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. During fiscal year 2014-15, KIPP Indianapolis College Prep commenced operations in anticipation of the opening of its elementary school, KIPP Indianapolis Unite. Greenwalt CPA's, the school's auditor, included the activity of both KIPP Indianapolis College Prep and KIPP Indianapolis Unite Elementary in its financial statements. This accountability report reflects disaggregated calculations of KIPP Indianapolis College Prep's financial position *only.*

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 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
School Rating	2011-12	2012-13	2013-14	**2014-15**	2015-16	2016-17	2017-18
	Not Available	AS	AS	**AS**			

	Sub-		Sub-indicator targets	Result	Rating
Sub-indicator Ratings	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%	91%	AS
		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%	92%	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	2.87	MS
		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	52	MS
		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 received a rating of **Approaching Standard** for Core Question 2.1 for the 2014-15 school year.

Based on data from the September 2014 Count Day conducted by the Indiana Department of Education (IDOE), the school **approached standard** for the enrollment targets in its charter agreement. The school had 347 students enrolled on count day and had a target of 380 students.

The school also **approached standard** for the Feburary Enrollment Variance. The school retained 318 students, or 92%, from its September enrollment count.

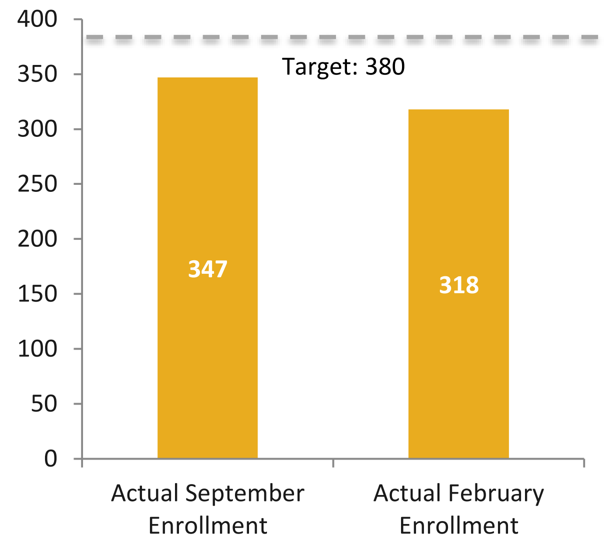
The school had more current assets than current liabilities (those due in the next 12 months) and as a result **met standard** for that sub-indicator.

KIPP Indianapolis College Prep ended the school year with 51 days cash on hand. This means that if payments to the school had stopped or been delayed post June 30, 2015, the school would have been able to operate for 51 more days. It should be noted, however, that $432,197 of the school's $505,020 in cash comes from an "administration" fund. Both KIPP schools have access to these network level funds in the form of intercompany transfers. Without this network level cash balance, the school would have only seven days of cash on hand.

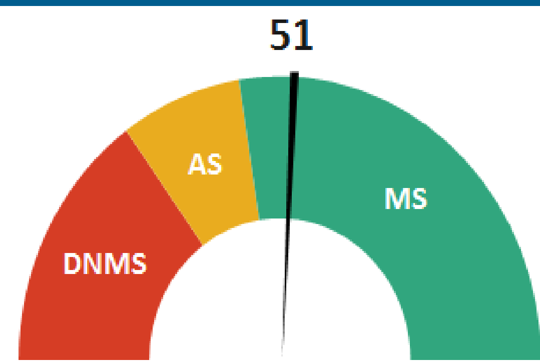
Finally, the school successfully met its debt obligations based on the information that Greenwalt, the school's auditor, provided. The school's creditors did not provide any communication to indicate anything to the contrary.

Since the school **approached standard** on two sub-indicators and **met standard** on the other two, it received a rating of **Approaching Standard** for Core Question 2.1.

Enrollment Variance Ratio



Days Cash on Hand



<table>
<tr><th colspan="8">2.2. Long-term Health: Does the organization demonstrate long-term financial health?</th></tr>
<tr><td rowspan="4">Indicator Targets</td><td colspan="2">Does not meet standard</td><td colspan="5">The school does not meet standard on any of the 3 sub-indicators <u>OR</u> meets standard on 1 sub-indicator but does not meet standard on the remaining 2.</td></tr>
<tr><td colspan="2">Approaching standard</td><td colspan="5">The school meets standard on 2 of the sub-indicators while not meeting on the third, <u>OR</u> approaches standard on all 3 sub-indicators.</td></tr>
<tr><td colspan="2">Meets standard</td><td colspan="5">The school meets standard on 2 of the sub-indicators and approaches standard on the third.</td></tr>
<tr><td colspan="2">Exceeds standard</td><td colspan="5">The school meets standard for all 3 sub-indicators.</td></tr>
<tr><td rowspan="3">School Rating</td><td>Year 8</td><td>Year 9</td><td>Year 10</td><td>Year 11</td><td>Year 12</td><td>Year 13</td><td>Year 14</td></tr>
<tr><td>2011-12</td><td>2012-13</td><td>2013-14</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td></tr>
<tr><td>Not Available</td><td>ES</td><td>DNMS</td><td>DNMS</td><td></td><td></td><td></td></tr>
<tr><td rowspan="10">Sub-indicator Ratings</td><td>Sub-indicator</td><td colspan="3">Sub-indicator targets</td><td>Result</td><td>Rating</td></tr>
<tr><td rowspan="3">Aggregate Three-Year Net Income</td><td>DNMS</td><td colspan="2">Aggregate 3-year net income is negative.</td><td rowspan="3">-$1,978,369 (aggregate)
-$2,339,033 (current year)</td><td rowspan="3">DNMS</td></tr>
<tr><td>AS</td><td colspan="2">Aggregate 3-year net income is positive, but most recent year is negative.</td></tr>
<tr><td>MS</td><td colspan="2">Aggregate three year net income is positive, and most recent year is positive.</td></tr>
<tr><td rowspan="3">Debt to Asset Ratio</td><td>DNMS</td><td colspan="2">Debt to Asset ratio equals or exceeds .95</td><td rowspan="3">0.33</td><td rowspan="3">MS</td></tr>
<tr><td>AS</td><td colspan="2">Debt to Asset ratio is between .9 - .95</td></tr>
<tr><td>MS</td><td colspan="2">Debt to Asset ratio is less than or equal to .9</td></tr>
<tr><td rowspan="3">Debt Service Coverage (DSC) Ratio</td><td>DNMS</td><td colspan="2">DSC ratio is less than or equal to 1.05</td><td rowspan="3">.35</td><td rowspan="3">DNMS</td></tr>
<tr><td>AS</td><td colspan="2">DSC ratio is between 1.05-1.15</td></tr>
<tr><td>MS</td><td colspan="2">DSC ratio equals or exceeds 1.15</td></tr>
</table>

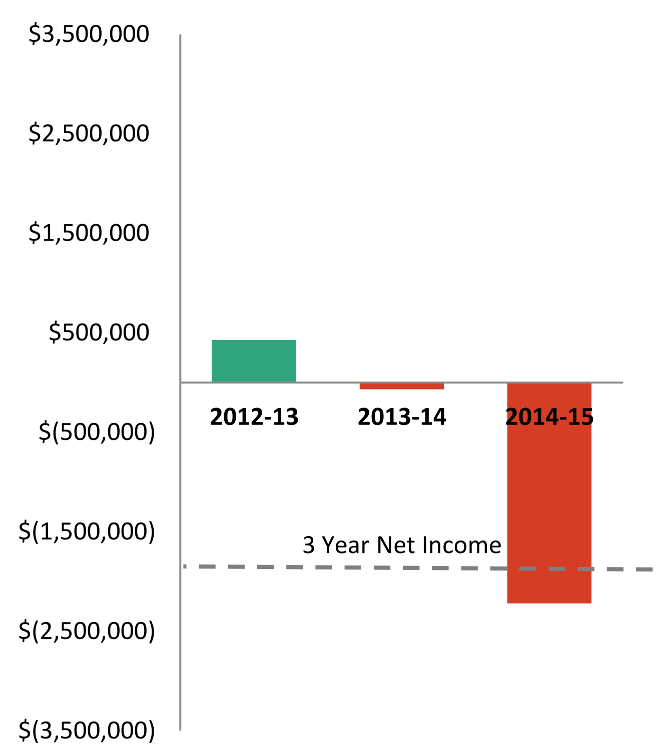
KIPP Indianapolis College Prep received a rating of **Does not Meet Standard** for Core Question 2.2 for the 2014-15 school year.

The school **did not meet standard** for the net income sub-indicator. It had an aggregate three-year net income of -**$1,978,369** and a current year net income of **-$2,339,033.**

The school's negative net income metric is attributed to overvaluation of a facility once used by the school. In 2014, the school moved from this facitlity to a different location within the city with plans to sell the unoccupied building. However, in 2015, management realized that the building was significantly overvalued by approximately $2,218,123. The school had an operating income of $-120,910, but, with the impairment from loss on building available for sale, the school's net income fell to -$2,229,033.

While the school's overall net income was negative due to this miscalcuation, its operating income will be used when discerning whether it can service its debt payments for the coming year. The school **did not meet standard** for the debt service coverage ratio. The school's audit indcated that the school must pay $46,428 in long-term maturities for the coming fiscal year ending June 30, 2016. The school's debt service coverage ratio of .35 indicates that the school can not pay its debt service solely off of its operating income.

Three-Year Net Income



Because KIPP Indianapolis College Prep **met standard** on one sub indicators and **did not meet standard** on the remaining two, the school received a rating of **Does not Meet Standard** for the 2014-2015 school year.

<table>
<tr><th colspan="8">2.3. Does the organization demonstrate it has adequate financial management and systems?</th></tr>
<tr><td rowspan="3">Indicator Targets</td><td colspan="2">Does not meet standard</td><td colspan="5">The school does not meet standard on 1 of the sub-indicators.</td></tr>
<tr><td colspan="2">Approaching standard</td><td colspan="5">The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.</td></tr>
<tr><td colspan="2">Meets standard</td><td colspan="5">The school meets standard on both sub-indicators.</td></tr>
<tr><td rowspan="3">School Rating</td><td>Year 8</td><td>Year 9</td><td>Year 10</td><td>Year 11</td><td>Year 12</td><td>Year 13</td><td>Year 14</td></tr>
<tr><td>2011-12</td><td>2012-13</td><td>2013-14</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td></tr>
<tr><td>Not Available</td><td>MS</td><td>AS</td><td>DNMS</td><td></td><td></td><td></td></tr>
<tr><td rowspan="6">Sub-indicator Ratings</td><td>Sub-indicator</td><td colspan="5">Sub-indicator targets</td><td>Rating</td></tr>
<tr><td rowspan="3">Financial Audit</td><td>DNMS</td><td colspan="4">The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern.</td><td rowspan="3">MS</td></tr>
<tr><td>AS</td><td colspan="4">The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.</td></tr>
<tr><td>MS</td><td colspan="4">The school receives a clean audit opinion.</td></tr>
<tr><td rowspan="2">Financial Reporting Requirements</td><td>DNMS</td><td colspan="4">The school fails to satisfy financial reporting requirements.</td><td rowspan="2">DNMS</td></tr>
<tr><td>MS</td><td colspan="4">The school satisfies all financial reporting requirements.</td></tr>
</table>

KIPP Indianapolis College Prep received a rating of **Does Not Meet Standard** for Core Question 2.3 for the 2014-15 school year. The school **met standard** for its accrual based audit because its auditors, Greenwalt CPA's, did not indicate any significant deficiencies or material weaknesses with the financial controls of the school.

While the school met standard for a clean audit, it **did not meet standard** for financial reporting requirements, as only 61% of its financial documents were reported to OEI in a timely manner. Moreover, while the audit was clean, it was submitted to OEI and the State Board of Accounts after the November 30th deadline. It should be noted, however, that the school was proactive in its communication to OEI about the auditing process, and requested an extension on the deadline. Moreover, the school began new relationships with a variety of financial partners in the 2014-2015 school year and anticipates a smoother reporting process going forward.