Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?

Indicator Targets	Does not meet standard	The school does not meet standard on 2 or more of the five sub-indicators shown below.
	Approaching standard	The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator.
	Meets standard	The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator.
	Exceeds standard	The school meets standard for all 5 sub-indicators.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
School Rating	2011-12	2012-13	**2013-14**	2014-15	2015-16	2016-17	2017-18
	MS	AS	**AS**				

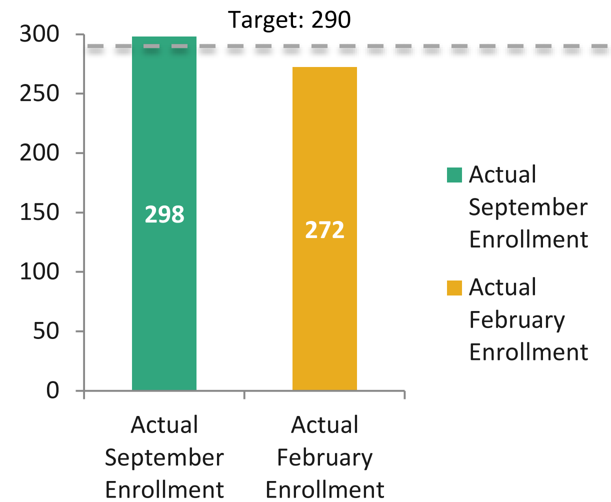
	Sub-		Sub-indicator targets	Result	Rating
Sub-indicator Ratings	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%	103%	MS
		AS	Enrollment ratio is between 90 – 98%		
		MS	Enrollment ratio equals or exceeds 99%		
	February Enrollment Variance	DNMS	Enrollment ratio is less than or equal to 89%	91%	AS
		AS	Enrollment ratio is between 90 – 95%		
		MS	Enrollment ratio equals or exceeds 95%		
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0	0.74	DNMS
		AS	Current ratio is between 1.0 – 1.1		
		MS	Current ratio equals or exceeds 1.1		
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30	35	AS
		AS	Days cash on hand is between 30-45		
		MS	Days cash on hand equals or exceeds 45		
	Debt Default	DNMS	Default or delinquent payments identified	Meets	MS
		MS	Not in default or delinquent		

KIPP ndianapolis College Prep **approached standard** for Core Question 2.1 for the 2014-14 school year. Based on data from the September 2013 Count Day conducted by the Indiana Department of Education (IDOE), the school met standard for the enrollment targets in its charter agreement. The school had 298 students enrolled on count day and had a target of 290 students. This sub-indicator is calculated by dividing the number of students enrolled in the school on the February 2014 Count Day divided by the number of students enrolled at the time of the September 2013 Count Day.

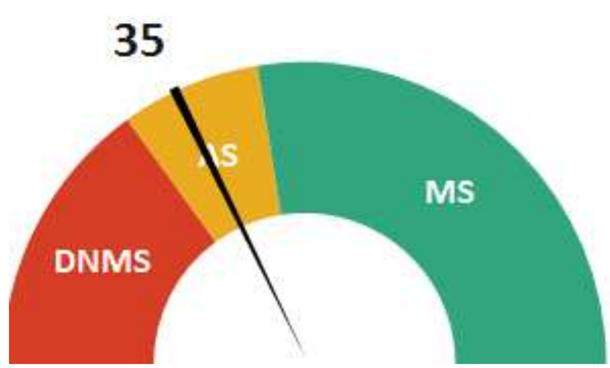
Though the school met its enrollment target for the September Count Day, it approached standard for the Feburary count day. It had 272 students enrolled on that day. The school had fewer current assets than current liabilities (those due in the next 12 months) and as a result did not meet standard for that sub-indicator. KIPP Indianapolis College Prep ended the school year with 35 days cash on hand. This means that if payments to the school had stopped or been delayed post June 30,2014, the school would have been able to operate for 35 more days. As a result, the school approached standard for this sub-indicator.

Finally, the school successfully met its debt obligations based on the information that Sikich, the school's auditor, provided. The school's creditors did not provide any communication to indicate anything to the contrary. Since the school met standard on two sub-indicators, approached standard on two sub-indicators, and did not meet standard on one sub-indictor, it **approached standard** for Core Question 2.1.

Enrollment Variance Ratio



Days Cash on Hand



2.2. Long-term Health: Does the organization demonstrate long-term financial health?

Indicator Targets	Does not meet standard	The school does not meet standard on any of the 3 sub-indicators **OR** meets standard on 1 sub-indicator but does not meet standard on the remaining 2.
	Approaching standard	The school meets standard on 2 of the sub-indicators while not meeting on the third, **OR** approaches standard on all 3 sub-indicators.
	Meets standard	The school meets standard on 2 of the sub-indicators and approaches standard on the third.
	Exceeds standard	The school meets standard for all 3 sub-indicators.

School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2011-12	2012-13	**2013-14**	2014-15	2015-16	2016-17	2017-18
	Not Available		DNMS				

Sub-indicator Ratings	Sub-	Sub-indicator targets		Result	Rating
	Aggregate Three-Year Net Income	DNMS	Aggregate 3-year net income is negative.	$3,015,261 (aggregate) -$67,987 (current year)	AS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.		
		MS	Aggregate three year net income is positive, and most recent year is positive.		
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95	0.21	MS
		AS	Debt to Asset ratio is between .9 - .95		
		MS	Debt to Asset ratio is less than or equal to .9		
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05	0.97	DNMS
		AS	DSC ratio is between 1.05-1.15		
		MS	DSC ratio equals or exceeds 1.15		

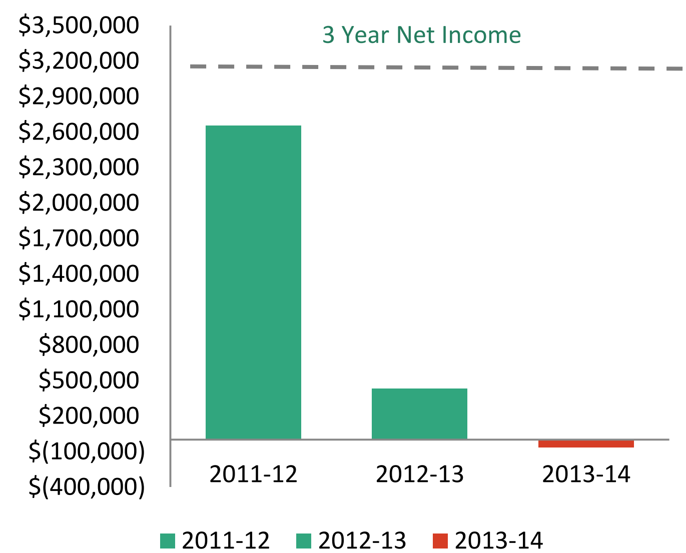
KIPP Indianapolis College Prep received a rating of **does not meet standard** for Core Question 2.2 for the 2013-14 school year.

The school approached standard for the net income sub-indicator. It had an aggregate three-year net income of **$3,015,261** and a current year net income of **-$67,987**.

The school met standard on the debt to asset ratio because it had fewer total debts than total assets..

Additionally, the school did not meet standard for the debt service coverage ratio. The school's audit indcated that the school must pay $46,248 in long-term maturities for the coming fiscal year endinging June 30, 2015. The school's debt service coverage ratio of 0.97 indicates that it generated enough net income, had enough depreciation, and paid enough in interest expenses to cover 97% of the debt it owes in the coming year. This does not meet the goal of schools being able to cover 115% of any debt taken on in the form of long-term maturities or capital leases. It should be noted, however, that the school has budgeted to meet its debt obligations this year.

Three-Year Net Income



2.3. Does the organization demonstrate it has adequate financial management and systems?							
Indicator Targets	Does not meet standard		The school does not meet standard on 1 of the sub-indicators.				
	Approaching standard		The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.				
	Meets standard		The school meets standard on both sub-indicators.				
School Rating	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
	2011-12	2012-13	**2013-14**	2014-15	2015-16	2016-17	2017-18
	Not Available		AS				
Sub-indicator Ratings	Sub-indicator	Sub-indicator targets					Rating
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern.				AS
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.				
		MS	The school receives a clean audit opinion.				
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.				MS
		MS	The school satisfies all financial reporting requirements.				

KIPP Indianapolis College Prep received a rating of **approaching standard** for Core Question 2.3 for the 2013-14 school year. The school approached standard for its accrual based audit because it received a significant deficiency on its accrual based audit. Specifically, it received a significant defiency in its OMB Circular A-133 audit of federal funds.

The audit found two areas of non-compliance. First, the school was out of compliance for the Federal school lunch program because it did not have its financials audited within nine months of the close of the fiscal year ending June 30,2013. The school has filed its audit for that cycle and therefore is no longer in a state of non-compliance. Second, the school claimed about $2,700 under its Title I grant that did not qualify as an allowable expense. As a result, the school has made personnel changes and is in the process of reviewing its internal controls to ensure that such an error does not occur again.

In addition, the following concerns were noted in the State Board of Accounts (SBOA) compliance audit.

- **Cash receipts and deposits:** The SBOA requires that charter schools deposit funds within one business day of their receipt. In the case of KIPP Indianapolis College Prep, its auditors found that there were seven instances in which the school did not comply with this requirement.
- **Payroll Contracts Not Filed:** There were two instances in which the school did not have proper payroll contracts on file for employees..

Lastly, the school's audit was submitted to the State Board of Accounts on December 22, 2014.