and compiled by the charter school (Facilitated Self-Assessment)
- Comprehensive case studies (including classroom observations, interviews of parents, students, and general and special education teachers, and student file reviews).

B. General Findings

In reaching compliance determinations, the Bureau of Special Education (BSE) monitoring teams apply criteria contained in federal and state special education regulations. Specifically, these are:

- Individuals with Disabilities Education Improvement Act of 2004
- 22 Pa. Code Chapter 711
- 34 CFR Part 300

This report focuses on compliance with regulatory requirements and also contains descriptive information (such as interview and survey results) intended to provide feedback to assist in program planning.

C. Overall Findings

1. FACILITATED SELF ASSESSMENT (FSA)

The team reviewed the FSA submitted by the charter school and conducted onsite verification activities of the information submitted in the FSA. The onsite verification activities included review of policies, notices, procedures, and file reviews.

FSA	In Compliance	Out of Compliance
Assistive Technology and Services; Hearing Aids	2	0
Positive Behavior Support Policy	1	0
Child Find (Annual Public Notice and General Dissemination Materials)	1	0
Confidentiality	1	0
Dispute Resolution (Due process hearing decision implementation)	1	0
Exclusions: Suspensions and Expulsions (Procedural Requirements)	1	0
Independent Education Evaluation	1	0
Least Restrictive Environment (LRE)	1	0
Provision of Extended School Year Services	1	0
Provision of Related Service Including Psychological Counseling	1	0
Parent Training	1	0
Public School Enrollment	1	0
Surrogate Parents (Students Requiring)	1	0
Personnel Training	1	0
Intensive Interagency Approach	1	0
Summary of Academic Achievement and Functional Performance/Procedural Safeguard Requirements for Graduation	0	0
Disproportionate Representation that is the Result of Inappropriate Identification	1	0

IMPROVEMENT PLAN REQUIRED	Yes	No
Effective use of Dispute Resolution	0	1
Graduation Rates (SPP)	0	0
Dropout Rates (SPP)	0	0
Suspensions (Rates)	0	1
Least Restrictive Environment (LRE) (SPP)	0	1
Participation in PSSA and PASA (SPP)	0	1
Participation in Charter-Wide Assessment	0	1
Public School Enrollment	0	1
Disproportionate Representation due to Identification, Educational Environment, Suspension or Expulsion	0	1

2. FILE REVIEW (Student case studies)

The education records of randomly selected students participating in special education programs were studied to determine whether the charter school complied with essential requirements.

The status of compliance of the KIPP West Philadelphia Preparatory CS is as follows:

Sections of the FILE REVIEW	In Compliance	Out of Compliance	NA
Essential Student Documents Are Present and Were Prepared Within Timelines	55	21	84
Evaluation/Reevaluation: Process and Content	174	2	604
Individualized Education Program: Process and Content	398	11	391
Procedural Safeguards: Process and Content	70	0	50
TOTALS	697	34	1129

3. TEACHER AND PARENT INTERVIEWS

Interviews were conducted with parents and teachers of students selected by the BSE for the sample group. The goal is to determine if the charter school involves parents and professionals in required processes (e.g., evaluation, IEP development), whether programs and services are being provided, and whether the charter school provides training to enhance knowledge. Parent and teacher satisfaction with the special education program is also generally assessed.

	# Yes Responses	# No Responses	# of Other Responses
Program Implementation: General Ed Teacher Interviews	244	4	86
Program Implementation: Special Ed Teacher Interviews	314	1	143
Program Implementation: Parent Interviews	147	5	77
TOTALS	705	10	306

4. STUDENT INTERVIEWS

Results of the student interviews are reflected on the Charter School Corrective Action Verification/Compliance and Improvement Planning document.

5. CLASSROOM OBSERVATIONS

Observations are conducted in classrooms of students selected by the BSE for the sample group.

	# Yes Responses	# No Responses	# of Other Responses
Classroom Observations	52	0	18

6. EDUCATIONAL BENEFIT REVIEW

	In Compliance	Out of Compliance
Educational Benefit Review	X	

PART II CORRECTIVE ACTION PROCESS

PART I of this report presented an overall summary of findings. In the Appendix to the report, we have provided the detailed findings for each of the criteria of the compliance monitoring document, i.e. FSA, File Reviews, Interviews and Classroom Observations. The detailed report of findings includes:

- Criteria Number
- Statements of all requirements
- Whether each requirement was met, not met, not applicable or other
- Statements of corrective action required for those criteria not met. ***Criteria not met that require corrective action by the charter school are gray-shaded.***

Charter schools are advised that in accordance with requirements of the Individuals with Disabilities Education Act, all noncompliance must be corrected as soon as possible but in no case later than one year from the date of the monitoring report. The BSE is required to verify timely correction of noncompliance, and must report annually to the federal government and the public on this requirement.

Upon receipt of this report, the charter school should review the corrective action and improvement planning required. The report is formatted so that findings from all components of the monitoring are consolidated by topical area. The report lists the finding, and whether corrective action is required. For certain types of findings, corrective action will be prescribed, and will not vary from charter school to charter school. For example, if the finding is that the charter school lacks a specific required policy, it is reasonable to have the BSE prescribe a standardized remedy and timeline for correcting this deficiency. However, the majority of corrective action activities will be individually designed by the charter school based on their own unique circumstances and goals. Consistent with IDEA's general supervision requirements for states, BSE must approve all proposed corrective action.

With respect to the File Review, because students were selected at random, findings are generalized to the entire population of students with disabilities. During the corrective action review, the BSE Advisor will select students at random and will review updated data, i.e. records that were developed subsequent to the monitoring. Consequently, the charter school should approach corrective action on a systemic basis. As indicated above, the charter school is also required to correct student specific noncompliance identified during monitoring under the ICAP process. If there has been a finding of noncompliance in the Educational Benefit Review component, the individual students are identified to the charter school and, because of the significance of the provision of a free appropriate public education (FAPE) to these students; the charter school must take immediate corrective action.

The BSE Adviser will schedule an onsite visit with the charter school within 60 days following issuance of the monitoring report. The BSE Adviser, charter school, and PaTTAN staff will develop a Charter School Corrective Action Verification/Compliance and Improvement Plan. PaTTAN and IU staff is available to assist the charter school.

Upon conclusion of the corrective action process, the charter school will be notified of its successful completion of the monitoring process.