

KIPP DELTA, INC.

Accountants' Report and Forecasted Financial Statements

Volumes I and II

Years Ending June 30, 2016 Through 2020



KIPP DELTA, INC.
Years Ending June 30, 2016 Through 2020

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Independent Accountants' Report

Board of Directors
KIPP Delta Public Schools
Helena, Arkansas

We have examined the accompanying forecasted statements of financial position and related statements of activities and cash flows of KIPP Delta, Inc. as of June 30, 2016 through 2020, and for the years then ending. The management of KIPP Delta, Inc. is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have not audited, reviewed or compiled the accompanying historical financial statements of KIPP Delta, Inc. as of and for the years ended December 31, 2011 through 2015 and, accordingly, do not express an opinion or any other form of assurance on them.

BKD, LLP

June 16, 2016

KIPP DELTA, INC.
Forecasted Statements of Financial Position
June 30, 2016 Through 2020

Assets

	2016	2017	2018	2019	2020
Current Assets					
Cash and cash equivalents	\$ 2,999,335	\$ 2,878,907	\$ 4,146,714	\$ 4,409,834	\$ 4,651,826
Accounts receivable, net	600,000	606,000	612,060	618,181	624,362
Pledges receivable	200,000	202,000	204,020	206,060	208,121
Deposits	10,000	10,000	10,000	10,000	10,000
Total current assets	3,809,335	3,696,907	4,972,794	5,244,075	5,494,309
Cash and Cash Equivalents – Restricted Debt Service	65,964	65,964	-	-	-
Cash and Cash Equivalents – Restricted Debt Service Forrest City	-	-	-	19,608	39,216
Cash and Cash Equivalents – Restricted Debt service Beech Crest	-	-	-	48,136	100,648
Cash and Cash Equivalents – Restricted Debt Service Central/Bryles	-	-	-	-	42,960
Property and Equipment, Net	14,189,170	22,039,852	29,198,924	28,246,243	27,269,968
Total assets	<u>\$ 18,064,469</u>	<u>\$ 25,802,723</u>	<u>\$ 34,171,718</u>	<u>\$ 33,558,062</u>	<u>\$ 32,947,102</u>

Liabilities and Net Assets

	2016	2017	2018	2019	2020
Current Liabilities					
Current maturities of long-term debt	\$ 359,190	\$ 10,871,536	\$ 12,588,743	\$ 489,924	\$ 468,046
Accounts payables and accrued expenses	500,000	505,000	510,050	515,151	520,302
Accrued interest	50,000	370,000	730,000	50,000	50,000
Total current liabilities	909,190	11,746,536	13,828,793	1,055,075	1,038,348
Long-term Debt	7,476,868	4,124,884	10,568,081	22,885,357	22,417,311
Total liabilities	8,386,058	15,871,420	24,396,874	23,940,431	23,455,659
Net Assets					
Unrestricted	8,678,411	8,931,302	8,774,844	8,617,631	8,491,443
Temporarily restricted	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total net assets	9,678,411	9,931,302	9,774,844	9,617,631	9,491,443
Total liabilities and net assets	<u>\$ 18,064,469</u>	<u>\$ 25,802,723</u>	<u>\$ 34,171,718</u>	<u>\$ 33,558,062</u>	<u>\$ 32,947,102</u>

KIPP DELTA, INC.
Forecasted Statements of Activities
Years Ending June 30, 2016 Through 2020

	2016	2017	2018	2019	2020
Unrestricted Revenues, Gains and Other Support					
State assistance	\$ 11,953,386	\$ 12,495,776	\$ 16,125,346	\$ 18,165,112	\$ 19,836,151
Federal assistance	3,670,094	3,911,861	4,533,824	5,398,714	6,035,021
Contributions, gifts and donations	4,137,563	2,000,000	1,000,000	1,000,000	1,000,000
Activity revenue	184,057	197,310	226,879	252,162	273,030
Net assets released from restrictions	1,012,559	1,000,000	1,000,000	1,000,000	1,000,000
Total unrestricted revenues, gains and other support	<u>20,957,659</u>	<u>19,604,947</u>	<u>22,886,049</u>	<u>25,815,987</u>	<u>28,144,202</u>
Expenses					
Salaries and wages	8,379,844	8,879,396	10,800,484	11,988,867	13,143,882
Staff recruitment & development	305,314	401,953	497,104	546,517	593,735
Direct student expenses	1,031,604	1,179,754	1,446,417	1,602,652	1,755,514
Other operating & prof. services	198,882	209,249	267,082	293,511	316,190
Foundation fees	63,291	79,930	98,911	116,321	133,268
KIPP through college services	952,246	565,442	612,139	721,178	762,928
Transportation services	997,932	1,041,476	1,358,510	1,566,110	1,766,252
Food services	1,327,826	1,544,760	1,944,568	2,170,251	2,372,587
Custodial services	312,236	351,449	387,276	471,605	485,718
Central office expense	2,467,846	2,359,427	2,534,229	2,645,797	2,742,586
Insurance, Maintenance, IT, Utilities and Leases	994,563	1,658,178	1,404,507	1,595,656	1,843,283
Assets not capitalized	110,232	181,608	306,903	323,222	355,356
Interest	363,029	209,968	426,563	768,221	815,019
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
Total expenses	<u>18,171,042</u>	<u>19,352,056</u>	<u>23,042,506</u>	<u>25,973,201</u>	<u>28,270,390</u>
Change in Unrestricted Net Assets	<u>2,786,617</u>	<u>252,891</u>	<u>(156,458)</u>	<u>(157,213)</u>	<u>(126,188)</u>
Temporarily Restricted Net Assets					
Contributions, gifts and donations	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net assets released from restrictions	(1,012,559)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Change in Temporarily Restricted Net Assets	<u>(12,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>2,774,058</u>	<u>252,891</u>	<u>(156,458)</u>	<u>(157,213)</u>	<u>(126,188)</u>
Net Assets, Beginning of Year	<u>6,904,353</u>	<u>9,678,411</u>	<u>9,931,302</u>	<u>9,774,844</u>	<u>9,617,631</u>
Net Assets, End of Year	<u>\$ 9,678,411</u>	<u>\$ 9,931,302</u>	<u>\$ 9,774,844</u>	<u>\$ 9,617,631</u>	<u>\$ 9,491,443</u>

KIPP DELTA, INC.
Forecasted Statements of Cash Flows
Years Ending June 30, 2016 Through 2020

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Activities					
Change in net assets	\$ 2,774,058	\$ 252,891	\$ (156,458)	\$ (157,213)	\$ (126,188)
Items not requiring operating cash:					
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
Changes in:					
Accounts receivable	34,255	(6,000)	(6,060)	(6,121)	(6,182)
Pledges receivable	(68,543)	(2,000)	(2,020)	(2,040)	(2,061)
Accounts payable, accrued expenses and accrued interest	(126,180)	325,000	365,050	(674,900)	5,152
Net cash provided by operating activities	<u>3,279,787</u>	<u>1,259,357</u>	<u>1,158,326</u>	<u>323,019</u>	<u>1,054,794</u>
Investing Activities					
Increase in restricted cash	-	-	65,964	(67,744)	(115,080)
Purchase of property and equipment	(2,530,868)	(8,540,147)	(8,116,886)	(210,612)	(207,798)
Net cash used in investing activities	<u>(2,530,868)</u>	<u>(8,540,147)</u>	<u>(8,050,922)</u>	<u>(278,356)</u>	<u>(322,878)</u>
Financing Activities					
Proceeds from issuance of long-term debt	1,361,180	10,554,200	21,545,000	12,807,200	-
Principal payments on long-term debt	(645,857)	(3,393,838)	(13,384,597)	(12,588,743)	(489,924)
Net cash provided by financing activities	<u>715,323</u>	<u>7,160,362</u>	<u>8,160,403</u>	<u>218,457</u>	<u>(489,924)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,464,242	(120,428)	1,267,807	263,120	241,992
Cash and Cash Equivalents, Beginning of Year	<u>1,535,093</u>	<u>2,999,335</u>	<u>2,878,907</u>	<u>4,146,714</u>	<u>4,409,834</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,999,335</u>	<u>\$ 2,878,907</u>	<u>\$ 4,146,714</u>	<u>\$ 4,409,834</u>	<u>\$ 4,651,826</u>

KIPP DELTA, INC.
Forecasted Financial Indicators
Years Ending June 30, 2016 Through 2020

	2016	2017	2018	2019	2020
Profitability Indicators					
Total margin (change in net assets / total revenues)	13.2%	1.3%	-0.7%	-0.6%	-0.4%
Cash flow margin ((change in net assets + depreciation + interest) / total revenue)	18.1%	5.9%	5.4%	6.9%	6.7%
Return on equity (change in net assets / net assets)	28.7%	2.5%	-1.6%	-1.6%	-1.3%
Liquidity Indicators					
Current ratio (current assets / current liabilities)	4.19	0.31	0.36	4.97	5.29
Days cash on hand (cash / ((total expense – depreciation) / 365 days))	62.5	56.3	68.5	64.9	62.7
Capital Structure Indicators					
Equity financing (net assets / total assets)	53.6%	38.5%	28.6%	28.7%	28.8%
Debt service coverage ratio ((change in net assets + depreciation + interest) / (current portion of long-term debt + interest))	5.27	0.10	0.09	1.41	1.46
Long-term debt to capitalization (long-term debt / (LTD + net assets))	43.6%	29.3%	51.9%	70.4%	70.3%
Cost Indicators					
Salaries to operating expenses (salary expense / total operating expenses)	54.6%	52.9%	53.8%	53.1%	53.2%
Average age of facility (accumulated depreciation / depreciation expense)	7.7	8.5	7.1	6.9	7.7

KIPP DELTA, INC.
Historical Statements of Financial Position
June 30, 2011 Through 2015

Assets

	2011	2012	2013	2014	2015
	Audited	Audited	Audited	Audited	Audited
Current Assets					
Cash and cash equivalents	\$ 826,407	\$ 1,050,521	\$ 1,006,180	\$ 1,274,689	\$ 491,357
Cash and cash equivalents – restricted	510,281	371,295	715,958	1,313,960	1,043,736
Total cash and cash equivalents	1,336,688	1,421,816	1,722,138	2,588,649	1,535,093
Accounts receivable, net	190,172	297,290	397,680	465,959	634,255
Pledges receivable	722,324	645,075	117,500	89,400	131,457
Deposits	-	-	10,000	12,000	10,000
Total current assets	2,249,184	2,364,181	2,247,318	3,156,008	2,310,805
Property and Equipment, Net	8,640,209	11,539,343	11,605,572	11,537,132	12,324,499
Total assets	<u>\$ 10,889,393</u>	<u>\$ 13,903,524</u>	<u>\$ 13,852,890</u>	<u>\$ 14,693,140</u>	<u>\$ 14,635,304</u>

Liabilities and Net Assets

	2011	2012	2013	2014	2015
	Audited	Audited	Audited	Audited	Audited
Current Liabilities					
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ 380,000
Current maturities of long-term debt	119,906	199,069	219,501	232,347	268,727
Current maturities of capital leases	29,536	74,453	127,121	128,468	104,615
Accounts payable	148,482	369,153	241,945	292,117	478,543
Accrued interest payable	22,957	35,231	77,070	123,265	131,673
Total current liabilities	320,881	677,906	665,637	776,197	1,363,558
Other Long-term Liabilities	59,650	80,568	86,859	141,597	104,732
Long-term Debt	4,729,810	7,252,487	7,304,459	6,795,141	6,262,661
Total liabilities	5,110,341	8,010,961	8,056,955	7,712,935	7,730,951
Net Assets					
Unrestricted	4,538,301	4,899,930	5,212,703	5,773,805	5,891,794
Temporarily restricted	1,240,751	992,633	583,232	1,206,400	1,012,559
Total net assets	5,779,052	5,892,563	5,795,935	6,980,205	6,904,353
Total liabilities and net assets	<u>\$ 10,889,393</u>	<u>\$ 13,903,524</u>	<u>\$ 13,852,890</u>	<u>\$ 14,693,140</u>	<u>\$ 14,635,304</u>

KIPP DELTA, INC.
Historical Statements of Activities
Years Ended June 30, 2011 Through 2015

	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited
Unrestricted Revenues, Gains and Other Support					
State assistance	\$ 4,409,796	\$ 6,124,317	\$ 8,301,738	\$ 8,874,717	\$ 10,000,623
Federal assistance	-	-	-	-	-
Contributions, gifts and donations	613,204	569,230	762,038	2,007,729	1,342,504
Activity revenue	51,693	52,225	43,210	41,862	61,435
Tuition	-	-	-	34,944	57,211
Earnings on investments	3,300	3,268	3,660	3,188	3,413
Other revenue	38,099	41,773	42,856	232,969	128,737
Net assets released from restrictions	2,988,239	3,493,091	3,780,858	4,493,285	4,986,770
Total unrestricted revenues, gains and other support	<u>8,104,331</u>	<u>10,283,904</u>	<u>12,934,360</u>	<u>15,688,694</u>	<u>16,580,693</u>
Expenses					
Regular programs	2,018,325	2,621,192	3,258,492	3,727,495	3,796,910
Special education	357,307	388,171	624,647	329,267	629,832
Compensatory education	718,777	817,041	1,235,212	1,704,260	1,686,739
Other instructional services	2,080	60,211	63,287	-	-
Student support services	115,262	223,321	502,074	675,361	891,788
Instructional staff support service	401,601	700,019	1,153,730	1,581,501	1,544,921
General administration support services	570,313	586,736	580,848	767,319	839,937
School administration support services	979,713	1,243,132	1,462,166	1,745,297	1,969,601
Business support services	133,291	126,541	288,592	333,126	375,745
Operation and maintenance of plant service	874,126	1,380,227	1,266,924	1,611,618	1,707,350
Student transportation services	556,217	720,121	786,203	810,604	915,649
Other support services	211,062	159,139	233,247	417,911	517,614
Food services operations	489,408	621,245	840,434	1,024,204	1,226,528
Community support services	-	-	-	-	311
Interest expense	250,116	275,179	325,731	399,629	359,779
Total expenses	<u>7,677,598</u>	<u>9,922,275</u>	<u>12,621,587</u>	<u>15,127,592</u>	<u>16,462,704</u>
Change in Unrestricted Net Assets	<u>426,733</u>	<u>361,629</u>	<u>312,773</u>	<u>561,102</u>	<u>117,989</u>
Temporarily Restricted Net Assets					
State assistance	2,284	3,107	4,027	78,629	5,826
Federal assistance	2,174,273	2,235,059	2,582,795	3,892,453	3,608,139
Contributions, gifts and donations	565,640	965,848	732,425	1,093,974	1,138,833
Other revenue	34,487	40,959	52,210	51,397	40,131
Net assets released from restrictions	(2,988,239)	(3,493,091)	(3,780,858)	(4,493,285)	(4,986,770)
Change in Temporarily Restricted Net Assets	<u>(211,555)</u>	<u>(248,118)</u>	<u>(409,401)</u>	<u>623,168</u>	<u>(193,841)</u>
Change in Net Assets	215,178	113,511	(96,628)	1,184,270	(75,852)
Net Assets, Beginning of Year	<u>5,563,874</u>	<u>5,779,052</u>	<u>5,892,563</u>	<u>5,795,935</u>	<u>6,980,205</u>
Net Assets, End of Year	<u>\$ 5,779,052</u>	<u>\$ 5,892,563</u>	<u>\$ 5,795,935</u>	<u>\$ 6,980,205</u>	<u>\$ 6,904,353</u>

KIPP DELTA, INC.
Historical Statements of Cash Flows
Years Ended June 30, 2011 Through 2015

	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited
Operating Activities					
Change in net assets	\$ 215,178	\$ 113,511	\$ (96,628)	\$ 1,184,270	\$ (75,852)
Items not requiring operating cash:					
Depreciation	456,095	624,178	724,930	878,829	888,002
Gain on sale of property	-	-	-	(250,000)	(250,000)
Changes in:					
Accounts receivable	543,397	(107,118)	(100,390)	(68,279)	(168,296)
Pledges receivable	160,560	77,249	527,575	28,100	(42,057)
Deposits	-	-	(10,000)	(2,000)	2,000
Accounts payable	78,745	220,671	(127,208)	50,172	186,426
Accrued interest payable	921	12,274	41,839	46,195	8,408
Net cash provided by operating activities	<u>1,454,896</u>	<u>940,765</u>	<u>960,118</u>	<u>1,867,287</u>	<u>548,631</u>
Investing Activities					
Purchase of property and equipment	<u>(1,003,265)</u>	<u>(3,398,312)</u>	<u>(616,159)</u>	<u>(579,524)</u>	<u>(1,586,469)</u>
Net cash used in investing activities	<u>(1,003,265)</u>	<u>(3,398,312)</u>	<u>(616,159)</u>	<u>(579,524)</u>	<u>(1,586,469)</u>
Financing Activities					
Principal payments on capital leases and long-term debt	(484,485)	(340,396)	(304,565)	(421,252)	(395,718)
Proceeds from note payable	-	-	-	-	380,000
Proceeds from long-term debt	<u>200,000</u>	<u>2,883,071</u>	<u>260,928</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(284,485)</u>	<u>2,542,675</u>	<u>(43,637)</u>	<u>(421,252)</u>	<u>(15,718)</u>
Increase (Decrease) in Cash and Cash Equivalents	167,146	85,128	300,322	866,511	(1,053,556)
Cash and Cash Equivalents, Beginning of Year	<u>1,169,542</u>	<u>1,336,688</u>	<u>1,421,816</u>	<u>1,722,138</u>	<u>2,588,649</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,336,688</u>	<u>\$ 1,421,816</u>	<u>\$ 1,722,138</u>	<u>\$ 2,588,649</u>	<u>\$ 1,535,093</u>

KIPP DELTA, INC.
Historical Financial Indicators
Years Ended June 30, 2011 Through 2015

	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited
Profitability Indicators					
Total margin (change in net assets / total revenues)	2.73%	1.13%	-0.77%	7.26%	-0.46%
Cash flow margin ((change in net assets + depreciation + interest) / total revenue)	11.67%	10.09%	7.62%	15.10%	7.15%
Return on equity (change in net assets / net assets)	3.72%	1.93%	-1.67%	16.97%	-1.10%
Liquidity Indicators					
Current ratio (current assets / current liabilities)	7.01	3.49	3.38	4.07	1.69
Days cash on hand (cash / ((total expense – depreciation) / 365 days))	67.56	55.81	52.84	66.31	35.98
Capital Structure Indicators					
Equity financing (net assets/total assets)	53.07%	42.38%	41.84%	47.51%	47.18%
Debt service coverage ratio ((change in net assets + depreciation + interest) / (current portion of long-term debt + interest))	2.49	2.14	1.75	3.90	1.86
Long-term debt to capitalization (Long-term debt / (LTD + net assets))	45.32%	55.45%	56.05%	49.84%	47.98%
Cost Indicators					
Salaries to operating expenses (salary expense / total operating expenses)	14.35%	13.46%	13.58%	19.29%	23.68%
Average age of facility (accumulated depreciation / depreciation expense)	3.21	3.35	3.88	4.11	5.06

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

Note 1: Basis of Assumptions

The accompanying presentation has been prepared to assist in assessing the ability of KIPP Delta, Inc. (KIPP Delta) to meet the cash requirements of operations and other financial needs during the period of this financial forecast. Proceeds from the United States Department of Agriculture (USDA) will be used by KIPP Delta to construct new school facilities and to refinance existing debt. The underlying assumptions described herein are based on historical data, present circumstances and other related currently available information.

The accompanying financial statement forecast represents, to the best of management's knowledge and belief, KIPP Delta's expected financial position, changes in net assets and cash flows during the forecast period. Accordingly, the forecast reflects management's judgment as of June 16, 2016, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those management believes are significant to the forecast and are not all-inclusive. Variances between the forecasted and actual results can be expected, as events and circumstances frequently do not occur as expected, and those variances may be material. Management does not intend to update this financial statement forecast for these expected variances.

This financial forecast is based on legislation and regulations currently in effect and those management believes will be enacted based on the current legislative status. If future legislation or regulations related to educational facilities are enacted or forecasted regulation changes do not occur, the outcome of such legislation or regulations could have a material effect on future operations.

The financial forecast has been prepared in accordance with the accounting principles generally accepted in the United States of America that are expected to be used in the financial statement presentations covering the period of the financial forecast, which are consistent with the principles KIPP Delta uses in preparing its historical financial statements. Unless otherwise stated, all dates used herein refer to KIPP Delta's fiscal year, which ends on June 30.

Note 2: Summary of Significant Accounting Policies

The significant accounting policies used by KIPP Delta in this forecast are based on those used in the historical audited financial statements of KIPP Delta and those expected to be used by KIPP Delta in the future. The significant accounting policies of the KIPP Delta are incorporated herein by reference.

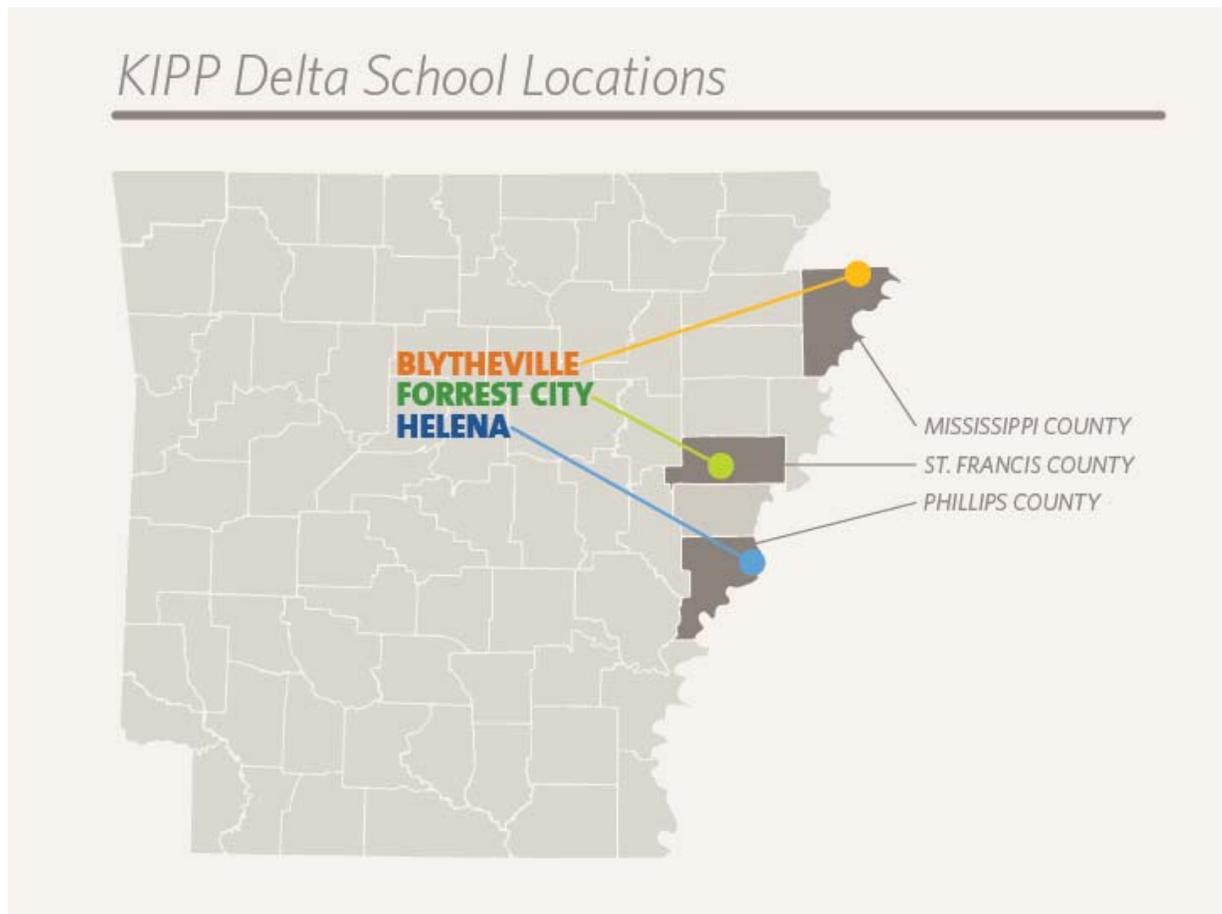
KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Nature of Operations

KIPP Delta, Inc., formally KIPP Delta College Preparatory School, was incorporated in 2002 in the state of Arkansas as a non-profit organization to operate one or more public charter schools in the state of Arkansas. Currently, KIPP Delta operates six schools serving the Helena, Blytheville and Forrest City areas: KIPP Delta Elementary Literacy Academy (Helena), KIPP Delta College Preparatory School (Helena), KIPP Delta Collegiate High School (Helena), KIPP Blytheville College Preparatory School (Blytheville), KIPP Blytheville Collegiate High School (Blytheville) and KIPP Forrest City College Preparatory School (Forrest City).

KIPP Delta plans to construct and operate additional classrooms opening in St. Francis, Phillips and Mississippi Counties through 2020.



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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash Equivalents

KIPP Delta considers all liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amounts due from state and federal agencies. KIPP Delta provides an allowance for doubtful accounts, when determined necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

KIPP Delta capitalizes interest costs as a component of construction in progress for the proposed school facility project (the Project), based on interest costs of borrowing specifically for the Project.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by KIPP Delta have been limited by donors to a specific time period or purpose. Permanently restricted net assets are restricted by donors to be maintained in perpetuity. Management has forecasted that there will not be any permanently restricted net assets during the forecast period.

KIPP DELTA, INC.
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Revenues

The KIPP Delta's revenue will come predominately from either state or federal assistance. Management's assumptions regarding revenue are sensitive assumptions to this forecast. See *Note 12* and *Note 13* regarding Revenue from State and Federal Assistance.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Deferred Revenue

Deferred revenue represents the unexpended portion of special revenue funds from the federal government and is deferred and recognized over the periods to which the fees relate.

Income Taxes

KIPP Delta has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the KIPP Delta is subject to federal income tax on any unrelated business taxable income. KIPP Delta does not expect to incur unrelated business taxable income during the forecast period.

Source

All assumptions were provided by management (Management) of KIPP Delta.

Classification Changes between Forecasted and Historical Periods

Certain classification changes have been made between the forecasted and historical statements of financial position and statements of activities. These classification changes do not impact change in net assets.

In the forecasted statements, federal assistance is recorded directly to unrestricted revenues; however, in the historical statements, federal assistance is recorded as temporarily restricted donor revenues then released from restrictions to unrestricted revenues. Furthermore, management assumes KIPP will receive and expend donor restricted gifts of approximately \$1,000,000 each year; therefore, net assets released from donor restriction are approximately \$1,000,000 in the forecasted statements. These assumptions are estimated based on the historical experience of the school with its donors.

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Additionally, there are changes in account groupings for activity revenues and other income (see *Note 15*). This classification difference does not impact total revenues or change in net assets.

Furthermore, Generally Accepted Accounting Principles (GAAP) require not-for-profits, such as, KIPP Delta to classify expenses by functional purpose. KIPP’s historical audited statements classify expenses into the following functional classifications: regular programs, special education, compensatory education, student support services, instructional staff support services, general administration support services, school administration support services, business support services, operation and maintenance of plant services, transportation services, other support services, food services, community services and interest expense. These functional classifications include natural cost center groupings, such as, salaries and benefits, professional development, office supplies and depreciation.

The combining of cost centers across functional programs, makes forecasting difficult for management because student ratios and multipliers cannot easily be applied in a transparent manner across time. The functional grouping of expenses also makes it difficult to ensure that all known costs have been included.

Therefore, to ensure all known expenses are included in the financial model and to account for the various growth stages of each KIPP Delta community, the expense categories for the forecasted financial statements have been classified differently. A one-to-one comparison cannot be made between the two expense classifications; however the below table provides a general crosswalk:

Forecasted Financials – Expense Categories	Equivalent Historical Audited – Expense Categories
Salaries and Wages	<i>Personnel Costs (salaries and benefits) typically included in:</i> Regular Programs, Special Education, Compensatory Education, Student Support Services, Instructional Staff Support Services, General Administration Support Services, School Administration Support Services and Business Support Services.
Staff Recruitment and Development	<i>Non-personnel related costs typically included in:</i> Regular Programs; Special Education; Compensatory Education; and Instructional Staff Support.
Direct Student Expenses	<i>Non-personnel related costs typically included in:</i> Regular Programs; Special Education; Compensatory Education; and Student Support Services.

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Forecasted Financials – Expense Categories	Equivalent Historical Audited – Expense Categories
Other Operating and Professional Services	<p><i>Non-personnel costs</i> for other operating expenses typically included in: Regular Programs; Student Support Services; Instructional Staff Support Services; General Administration Support Services; School Administration Support Services; Operation and Maintenance of Plant Services; and Facilities Acquisition and Construction.</p> <p><i>Non-personnel costs</i> for professional services typically included for Regular Programs; General Administrative Support Services; and School Administrative Support Services.</p>
Foundation Fees	<i>Non-personnel costs</i> included in School Administrative Support Services.
KIPP Through College Services	<i>Personnel and non-personnel expenses</i> typically included in Student Support Services.
Transportation Services	<i>Personnel and non-personnel expenses</i> related to food service across the region.
Food Services	<i>Personnel and non-personnel expenses</i> related to food service across the region.
Custodial Services	<i>Personnel and non-personnel expenses</i> related to General Administrative Support Services and Operation and Maintenance of Plant Services.
Central Office Expenses	<i>Personnel and non-personnel expenses</i> typically included in: General Administrative Support Services; School Administrative Support Services; Business Support Services; Operating and Maintenance Plant Services; Other Support Services; and Facilities Acquisition and Construction.
Insurance, Maintenance, IT, Utilities and Leases	<p><i>Non-personnel expenses</i> related to Operation and Maintenance of Plant Services.</p> <p>Insurance is categorized in the same way.</p> <p>Information Technology (IT) is also listed in the following: Regular Programs; General Administrative Support Services; School Administrative Support Services; and Facilities Acquisition and Construction.</p> <p>Lease expenses are also included in General Administrative Support Services and School Administrative Support Services.</p>

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Forecasted Financials – Expense Categories	Equivalent Historical Audited – Expense Categories
Assets not capitalized	<i>Non-personnel expenses</i> typically included in: Regular Programs; Compensatory education; Instructional Staff Support Services; General Administration Support Services; School Administration Support Services; and Operation and Maintenance of Plant Services.
Interest	No change

Note 3: General Description of KIPP Delta Public Schools

History

KIPP Delta Public Schools was founded in Helena-West Helena, Arkansas, in 2002, to provide a free, rigorous college-preparatory education to underserved students in the Arkansas Delta. Their ultimate goal was to graduate students with the strength of character and academic abilities needed to succeed in life – and in so doing, prove what is possible in public education. They promised to do whatever was necessary to help students succeed. KIPP Delta is still making – and keeping – the same promise today. They now lead six schools across the Arkansas Delta serving over 1,400 students and 190 alumni. Since opening, their schools have regularly outperformed local school districts academically, and the work of many of their schools, staff, and students has been recognized on local, statewide and national levels. To date, 99% of their high school graduates have been accepted into college, and nearly 80% are currently persisting in or have graduated from college.

KIPP Delta is part of the national “Knowledge Is Power Program” (KIPP) network of 183 high-performing public schools serving over 70,000 students across the country. Additional information regarding KIPP Delta’s relationship with the national KIPP program may be found in *Attachment IX*. At KIPP, teachers, students, and families are all united around the same goal—college graduation. Through their collective hard work and commitment, KIPP students complete college at a rate that is above the national average for all students and four times higher than students of similar economic backgrounds. Their success is driven by their focus on:

- **High Expectations:** Clearly defined and measurable high expectations for academic achievement and conduct that creates and reinforces a culture of achievement and support. We know that every student is different and we personalize learning based on a student’s needs, skills and interests.
- **Strength of Character:** Success in life depends on more than academic learning. We help students foster character strengths that are essential for their own success. And we empower them to express their voice with power and to improve the world around them.
- **Highly-Skilled Teachers and Leaders:** Great schools require great teachers and school leaders. We empower their school teams and invest in leadership and training rather than in bureaucracy.

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- **Safe & Structured Environments:** Physical and emotional safety is needed for students to take risks and learn from their successes and their mistakes. Their schools provide a safe, structured, and nurturing environment with minimal distractions so their students love school and maximize their learning.
- **KIPP Through College:** Counselors and advisors support students as they prepare for and select the right college for their needs and interests. After high school, we help KIPP alumni navigate the social, academic and financial challenges they might encounter while in college.

In 2001, KIPP was recruited to Helena-West Helena, Arkansas, by a small group of community leaders. Under the leadership of founding Principal Scott Shirey, KIPP Delta College Preparatory School opened its doors to 65 fifth graders (the class of 2010) from the communities of Helena and West Helena on July 8, 2002. Almost 90 percent of the students qualified for the federal free or reduced lunch program, and more than 95 percent were African-American. More importantly, they all signed KIPP's "Commitment to Excellence," which is a promise between students, parents and teachers to take measures for the purpose of increasing learning.

Baseline testing for the inaugural class revealed that the KIPP Delta students scored at the 17th percentile in language arts and the 18th percentile in math on the Stanford norm-referenced tests. By the end of the year, the same students increased their scores to the 49th percentile in language and the 45th percentile in math.

After four years, the Class of 2010 outperformed the state average in both mathematics and literacy, where 66 percent and 95 percent of the students, respectively, scored proficient or advanced on the Arkansas Benchmark Exams. Ninety-seven percent scored proficient or advanced on the end-of-course algebra exam and received high school credit for algebra as eighth-graders. More impressively, these eighth-grade students outperformed every public school in Eastern Arkansas in reading, math and language on the state mandated norm-referenced ITBS tests in the spring of 2006. In 2006, to continue to serve the rising 9th graders of the class of 2010, KIPP Delta Collegiate High School was opened in Helena. By 2011, KIPP served 270 students in grades 5 – 8, and the Class of 2011 achieved the same high academic results, with 67 percent scoring proficient or advanced in math, 79 percent in literacy and 97 percent of Algebra students in the eighth grade on the end-of-course algebra exam. The student body has remained 95 percent African-American and more than 85 percent qualified for the federal free and reduced-price lunch program.

The middle school's early success was clear, and plans were soon made to expand KIPP throughout the Delta region. Scott Shirey took on the role of the school's executive director in 2008. KIPP Delta Elementary Literacy Academy was founded in 2009. That same year, KIPP Delta issued a request for proposals to three high-poverty communities in the Delta—Blytheville, Pine Bluff and West Memphis—to gauge their interest in and commitment to helping open their first KIPP schools outside of Helena. They received enthusiastic support and media attention in each community. The winning city, Blytheville, pledged \$100K toward the operating budget of a new KIPP school in its community each year.

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In 2010, KIPP Delta opened its first new middle school in Mississippi County, KIPP Blytheville College Preparatory School. Community leaders and parents are now a part of its “Local Development Council,” which serves in a fundraising, outreach and advisory role. BCPS currently serves 278 students in grades 4-8 and will grow to serve more than 300 students.

Blytheville Collegiate High (BCHS) was founded in 2014 and is one of two high schools in the KIPP Delta region. BCHS currently serves 121 students in grades nine and ten and will grow to serve 240 students in grades 9–12 over the next two years.

Forrest City College Preparatory School (FCCPS) was founded in July of 2015 and currently serves 72 students in the 5th grade. The school will grow to serve over 270 students in 5th through 8th grades over the next four years. FCCPS utilizes the successful learning models currently in place at BCPS and DCPS in order to provide its students with an opportunity to receive a quality education.

Today, KIPP Delta’s primary goal is to ensure that the students they serve graduate from college at the same rate (80%) as students from top-quintile income households across the United States. It intends to become one of the top performing college preparatory school systems in Arkansas and is already making significant progress toward this goal. KIPP Delta Collegiate High School has consistently been ranked in the top 10 high schools in Arkansas by U.S. News and World Report. On average, 93% of KIPP Delta’s graduates attend a two or four year college, 98% of students enroll in a two-year, four-year or technical colleges within one year of graduating, and 99% of seniors from the last five graduating classes have been accepted by a college or university. KIPP Delta’s strategic partnerships with several universities have provided over \$3.6 million in financial support for its students and KIPP Delta’s seniors have received well over \$6 million in scholarships since 2011.

Growth Plan

KIPP Delta is a growing cluster of free, open-enrollment public charter schools that places underserved students in the Arkansas Delta on the path to college. KIPP Delta currently conducts its academic program at four locations across Helena-West Helena, one location in Blytheville and one location in Forrest City.

The Delta region has long struggled with low education levels, high unemployment, high crime, and declining population. Approximately 9.6 percent of residents have a college degree, compared to the state average of 18.7 percent. Nearly all (92 percent) of the students are African-American, and more than 90 percent qualify for free or reduced-price school lunches. Nevertheless, KIPP Delta is preparing 100 percent of them for college.

Over the next five years, KIPP Delta will grow to serve nearly 2,400 students in six schools, nearly doubling demand and capacity in the communities it serves. With the addition of the Beech Crest facility, the Helena campuses will grow to serve nearly 1,300 students. The Blytheville campuses, with the Central facility, will be able to fully grow the existing high school and launch an elementary school. The additional grade-levels combined with increased enrollment at existing grade-levels will push KIPP Blytheville’s total enrollment over 800 students. KIPP Forrest City will grow its middle school from 5th to 9th grade.

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By 2020, Forrest City is expected to serve over 300 students. Through these strategic investments, KIPP Delta expects to come closer to fulfilling its vision of ensuring that every child in the Arkansas Delta receives a rigorous, college-preparatory education. Beyond 2020, KIPP Delta plans to grow its Blytheville and Forrest City campus to serve over 1,000 students in each community. KIPP Delta is also considering entering one to two additional Arkansas communities for the purpose of establishing additional K-12 college preparatory systems.

KIPP Delta plans to complete five facility projects and refinance all existing facility debt-requiring total of approximately \$25.7 million over the next five years. To ensure the success of the plan, KIPP Delta raised \$2.3 million and is seeking \$19.6 million in debt financing from USDA for the Beech Crest, Central and Bryles construction projects as well as the refinancing of existing Helena and Blytheville facility debt. KIPP Delta plans to seek \$3 million in alternate financing for the Forrest City incubator and permanent campus projects as well as \$800,000 of existing debt. The projects comprise a leasehold improvement of an existing facility including a modular purchase, the construction of a campus using modular building technology, and the renovation of two brick and mortar facilities. These capital expenditures are expected to span a 27 month period divided into three phases spanning February 2016 to July 2018.

Governance

KIPP Delta is governed by a thirteen-member board of directors. The current members of the board of directors and their occupations are as follows:

Randy Zook, Board President

A native of McGehee, Arkansas, Mr. Randy Zook graduated from the University of Arkansas with a Bachelor of Science degree in business administration. Before serving as deputy director of the Arkansas Economic Development Commission (AEDC), he spent nearly 34 years with Atlantic Envelope Company of Atlanta, serving as president and CEO of the \$200 million company from 1989 to 2004. After his retirement, he began his second career involved in economic development efforts. In 2006, he served as chairman of the Central Ozarks Task Force for Economic Development and currently serves as a member of the Melbourne Airport Commission.

Chalk Mitchell, City Attorney

Mr. Chalk Mitchell grew up in Helena, Arkansas, and graduated from Eliza Miller High School before pursuing his undergraduate degree at Morehouse College and graduate degrees at both Georgetown University Law Center and Harvard University. He is currently Helena's City Attorney. He serves on the board of several community groups in his hometown and recently completed his term as chair of KIPP Delta's Board of Directors.

Ron Nurnberg, Executive Director of Teach For America (TFA) in Mississippi

Mr. Ron Nurnberg has presided over the expansion of the Delta corps from 32 corps members in 1996 to 520 in the 2010-2011 school year. Prior to joining TFA, Ron completed a master's degree in southern studies at the University of Mississippi.

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He also served as executive director of Main Street Helena, project coordinator for the Center of Southern Culture in Oxford and Vicksburg, assistant director of Central College's American Program at Trinity College in Carmarthen, Wales, and operated a highly successful pub and restaurant business in St. Louis. His undergraduate degree is in business administration and interpersonal communications.

Cathy Cunningham, Community Development Consultant, Southern Bancorp Community Partners

Mrs. Cathy Cunningham is a community development consultant at Southern Bancorp Community Partners and a longtime member of the KIPP Delta Board of Directors. She also sits on the boards of several other local organizations including Southern Bancorp, the Helena-West Helena Advertising and Promotion Commission, and the Phillips Community College/University of Arkansas Foundation. Past honors include being named the Phillips County citizen of the year in 2011 and receiving the "Beyond Z" award at the KIPP School Summit in 2006. Cathy received her undergraduate degree from the University of Arkansas, Monticello and her graduate degree from the University of Central Arkansas.

Don Frieson, Senior Vice President for Replenishment and Planning, Sam's Club

Mr. Don Frieson joined the Sam's Club team in November 2012 as the SVP for Replenishment and Planning. As part of Walmart International he most recently served as Chief Integration Officer for Massmart Holdings, a chain of over 300 stores operating in 13 Sub-Saharan African nations. His responsibilities included supply chain, merchandising, global sourcing and total integration responsibilities into the Walmart business. Don is a member of the Retail, Hospitality, and Tourism Board at the University of Tennessee, the Board of Regents for Morgan State University, and the Morgan State University Foundation board. Don received a bachelor's degree in Operations Management from the University of Tennessee and completed the Global 20/20 Executive Education Program at the Tuck School of Business, Dartmouth College.

Darrin Williams, Chief Executive Officer, Southern Bancorp

Representative Darrin L. Williams is the Chief Executive Officer of Southern Bancorp, Inc., a family of a community development bank and a nonprofit affiliate that work in concert to revitalize underserved communities in the mid-South. With over \$1 billion in assets, over 80,000 customers and 39 branches throughout the Arkansas and Mississippi Delta, Southern Bancorp, Inc., and its affiliates comprise one of the most effective and largest community development organization in America. Darrin is also a member of the Arkansas House of Representatives, where he serves as the Speaker Pro Tempore. Darrin has been recognized nationally for his progressive legislative work, including being selected as "one of the rising stars" in American government and offered a prestigious Aspen-Rodel Fellowship in Public Leadership by the Aspen Institute and being recognized as one of twelve legislators to watch by Governing Magazine. Darrin holds a LL.M. in Securities and Financial Regulation from Georgetown University Law Center, a J.D. from Vanderbilt University School of Law and a B.A. from Hendrix College.

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Joseph K. Wood, Deputy Secretary of State, Arkansas

Mr. Joseph Wood serves as Deputy Secretary of State in Arkansas. He leads both the Communications & Education Division and the Business and Commercial Services Division for the agency. He is responsible for reaching across the state to educate Arkansans about the State Capitol, Arkansas history, citizenships, and the importance of voting. He is responsible for driving communications for the agency including public relations, website maintenance, newsletters, and constituent services.

Wood was appointed by Secretary of State Mark Martin taking the oath of office in January 2011 and again January 2015. Joseph has been actively involved in politics and community outreach since 1988. He is a former chairman candidate for the Republican Party of Arkansas and served two terms as the State Treasurer for the party. Joseph continues to serve the people of Arkansas working with various non-profits and schools around the state including serving as University of Arkansas Chancellors Advisory board on diversity and the board of governance for Ecclesia College.

Baxter Sharp, President and Partner, Sharp & Sharp Law Firm

Mr. Baxter Sharp graduated in 1988 with a bachelor's degree in German and European history from Washington and Lee University in Lexington, VA. He followed that up with a law degree from the University of Arkansas at Fayetteville in 1991. His love of community service was solidified in college, where duty and honor were emphasized.

Highlights from Sharp's civic involvement include board member and tutor at the Literacy Council of Monroe County, Brinkley City Council, assistant Scoutmaster for the Boy Scouts, Monroe County Heart Association, Lawyers for Literacy Committee and board member of the Arkansas Community Foundation. Sharp currently serves as President and Partner of Sharp & Sharp Law Firm in Brinkley.

Robin Houseworth, Houseworth Hotels and Restaurants, LLC

Mrs. Robin Houseworth is a native Arkansan. She obtained a Chemistry and Biology degree from Henderson State University and a master's degree in Education. She and her husband reside in Blytheville and have been in the hospitality industry for 37 years. Robin is a Certified Hotel Administrator, and recently launched Houseworth Hotels and Restaurants, LLC with her husband and two daughters. Robin has been a volunteer for 28 years with the Miss America Organization, and a 20 year member of the Arkansas Chapter D PEO. Both organizations concentrate on providing women with scholarships to further their education. She is also on the Board of Directors for the Miss Arkansas Pageant. Robin enjoys travelling internationally, spending time at Lake Norfolk, and entertaining her grandchildren and her two Yorkies.

Lisa John-Adams, Quality Systems Director, Nucor Steel Arkansas

Mrs. Lisa John-Adams has been with Nucor Corporation since 1994. She has led the implementation of NSA's Quality Management System, which has kept its certifications since first certified in 2001. She is a certified Quality and Environmental Systems Lead Auditor.

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Lisa holds a Master of Science in Chemistry and a Bachelor of Science in Chemistry and Biochemistry from the University of the West Indies and the University of Toronto. Lisa is the 2014 President of the Board of Directors of the Greater Blytheville Area Chamber of Commerce. She is also the President of the Board of Directors of The Haven, a domestic violence shelter. Lisa is a member of the Mississippi County Solid Waste Board and chairs the Board's recycling committee. Lisa is married to Tracy Adams and together they have three children. Lisa and her family live in the Blytheville area.

Bill Glaser, Cold Mill Manager, Nucor Steel Arkansas

Mr. Bill Glaser has been with Nucor Corporation since 1999. His other positions held at Nucor include Shipping Manager, Galvanizing Line Project Supervisor, Shipping Supervisor, Cost Accountant, and Production Planner. Bill has served on the board of the local United Way, as well as the board of Main Street Blytheville. Prior to joining the KIPP Delta Board of Directors, Bill served on KIPP Delta's Finance Committee. Bill is married to Christy Glaser and together they have one daughter, Hannah Glaser, who is a senior at Armorer High School.

Kristen Collier Wright, Senior Vice President, General Counsel and Secretary, AutoZone, Inc.

Mrs. Kristen Wright joined the AutoZone team, based in Memphis, Tennessee, in 2012. Kristen currently serves on AutoZone's Executive Committee and oversees the Legal Department, Government Affairs, Corporate Communications, and Community Relations. Prior to joining AutoZone, Kristen was a partner with the law firm Bass, Berry & Sims in Memphis, focusing on complex litigation, commercial and financial transactions, and intellectual property and technology. A native of Forrest City, Wright graduated from Forrest City High School in 1994, then went on to earn a Bachelor's degree in English and a law degree from the University of Arkansas.

Kristen is married to State Representative Marshall Wright, also an attorney in Forrest City, and together they have twins, Collier and Syble. Kristen serves on the Board of Directors of Memphis in May International Festival and SFC Elves, a Christmas toy drive serving over 700 children.

Vince Billingsley, Vice President, Capital Financial Service Group, Inc.

Mr. Vince Billingsley lives in Forrest City, Arkansas, and services customers in the areas of Employee Benefits, Health Insurance, Medicare Supplements, and Property & Casualty Insurance. Vince is a graduate of the University of Arkansas with a Bachelor's degree in marketing. After graduating, Vince moved to Vail, Colorado, for three years where he worked in the hospitality and service industry. He taught children's ski school in the winter, worked on golf courses in the summer, and also worked as a waiter and cook in a variety of restaurants. In 2003, Vince moved back home to Forrest City where he began his career in the family insurance and financial services sector. Vince married his wife, Amber, in 2008 and they have three daughters, Ona, Norah, and Emily. His family attends St. Francis of Assisi Catholic Church where Vince currently serves as Chairman of the Finance Council. He is an active member of the St. Francis County Master Gardeners, Crowley's Ridge Technical Institute's Technology Advisory Committee, and the Forrest City Downtown Revitalization Commission.

(See information on evaluation of the board and management at *Attachment X*)

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Key Management Personnel of KIPP Delta Public Schools

Scott Shirey, Founder and Executive Director

Mr. Shirey is the founder and Executive Director of KIPP Delta. Prior to founding KIPP Delta College Preparatory School in 2002, Mr. Shirey completed the KIPP Delta School Leadership Program, which includes intensive study at UC Berkeley's Haas School of Business. Mr. Shirey taught for three years in Baton Rouge, Louisiana, where he was a Teach for America corps member. In November 2011, Forbes Magazine listed Mr. Shirey as one of the world's seven most powerful educators. Mr. Shirey also graduated Cum Laude from Colby College with a B.A. in History.

Janelle Renee Jenkins, Chief Operating Officer

Ms. Jenkins directs regional operations, human capital management, finance, and strategic planning. After a successful career in the auto manufacturing and banking industries, Ms. Jenkins transitioned to the public education sector through the prestigious Broad Residency. She most recently served as Director, Project and Change Management for Charlotte-Mecklenburg Schools in North Carolina, supporting 168 schools. Ms. Jenkins earned a Master of Educational Leadership from The Broad Center for School System Management, a Master of Business Administration from the Booth School of Business at The University of Chicago, and a Bachelor of Business Administration from The Ross School of Business at The University of Michigan. She is passionate about optimizing processes and systems to support employee development, and social and academic outcomes for all children. Ms. Jenkins is a native of Detroit, Michigan.

Luke Van De Walle, Chief Academic Officer

Mr. Van De Walle first came to the Delta after graduating from Purdue University in 2002. As a Teach for America corps member, he taught math at Eliza Miller Middle School in Helena, Arkansas. After finishing his two-year commitment with Teach for America in 2004, Mr. Van De Walle joined the team at KIPP Delta where he taught sixth and seventh grade math and continued to move through the leadership pipeline. He was accepted into the Fisher Fellowship Program in 2005 and later founded KIPP Delta Collegiate High School, leading as the School Director for four years. Mr. Van De Walle began serving as KIPP Delta's Chief Academic Officer in 2011.

Carissa Godwin, Chief Development Officer

Mrs. Godwin is in her fourth year at KIPP Delta and oversees regional development, marketing, advocacy, and communications needs. Prior to joining KIPP Delta, Ms. Godwin held senior development positions at Make-A-Wish Foundation of the Mid-South and Arkansas Children's Hospital Foundation. Mrs. Godwin has a degree in Communications with a Public Relations emphasis from the University of Central Arkansas.

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Charity Hallman, Director of Finance

Ms. Hallman directs the organization's regional finance and human resources team. Prior to joining the organization, she served as the Deputy Director of Fiscal Policy at StudentsFirst, a nonprofit education reform organization. In this role, Ms. Hallman provided policy recommendations for state-level advocacy work in 18 states for the purpose of ensuring all students have equitable access to public funding. Ms. Hallman began her career in education finance in Washington DC's Office of Budget and Planning and then spent four years serving in various leadership positions within the Office of the State Superintendent of Education (OSSE). As the Deputy Director of the Office of Grants Management and Compliance within OSSE, Ms. Hallman oversaw the management and timely liquidation of over \$400M in state, federal, and court-ordered funds. Ms. Hallman has a Master of Public Administration degree from the University of Delaware with an emphasis in Financial Management and an undergraduate degree from the University of Central Arkansas. She is also an AmeriCorps VISTA alumni and a native Arkansian.

Todd Dixon, School Leader – KIPP Elementary Literacy Academy

Mr. Dixon graduated magna cum laude from Colby College in 2006 with a Bachelor's degree in physics and a minor in education. After graduation, Mr. Dixon joined Teach for America as a teacher in the Arkansas Delta. He has taught seventh through Mr. Dixon twelfth grade math, science, and engineering courses over the last six years. In 2010, became an assistant principal at KIPP Delta Collegiate High School and participated in the KIPP Delta School Leadership Program's Principal Prep training in the summer of 2011 and became the School Director of DCH that same year. The Principal Prep program intensively prepares individuals to be successor leaders of existing KIPP Delta schools. Mr. Dixon transitioned to lead KIPP Delta Elementary Literacy Academy in June 2015.

Stephanie Bennetts, School Director – KIPP Delta Collegiate High School

Stephanie Bennetts is originally from Rumford, Rhode Island. She graduated from the University of Pennsylvania in 2007 with a Bachelor's degree in Political Science and a minor in English. After graduation, Stephanie joined Teach For America's 2007 Mississippi Delta Corps and was placed at KIPP Delta Collegiate as a social studies teacher. For the next three years, Stephanie taught a variety of subjects including English 9, 10, 11 and AP Language. Stephanie served as Assistant Principal at KIPP Delta Collegiate for five years before becoming the School Leader in 2015.

Heather Johnson, School Director – KIPP Delta College Preparatory School

Mrs. Johnson is originally from Scotch Plains, New Jersey. After graduating from Ursinus College in Collegeville, Pennsylvania in 2007, she joined Teach for America as a corps member in the Arkansas Delta. Since the start of her teaching career, she has taught a variety of subjects at KIPP Delta, originally placed as a Spanish teacher working with 9th and 10th grade students and to eventually finding her love as an English Language Arts and Social Studies teacher working with 7th and 8th grade students.

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Mrs. Johnson moved through the leadership pipeline at KIPP Delta as a grade level chair participating in the KIPP Delta Teacher Leader Program onto an assistant principal participating in the KIPP Delta Leadership Program and now serves as the School Director of KIPP Delta College Preparatory School.

Marcus Nelson, School Director – KIPP Forrest City College Preparatory

Mr. Nelson was born and raised in Helena, Arkansas. Mr. Nelson began his teaching career for the Jefferson Literacy Council. In 2005, he began teaching mathematics at KIPP Delta and became School Leader of KIPP Delta College Preparatory School in 2011. Mr. Nelson holds a Master's degree in Education Leadership and Supervision from National Louis University in Chicago, Illinois. He has also participated in the KIPP Delta School Leadership Program and Fisher Fellowship and was been selected to be the Founding School Leader for KIPP Forrest City College Preparatory School, which opened in Forrest City in the 2015-2016 academic year.

Maisie Wright, School Director – KIPP Blytheville College Preparatory and KIPP Blytheville Collegiate

Ms. Wright is originally from South Londonderry, Vermont, and graduated from Cornell University in Ithaca, New York, in 2006 with a Bachelor's degree in Anthropology and African Studies. Ms. Wright started her teaching career as a 2006 Teach for America Corps member at KIPP Delta College Preparatory School, teaching seventh grade Mathematics and Science at KIPP Delta for three years. In 2009, Ms. Wright became a Fisher Fellow and opened KIPP Blytheville College Preparatory School in July 2010.

Note 4: Description of the Planned Beech Crest School Project (Helena – West Helena)

The proposed financing plan will issue approximately \$6,790,000 of new debt and refinance approximately \$3,200,000 of existing debt (see *Note 27*, sub-notes (A) and (D)). The Helena-West Helena School District consolidated multiple campuses in 2011 leaving three former elementary schools unoccupied. After three years of repeated requests to evaluate the abandoned properties for purchase, the Helena-West Helena School District offered three former school properties for sale in October of 2014. KIPP Delta's leadership in coordination with WER Architects assessed the conditions of all three properties. The Beech Crest property's size including building square footage and total acreage, campus configuration, highly visible strategic location and community history make it the most desirable choice.

The renovation of the existing Historic Beech Crest Elementary School campus, in West Helena, AR, is to be used for the new KIPP Delta Beech Crest Elementary School. The existing schools spaces and functions will be re-used to the greatest extent possible with needed repairs and upgrades to the finishes, HVAC, electrical and minor plumbing components to create a functioning educational environment for teachers and students. Some initial site and building stabilization is necessary in order to secure and keep the existing facilities from further deterioration.

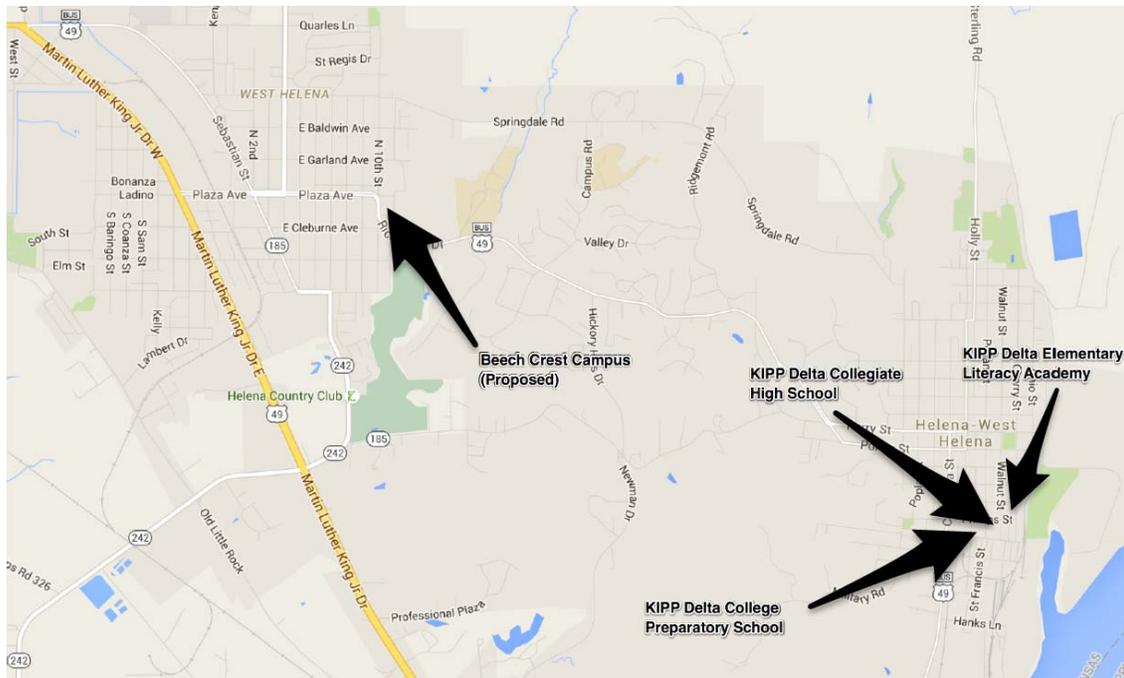
KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Several buildings will be renovated in this construction/renovation project. It is expected that construction will begin in late 2016 with the school opening in August 2017.

For purpose of this forecast, it is assumed that construction of the project will commence July 2016 and be completed in July 2017, for an overall 12-month construction period. See a summary of the proposed debts and amounts to be refinanced in *Note 27*.

Management, the Architect and the Construction Manager have estimated the total costs for the construction and related costs associated with the Project as summarized below:



KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

USDA – Beech Crest		
Construction costs	\$	5,070,975
Architectural and engineering fees		178,402
Equipment		310,000
Interest		600,000
Contingencies		278,561
Financing costs		148,000
Stabilization		202,062
Refinance of existing debt		3,200,000
Kitchen designer fee		2,000
		9,990,000
Contributions – Beech Crest (Walton Family Foundation - See page 70)		
Construction		243,389
Stabilization		92,061
Purchase and development fees		80,000
Architectural and engineering fees		274,550
Kitchen designer fee		10,000
		700,000
	\$	10,690,000

Note 5: Description of the Beech Crest School USDA Rural Development Long-term Financing Plan (Helena)

The proposed financing plan will issue approximately \$6,790,000 of new debt and refinance approximately \$3,200,000 of existing debt (see *Note 27*, sub-notes (A) and (D)). The proposed financing plan for the Project assumes a long-term loan from the United States Department of Agriculture (the USDA) and a contribution from the Walton Family Foundation.

Source of Funds – Beech Crest	Rate		
USDA	3.125% fixed 30 years	\$	9,990,000
Contribution – Walton Family Foundation			700,000
			700,000
		\$	10,690,000

Beginning July 1, 2016, during construction a commercial bank to-be-determined (TBD Commercial Bank) will provide interim financing of \$9,300,000 with a rate of 5.0%. On July 1, 2017, upon completion of the project, USDA will convert the interim loan to a permanent financing term note payable of \$9,990,000 and the rate will be fixed at 3.125 percent. The loan is to be amortized over 29 years with a one year interest deferral period. Twelve months from the date of closing on the USDA loan, and estimated interest only payment of \$300,000 would be due. On the 13th month from the date of closing on the USDA loan, principal and interest payments of \$43,757 would commence.

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

Additionally, KIPP must fund a debt service reserve account of \$4,376 per month beginning on the 13th month for the first 10 years or until KIPP accumulates \$525,084.

Management's assumption that these sources of funding will be obtained by KIPP Delta is a sensitive assumption to this forecast.

Note 6: Description of the Planned Central and Bryles School Projects (Blytheville)

The proposed financing plan will issue approximately \$6,275,000 of new debt and refinance approximately \$3,400,000 of existing debt (see *Note 27*, sub-notes (B) and (F)). In order to ensure a high quality academic and extracurricular program for students of KIPP Blytheville Collegiate, KIPP Delta is planning an expansion project at the Senator Steve Bryles Campus. This campus currently houses two of KIPP Delta's existing schools in Blytheville. The campus is strategically located on a 20 acres site with 30,000 SF of existing modular construction. The proposed project adds two new buildings. The first building will be an eight classroom modular building added to the east side of the food service modular building in the center of the campus. The second building will be a "bricks & mortar" multipurpose building with a gymnasium, locker rooms, two or three classroom type spaces restrooms and offices. The project will provide classrooms for science and music studies as well as athletic and assembly space in the form of the new multi-purpose building. The multi-purpose building is also planned to have an area of hardened construction to allow the students and staff a place to go to in inclement weather. Both of these buildings were part of the original master plan for the main campus and represent a natural growth of the campus according to the master plan.

KIPP Delta also seeks to complete its renovation of the Central Campus in Blytheville, Arkansas. The second phase of renovations completes KIPP Delta's effort to restore a valued community building and provide increased capacity to expand the grade-span of KIPP Delta's Blytheville College Preparatory School.

In the fall of 2014, the Blytheville Public School District placed two unused former elementary schools for sale. KIPP Delta evaluated both facilities and determined that the condition, size, layout and relatively close proximity of the Central campus to its existing Blytheville campus made it an excellent opportunity. KIPP Delta acquired the facility in February of 2016 and is self-financing the first phase of renovations to the campus. This proposed USDA financing is associated with the second phase renovations to that campus.

The existing school's spaces and functions will be re-used to the greatest extent possible with needed repairs and upgrades to the finishes, electrical, minor HVAC and minor plumbing components to create a functioning educational environment for teachers and students. Building areas A, B & C will be renovated in this construction/renovation project in phases as defined on the drawings. Building "D" is a separate stand along building. The building is in good condition and no repairs are planned for it at this time.

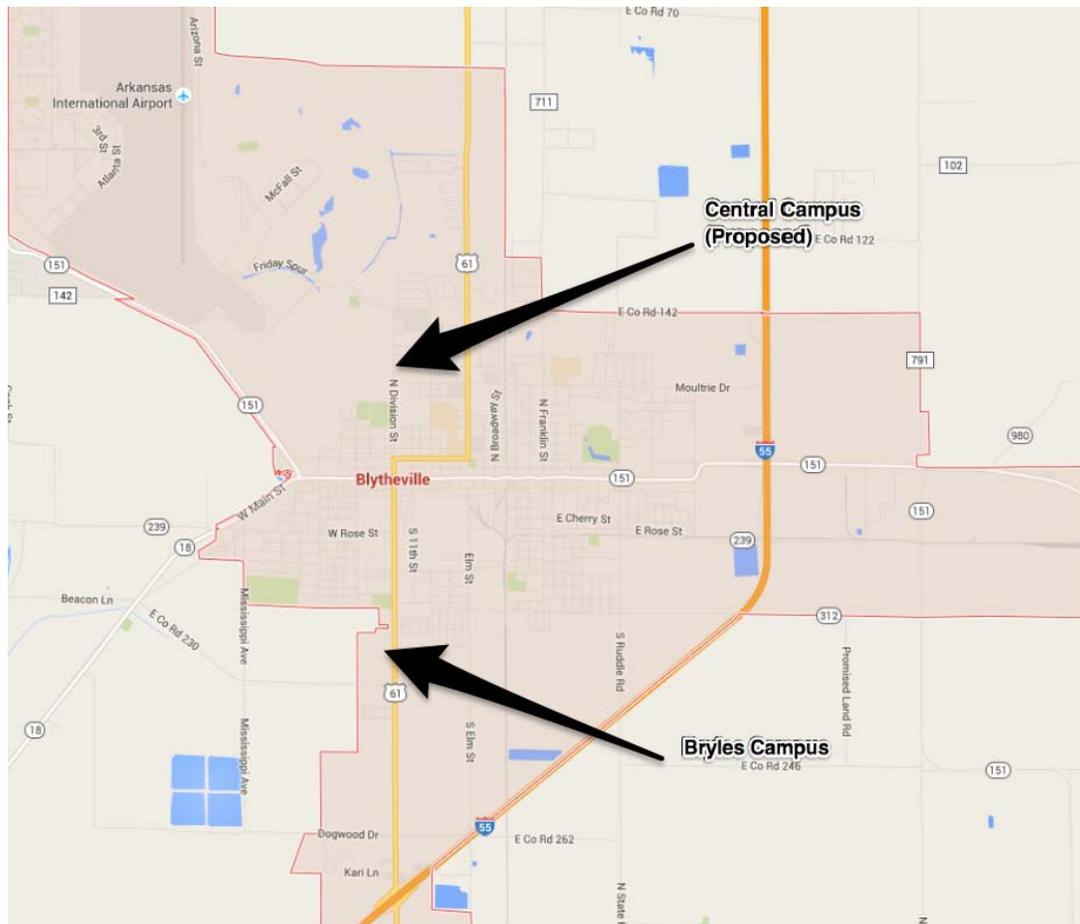
KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

The Blytheville campuses, with the Central facility, will be able to fully grow the existing high school and launch an elementary school. The additional grade-levels combined with increased enrollment at existing grade-levels will push KIPP Blytheville's total enrollment over 800 students. By doing all of this, KIPP Delta expects to come closer to fulfilling its vision of ensuring that every child in the Arkansas Delta receives a rigorous, college-preparatory education. Beyond 2020, KIPP Delta plans to grow its Blytheville and Forrest City campus to serve over 1000 students in each community.

For purpose of this forecast, it is assumed that Central campus construction project will commence in February of 2017 and be completed by July 2017. The Bryles campus construction will commence in July of 2017 and be completed in July 2018, for an overall 18-month construction period for both projects.

Management, the Architect and the Construction Manager have estimated the total costs for the construction and related costs associated with the project as summarized below:



KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

USDA – Central and Bryles

Construction costs	\$	4,470,000
Architectural and engineering fees		395,000
Equipment		200,000
Interest		670,000
Contingencies		447,000
Financing costs		83,000
Refinance of existing debt		3,400,000
Kitchen designer fee		10,000

9,675,000

Contributions

Equipment		100,000
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\$ 9,775,000

Note 7: Description of the Central and Bryles School USDA Rural Development Long-term Financing Plan (Blytheville)

The proposed financing plan will issue approximately \$6,275,000 of new debt and refinance approximately \$3,200,000 of existing debt (see *Note 27*, sub-notes (B) and (F)). The proposed financing plan for the Project assumes a long-term loan from the United States Department of Agriculture (the USDA) and a contribution.

Source of Funds – Central and Bryles Rate

USDA	3.125% fixed 40 years	\$	9,675,000
Contribution			100,000

\$ 9,775,000

Beginning February 1, 2017, during construction a TBD Commercial Bank will provide interim financing of \$1,122,000 for the Central Campus and \$8,055,000 for the Bryles campus with a rate of 5.0%. On July 1, 2018, upon completion of the projects, USDA will convert the interim loan to a permanent financing term note payable of \$9,675,000 and the rate will be fixed at 3.125 percent. The loan is to be amortized over 39 years with a one year interest deferral period. Twelve months from the date of closing on the USDA loan, and estimated interest only payment of \$290,000 would be due (this forecast assumes KIPP will make this interest only payment one month early). On the 13th month from the date of closing on the USDA loan, principal and interest payments of \$35,798 would commence. Additionally, KIPP must fund a debt service reserve account of \$3,580 per month beginning on the 13th month for the first 10 years or until KIPP accumulates \$429,576. See a summary of the proposed debts and amounts to be refinanced in *Note 27*.

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2015 Through 2020

Management's assumption that these sources of funding will be obtained by KIPP Delta is a sensitive assumption to this forecast.

Note 8: Description of the Forrest City School Incubator Expansion and Permanent Campus Project (Forrest City)

In order to ensure a high quality academic and extracurricular program for students of KIPP Forrest City, KIPP Delta is growing their school in their existing incubator space and while planning the construction of a new permanent campus. The campus is currently located in a leased facility. KIPP Delta has already purchased two modular classroom buildings to create adequate space for its growing middle school operation and plans on occupying the facility until June 2018.

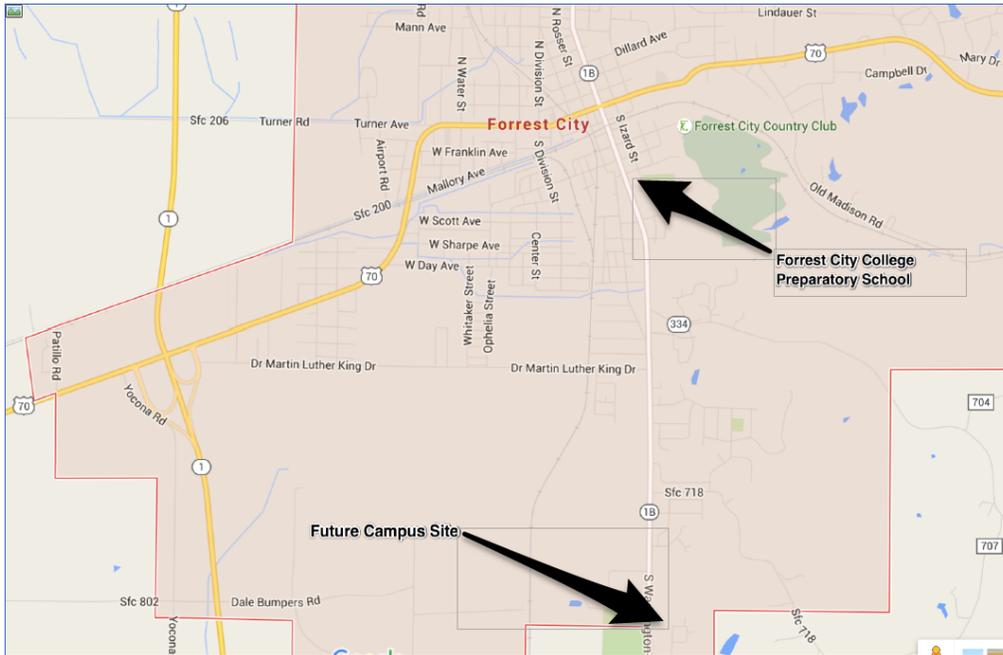
KIPP Delta was recently given a strategically located 20 acre site for the purpose of establishing a permanent campus. KIPP Delta is planning the construction of a 30,000 SF modular building campus similar to the Bryles campus in Blytheville. The project will provide classrooms, administrative, and assembly spaces for school. Planning is still in the preliminary stages and they anticipate engaging an architect and a construction manager to fully plan the campus by the summer of 2017.

For purpose of this forecast, it is assumed that permanent campus construction project will commence in January of 2018 and be completed by July 2018.

Management has estimated the total costs for the construction and related costs associated with the project to be \$3,000,000 financed through a TBD Commercial Bank.

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020



Note 9: Description of the Forrest City School Incubator Expansion and Permanent Campus Project with a Commercial Bank To-Be-Determined Long-term Financing Plan (Forrest City)

The proposed financing plan from a TBD Commercial Bank will issue approximately \$3,000,000 of new debt (see *Note 27*, sub-notes (E) and (EE)). The proposed financing plan for the Project assumes a long-term loan from a TBD Commercial Bank.

Source of Funds – Forrest City	Rate		
Commercial Bank To-Be-Determined	5.13% fixed 30 years	\$	3,000,000

Beginning July 1, 2017, during construction a TBD Commercial Bank will provide interim financing of \$3,000,000 for the Forrest City Project with a rate of 5.13%. On July 1, 2018, upon completion of the projects, the TBD Commercial Bank will convert the interim loan to a permanent financing term note payable of \$3,000,000 and the rate will be fixed at 5.13 percent. The loan is to be amortized over 30 years with monthly principle and interest payments due. Additionally, KIPP must fund a debt service reserve account of \$1,634 per month beginning in 2019 for the first 10 years or until KIPP accumulates \$196,080. See a summary of the proposed debts and amounts to be refinanced in *Note 27*.

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Note 10: Demographic Data

Census Highlights:

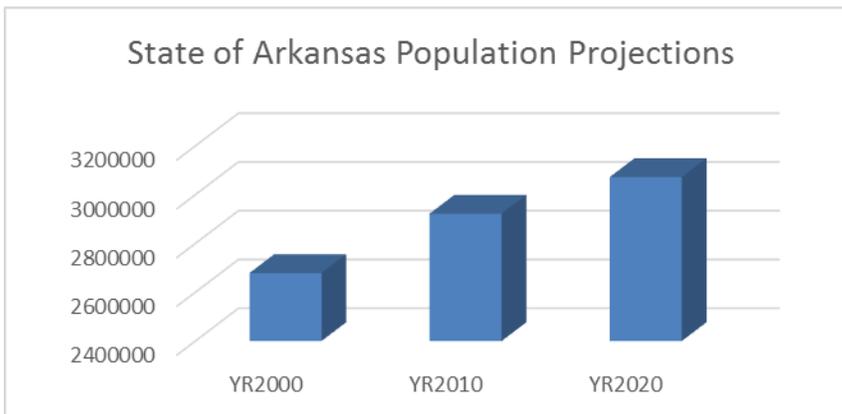
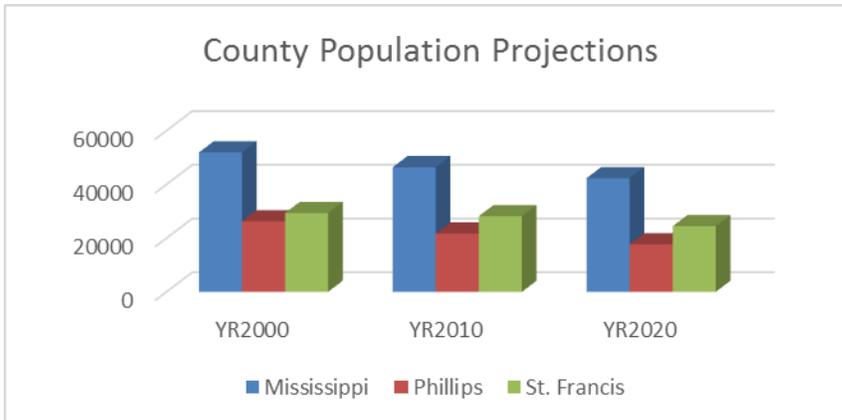
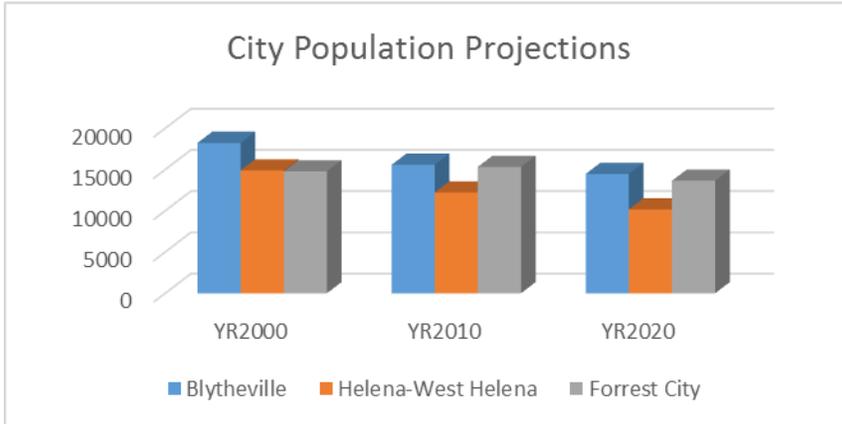
		Year 2000	Year 2010	Year 2020
Mississippi County	History	51,849	46,372	
Mississippi County	Fitted values	51,689	46,490	
Mississippi County	Lower confidence limits			38,832
Mississippi County	Point forecasts			42,319
Mississippi County	Upper confidence limits			46,074
City Blytheville		18,238	15,578	14,477
Phillips County	History	26,290	21,686	
Phillips County	Fitted values	26,529	21,569	
Phillips County	Lower confidence limits			16,498
Phillips County	Point forecasts			17,677
Phillips County	Upper confidence limits			18,958
City Helena-West Helena		14,904	12,230	10,172
St Francis County	History	29,325	28,173	
St Francis County	Fitted values	29,231	28,396	
St Francis County	Lower confidence limits			22,765
St Francis County	Point forecasts			24,441
St Francis County	Upper confidence limits			26,213
City Forrest City		14,785	15,333	13,643
Arkansas State	History	2,678,588	2,922,280	
Arkansas State	Fitted values	2,677,769	2,919,965	
Arkansas State	Lower confidence limits			3,034,437
Arkansas State	Point forecasts			3,072,430
Arkansas State	Upper confidence limits			3,110,424

Source: Hamilton, G.L. Arkansas 2005-2030 County and State Population Projections: Time Series Extrapolations, Institute for Economic Advancement University of Arkansas at Little Rock, April 19, 2005. Available at: http://www.aiea.uarl.edu/images/rokdownloads/DemoRes/population/expo_proj_doc_05_30.pdf – US Census American Fact Finder: Population Search by City/County/Nation – (www.factfinder.census.gov)

Census data shows that current population decline will continue at a slightly slower rate ahead of the 2020 Census. Despite operating in counties with declining populations, KIPP Delta has grown by 116% over the past five years with applications consistency exceeding available seats in their schools.

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020



Source: Hamilton, G.L. Arkansas 2005-2030 County and State Population Projections: Time Series Extrapolations, Institute for Economic Advancement University of Arkansas at Little Rock, April 19, 2005. Available at: http://www.aiea.ualr.edu/images/rokdownloads/DemoRes/population/expo_proj_doc_05_30.pdf – US Census American Fact Finder: Population Search by City/County/Nation – (www.factfinder.census.gov)

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Largest Employers in Mississippi County

1. American Greetings Corporation Employee Code: H 1400 Ohlendorf Road Osceola 72370 Product: Greeting cards (mfg) (870) 563-5221 Union: n/a
2. Nucor-Yamato Steel Company Employee Code: G 5929 East State Highway 18 Armored 72310 Product: Steel - structural (mfg) (870) 762-5500 Union: n/a
3. Nucor Steel Employee Code: G 7301 East County Road 142 Blytheville 72315 Product: Steel mill (870) 762-2100 Union: n/a
4. Maverick Tube Corporation (Tenaris Hickman) Employee Code: G 4950 North County Road 967 Blytheville 72315 Product: Steel pipe and tubes (mfg) (870) 763-6281 Union: n/a
5. Denso Manufacturing Arkansas, Inc. Employee Code: F 100 Denso Road Osceola 72370 Product: Automotive parts (mfg) (870) 622-9500 Union: n/a
6. Blytheville School District Employee Code: F 405 Park Street Blytheville 72315 Product: Public schools (870) 762-2053 Union: n/a
7. Walmart Stores, Inc. (multiple locations) Employee Code: F 3700 East State Highway 18 Blytheville 72315 Product: Retail department stores (870) 763-0440 Union: n/a
8. Viskase Corporation Employee Code: F 2221 East State Highway 198 Osceola 72370 Product: Plastic food casings (mfg) (870) 563-3541 Union: n/a
9. TMK IPSCO Employee Code: E 5460 North State Highway 137 Blytheville 72315 Product: Steel tubing (mfg) (870) 763-7700 Union: n/a
10. Great River Medical Center Employee Code: E 1520 North Division Street Blytheville 72315 Product: Health care (870) 838-7300 Union: n/a
11. Arkansas Northeastern College Employee Code: E 2501 South Division Street Blytheville 72315 Product: Colleges/universities (870) 762-1020 Union: n/a
12. Nibco, Inc. Employee Code: E 4059 East State Highway 18 Blytheville 72315 Product: Fluid power valves/hose fittings (mfg) (870) 763-7044 Union: n/a
13. Marine Terminals of Arkansas (KMGP Services) Employee Code: E 3852 North CR 955 Blytheville 72315 Product: Harbor services (870) 763-5923 Union: n/a
14. Osceola School District Employee Code: D 2750 West Semmes Avenue Osceola 72370 Product: Public schools (870) 563-2561 Union: n/a
15. South Mississippi County School District Employee Code: E 1700 West State Highway 14 Wilson 72395 Product: Public schools (870) 655-8520 Union: n/a

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

16. Gosnell School District Employee Code: D 600 North State Highway 181 Blytheville 72315 Product: Public schools (870) 532-4017 Union: n/a
17. Manila School District Employee Code: D 419 East Olympia Street Manila 72442 Product: Public schools (870) 561-4419 Union: n/a
18. Kagome Creative Foods, LLC Employee Code: D 710 North Pearl Street Osceola 72370 Product: Margarine (mfg) (870) 563-2601 Union: n/a
19. Southworth Products Corporation Employee Code: D 715 Highway 77 S Manila 72442 Product: Hydraulic scissor lift tables (mfg) (870) 561-3345 Union: n/a
20. Lexicon, Inc. Employee Code: D 5929 East Highway 18 Armorel 72310 Product: Steel fabrication (870) 762-2509 Union: n/a

Data for this list was compiled from the following sources: Dun & Bradstreet (Hoovers), ReferenceUSA, Arkansas Department of Workforce Services (1st Quarter 2015) and various community and company web pages. Employee Code: A=1-10 B=11-49 C=50-99 D=100-199 E=200-299 F=300-499 G=500-999 H=1,000-2,499 I=2,500 +

Prepared by the Arkansas Economic Development Commission
Strategic Planning & Research Division
February 2016

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2015 Through 2020

Largest Employers for Saint Francis County

1. Forrest City School District Employee Code: F 845 Rosser Street Forrest City 72335
Product: Public schools (870) 633-1485 Union: n/a
2. Boar's Head Provisions Company, Inc. Employee Code: F
2530 West Broadway Forrest City 72335 Product: Meat and meat products (mfg)
(870) 630-1638 Union: n/a
3. Wal-Mart Stores, Inc. Employee Code: F
205 Deadrick Road Forrest City 72335 Product: Retail department stores
(870) 633-0021 Union: n/a
4. Forrest City Grocery Company Employee Code: E 3400 Commerce Road Forrest City
72335 Product: Grocers – retail (870) 633-2044 Union: n/a
5. Forrest City Hospital Employee Code: E
1601 Newcastle Road Forrest City 72335 Product: Health care
(870) 261-0000 Union: n/a
6. East Arkansas Community College Employee Code: E 1700 Newcastle Road Forrest
City 72335 Product: Schools, universities, & colleges (870) 633-4480 Union: n/a
7. Crestpark Retirement Inn Employee Code: D
500 Kittel Road Forrest City 72335 Product: Health care (870) 633-7630 Union: n/a
8. Truckstops of America (TA Operating) Employee Code: D 408 Highway 149 N Earle
72331 Product: Truck stops and plazas (870) 657-2105 Union: n/a
9. Palestine Wheatley School District Employee Code: D 7920 Highway 70 W Palestine
72372 Product: Public schools (870) 581-2646 Union: n/a
10. Mestek (Airtherm) Employee Code: D 3333 North Washington Street Forrest City 72335
Product: Heat and air equipment (mfgs) (870-633-5660 Union: n/a
11. Amicare of Forrest City Employee Code: C 603 Kittle Road Forrest City 72335 Product:
Home health care services (870) 633-3800 Union: n/a
12. Hughes School District Employee Code: C 310 College Street Hughes 72348 Product:
Public schools (870) 339-2570 Union: n/a
13. Crowley's Ridge Technical Institute Employee Code: C 1620 Newcastle Road Forrest
City 72335 Product: Schools, universities and colleges (870) 633-5411 Union: n/a

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

14. First National Bank (multiple locations) Employee Code: C 101 North Washington Avenue Forrest City 72335 Product: Banking (870) 633-3112 Union: n/a
15. Kids for the Future, Inc. Employee Code: C 1825 East Broadway Street Forrest City 72335 Product: Child care services (870) 630-2328 Union: n/a

Data for this list was compiled from the following sources: Dun & Bradstreet (Hoovers), ReferenceUSA, Arkansas Department of Workforce Services and various community and company web pages Employee Code: A=1-10 B=11-49 C=50-99 D=100-199 E=200-299 F=300-499 G=500-999 H=1,000-2,499 I=2,500 +

Prepared by the Arkansas Economic Development Commission
Research Division
March 2014

Largest Employers for Phillips County

1. Helena-West Helena School District Employee Code: F
305 Valley Drive Helena/West Helena 72342 Product: Public schools (870) 338-8172
Union: n/a
2. Walmart Stores, Inc. Employee Code: E
602 Sheila Drive Helena/West Helena 72390 Product: Retail department stores
(870) 572-2442 Union: n/a
3. University of Arkansas - Phillips Community College Employee Code: E
1000 Campus Drive Helena/West Helena 72342 Product: Colleges/universities
(870) 338-6474 Union: n/a
4. KIPP Delta, Inc. Employee Code: E 210 Cherry Street Helena/West Helena 72342
Product: Public schools (870) 753-9444 Union: n/a
5. Helena Regional Medical Center Employee Code: E 1801 Martin Luther King Jr. Drive
Helena/West Helena 72342 Product: Health care (870) 338-5800 Union: n/a
6. Crestpark Helena LLC Employee Code: D 116 November Drive Helena/West Helena
72342 Product: Retirement communities (870) 338-3405 Union: n/a
7. Barton-Lexa School District Employee Code: D 9546 Highway 85 Lexa 72355 Product:
Public schools (870) 572-7294 Union: n/a
8. Hoffinger Industries, Inc. Employee Code: D 315 North Sebastian Helena/West Helena
72390 Product: Swimming pools & accessories (mfg) (870) 572-3466 Union: n/a
9. Marvell School District Employee Code: C 311 Midway Road Marvell 72366 Product:
Public schools (870) 829-2381 Union: n/a

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

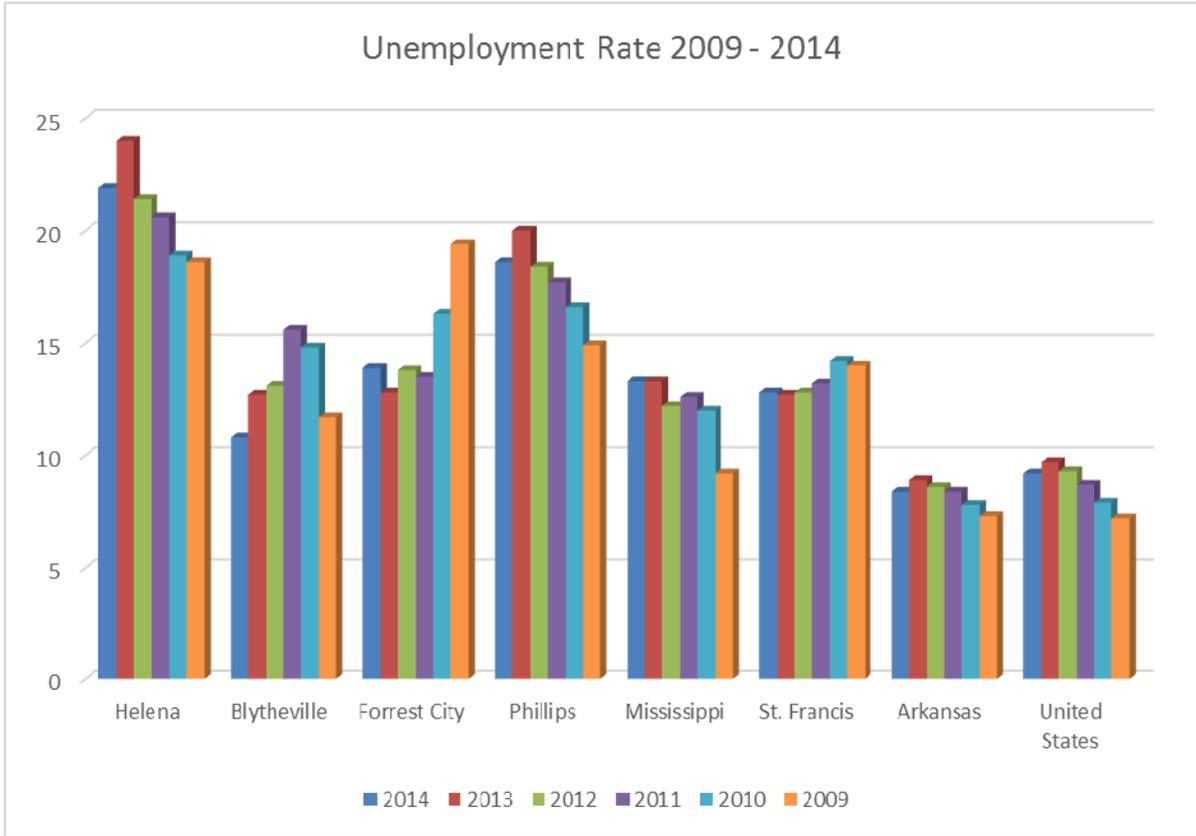
10. Hay's Supermarkets, Inc. Employee Code: C 816 North Sebastian Street Helena/West Helena 72390 Product: Retail grocery stores (870) 572-7277 Union: n/a
11. Mid-Delta Community Service, Inc. (2 locations) Employee Code: C 610 South Biscoe Helena/West Helena 72342 Product: Special needs transportation (870) 338-6406 Union: n/a
12. BPS, Inc. Employee Code: C 28 Phillips 324 Helena/West Helena 72343 Product: Packaging and labeling services (870) 572-7771 Union: n/a
13. Southern Bancorp Bank (multiple locations) Employee Code: C 425 East Plaza Helena/West Helena 72390 Product: Financial institutions (870) 816-1111 Union: n/a
14. Sonic Drive-In Employee Code: C 798 North Sebastian Helena/West Helena 72390 Product: Restaurants (870) 338-6406 Union: n/a
15. Southern Hardware Company Employee Code: C 589 North Sebastian Street Helena/West Helena 72390 Product: Hardware (wholesale) (870) 572-6761 Union: n/a

Data for this list was compiled from the following sources: Dun & Bradstreet (Hoovers), ReferenceUSA, Arkansas Department of Workforce Services (1st Quarter 2015) and various community and company web pages. Employee Code: A=1-10 B=11-49 C=50-99 D=100-199 E=200-299 F=300-499 G=500-999 H=1,000-2,499 I=2,500 +

Prepared by the Arkansas Economic Development Commission
Strategic Planning & Research Division
February 2016

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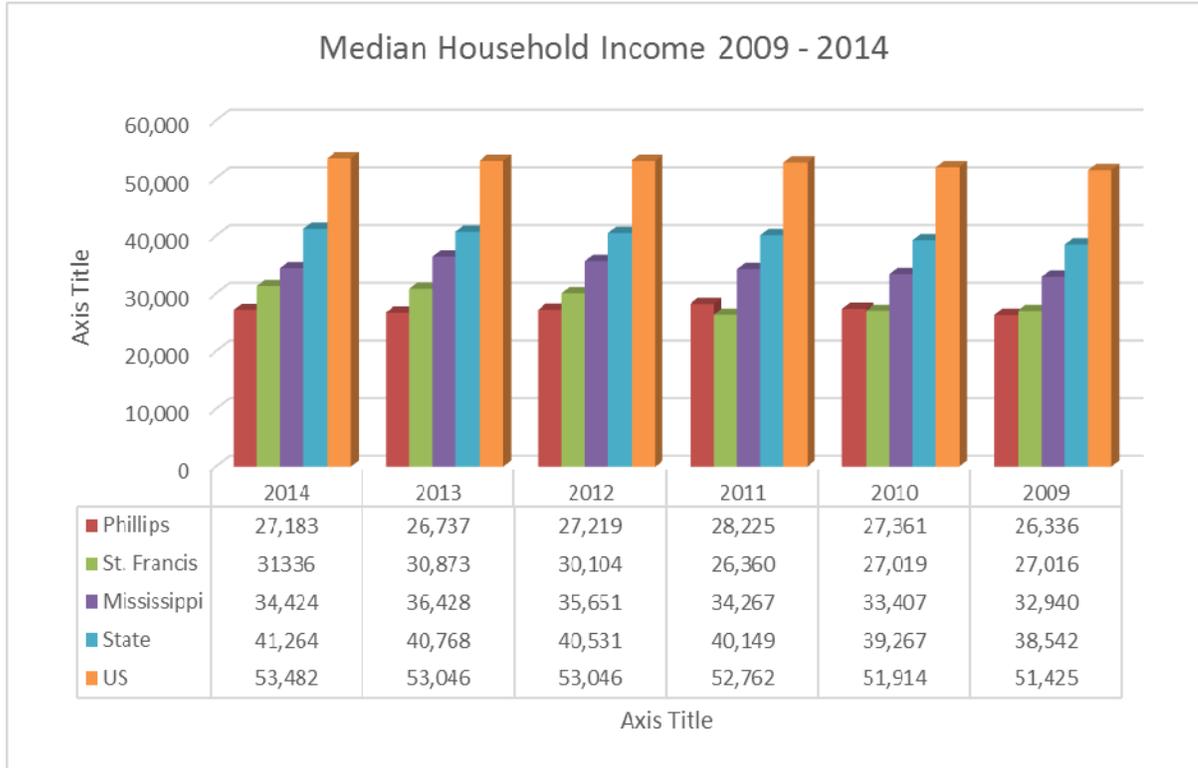


Source: US Census American Fact Finder: Unemployment Rate by City/County/State/Nation
(www.factfinder.census.gov)

The data shows that the unemployment level in counties where KIPP Delta operates schools is higher than state and national levels of unemployment. KIPP Delta is actively working to combat unemployment by increasing the number of college graduates in the counties they serve. Furthermore, their planned growth during the forecast period will create teaching, administrative, and operational jobs in each of the communities they serve.

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Source: US Census American Fact Finder: Median Household Income by County/State/Nation (www.factfinder.census.gov)

The data shows that median income levels in counties where KIPP Delta operates schools are lower than state and national levels. With a projected increase of more than 100 jobs and starting salaries for teachers that far exceed median income levels, KIPP Delta will impact economic opportunity in the counties they serve.

Economic Impact

Over the forecast period KIPP Delta will invest over \$18,000,000 in new facilities creating construction jobs and increasing KIPP Delta’s demand for locally available goods and services. Furthermore, the forecasted growth of KIPP Delta’s operations will create more than 100 additional jobs in the communities they serve.

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Note 11: Assessment of Demand and KIPP Delta's Capacity and Academic Performance

The assessment of demand was designed to analyze the potential future demand for KIPP Delta's services and to:

- Analyze demographic and economic trends in the service area.
- Assess Management's estimated enrollment levels.
- Assess Management's estimate of potential demand based on community support.

Several variables will impact the success of the school. Here is a list of some, but not all, of those variables:

- Proximity of the facility to student population
- Services offered
- Aesthetic qualities of the facility
- Quality of education
- Accessibility
- Changes in laws and regulation
- Community support
- Philanthropic support

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Assessment of Enrollment and Demographics

KIPP Delta currently serves over 1,440 Pre-Kindergarten to 12th grade students in Lee, Mississippi, Phillips, and Saint Francis counties from over 12 different cities, including Forrest City, Marianna, Marvell, Helena-West Helena, Elaine, Lexa, Colt, Blytheville, Osceola, Gosnell, Armored, and Luxora. Nearly a quarter of KIPP Delta students commute from surrounding towns and the region maintains an average daily attendance of 97% region-wide.

The following are key demographics of KIPP Delta's student body for school year 2015-2016:

- Student Body Ethnicity
 - 92% African-American
 - 5% White
 - 3% Other Ethnicities
- 52% Female and 48% Male
- 90% qualify for free or reduced lunch
- 9% receive special education services
- 1,100+ miles traveled each day
- 272 bus stops in the KIPP Delta Region (Helena 137, Blytheville 107, Forrest City 28)

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The following table presents enrollment data for other public schools within the KIPP service areas:

District Name	Grade Level	2011	2012	2013	2014	2015	2016
	Grade 01	221	239	211	230	250	216
	Grade 02	246	210	220	208	210	238
	Grade 03	254	221	196	205	195	191
	Grade 04	277	245	157	166	151	151
	Grade 05	194	211	178	155	149	151
	Grade 06	222	174	208	162	141	135
	Grade 07	240	213	154	208	152	140
	Grade 08	210	231	205	155	180	145
	Grade 09	237	233	242	226	198	187
	Grade 10	246	221	183	207	173	151
	Grade 11	172	185	187	167	162	156
	Grade 12	174	173	202	183	166	174
	Kindergarten	232	241	250	263	221	201
Blytheville School District		2,925	2,797	2,593	2,535	2,348	2,236
	Grade 01	250	234	234	259	216	220
	Grade 02	229	231	220	212	247	209
	Grade 03	254	216	224	208	183	237
	Grade 04	269	257	195	209	181	173
	Grade 05	237	252	229	189	193	136
	Grade 06	241	232	239	228	181	174
	Grade 07	261	234	230	229	213	174
	Grade 08	239	262	221	218	205	192
	Grade 09	325	230	252	273	202	193
	Grade 10	218	295	243	221	224	213
	Grade 11	231	184	247	229	198	180
	Grade 12	195	225	173	222	195	164
	Kindergarten	213	240	258	245	229	213
Forrest City School District		3,162	3,092	2,965	2,942	2,667	2,478
	Grade 01	160	145	128	154	130	121
	Grade 02	171	134	115	121	140	109
	Grade 03	211	136	123	118	109	131
	Grade 04	204	202	120	107	112	100
	Grade 05	179	132	135	117	111	102
	Grade 06	174	146	121	123	107	95
	Grade 07	150	140	138	123	123	108
	Grade 08	157	137	120	136	121	105
	Grade 09	188	187	122	141	124	113
	Grade 10	187	128	155	128	128	108
	Grade 11	164	136	102	125	107	99
	Grade 12	145	116	110	108	129	107
	Kindergarten	170	141	160	146	140	126
Helena/West Helena School District		2,260	1,880	1,649	1,647	1,581	1,424
Grand Total		8,347	7,769	7,207	7,124	6,596	6,138

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The following table presents KIPP Delta's enrollment by area and grade for school years 2011 to 2016:

School Year	2011	2012	2013	2014	2015	2016
KIPP Delta Elementary Literacy Academy						
Pre-K	---	---	---	36	36	51
Kindergarten	58	63	73	86	85	77
1 st Grade	54	63	73	74	82	77
2 nd Grade	54	64	71	74	81	77
3 rd Grade	---	68	71	74	82	77
4 th Grade	---	---	72	75	74	77
Total	166	258	360	419	440	436
KIPP Delta College Preparatory School						
5 th Grade	59	68	81	76	75	67
6 th Grade	59	68	78	79	78	74
7 th Grade	58	74	80	74	79	78
8 th Grade	60	69	81	76	77	81
Total	236	279	320	305	309	300
KIPP Delta Collegiate High School						
9 th Grade	76	66	83	78	84	73
10 th Grade	51	70	65	57	71	73
11 th Grade	26	45	55	41	46	62
12 th Grade	22	25	44	41	38	44
Total	175	206	247	217	239	252
Helena Total	577	743	927	941	988	988
KIPP Blytheville College Preparatory School						
4 th Grade	---	---	57	45	57	42
5 th Grade	63	56	62	58	52	47
6 th Grade	---	63	60	65	70	51
7 th Grade	---	---	55	49	75	58
8 th Grade	---	---	---	54	62	59
Total	63	119	234	271	316	257
KIPP Blytheville Collegiate High School						
9 th Grade	---	---	---	---	56	60
10 th Grade	---	---	---	---	---	48
Total	0	0	0	0	56	108
Blytheville Total	63	119	234	271	372	365
KIPP Forrest City College Preparatory School						
5 th Grade	---	---	---	---	---	72
Total	---	---	---	---	---	72
Forrest City Total	---	---	---	---	---	72
KIPP Delta Total	640	862	1,161	1,212	1,360	1,424
Growth Rate	21%	35%	35%	4%	12%	5%

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KIPP Delta focuses on school level enrollment as it relates to annual budgets instead of individual grades. This is done to ensure that talent and demand needs are balanced. School leaders are given the authority to revise staffing and/or enrollment to meet changing conditions in their communities while staying within the Board approved budget.

The following table presents forth applications received by KIPP Delta for the past four school years:

Grade	2013	2014	2015	2016
Pre-K	---	112	150	158
Kindergarten	91	143	153	137
1 st Grade	30	66	86	82
2 nd Grade	23	56	74	80
3 rd Grade	42	54	64	76
4 th Grade	70	115	134	144
5 th Grade	67	97	89	155
6 th Grade	50	66	100	112
7 th Grade	49	80	92	109
8 th Grade	32	61	83	92
9 th Grade	31	56	79	87
10 th Grade	33	34	44	87
11 th Grade	5	---	21	43
12 th Grade	---	---	7	17
Total	523	940	1176	1379

Applications are required for new students only, as returning students are automatically eligible for enrollment in the grade into which they are either retained or promoted. KIPP Delta’s regional entry grades, *i.e.* the grade levels that do not have a class of returning students promoted into them, are kindergarten in Helena, fourth grade in Blytheville, and fifth grade in Forrest City. In all other grades, new students are accepted according to the number of open seats available, with all other students placed on a wait list.

Wait List

KIPP Delta’s schools are free, open enrollment public schools for children coming from any school district in Arkansas. KIPP Delta does not discriminate against anyone on the basis of race, color, religion, national origin, language spoken, intellectual or athletic ability, measures of achievement or aptitude, or special needs.

Open enrollment for the upcoming school year (2016-2017) begins in January and ends in April. If the number of enrollment applications received during this period exceeds the number of student seats available, a lottery will be held in April to determine the order in which students are offered seats. Pursuant to the Public Charter School Laws, siblings of current students receive preference in the lottery should they apply during the open enrollment period. Students applying after April are added to the wait list on a first-come first-served basis.

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KIPP Delta's wait list at the end of each school year from 2012 to 2015 is presented below:

Grade	2012	2013	2014	2015
Pre-K	---	36	108	162
Kindergarten	43	88	66	170
1 st Grade	14	54	41	101
2 nd Grade	11	38	39	85
3 rd Grade	20	43	31	73
4 th Grade	33	45	33	148
5 th Grade	31	33	20	102
6 th Grade	23	29	41	117
7 th Grade	23	28	49	110
8 th Grade	15	24	37	91
9 th Grade	15	38	27	98
10 th Grade	16	14	13	55
11 th Grade	2	---	7	26
12 th Grade	---	---	5	9
Total	246	470	517	1347

Attrition

KIPP Delta's region-wide attrition rates for the previous six school years are as follows:

Grade	2010	2011	2012	2013	2014	2015
Pre-K	N/A	N/A	N/A	15.0%	20.6%	19.4%
Kindergarten	29.4%	29.3%	17.5%	16.4%	23.3%	24.7%
1 st Grade	24.5%	14.8%	15.9%	20.5%	20.3%	16.0%
2 nd Grade	N/A	9.3%	12.5%	22.5%	12.2%	17.5%
3 rd Grade	N/A	N/A	10.3%	16.9%	17.6%	19.3%
4 th Grade	N/A	N/A	N/A	10.1%	20.8%	24.6%
5 th Grade	31.1%	21.8%	16.9%	20.4%	18.7%	22.9%
6 th Grade	18.6%	13.6%	23.1%	34.1%	12.5%	26.8%
7 th Grade	19.4%	15.5%	16.2%	22.2%	11.6%	23.4%
8 th Grade	8.8%	8.3%	2.9%	12.3%	14.6%	16.1%
9 th Grade	21.7%	17.1%	18.2%	38.6%	12.8%	23.7%
10 th Grade	16.7%	11.8%	18.3%	32.3%	22.8%	13.0%
11 th Grade	10.0%	9.5%	11.4%	27.3%	14.6%	18.0%
12 th Grade	0.0%	0.0%	8.0%	4.5%	4.9%	5.4%
Weighted Annual Average	19.5%	15.5%	15.5%	21.8%	16.2%	20.9%

Over 50% of student attrition is attributed to students moving out of the geographic areas served by KIPP Delta.

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The Market

As the only charter school in its primary market area, KIPP Delta competes primarily with public schools in the school districts surrounding each of its respective campuses. KIPP Delta’s Helena campus currently serves 19% of all public school students located in the four surrounding school districts, and expects total market share to grow to 24% by 2020. The Blytheville campus serves 8% of all public school students located in the three surrounding school districts. With the expansion of the Blytheville campus, KIPP Delta expects to achieve a 15% market share within five years consistent with its experience in Helena. The newly launched Forrest City campus is expected to reach a 10% market share by 2020.

Enrollment levels have increased at KIPP Delta since its inception, and it is operating near its combined facility capacity of approximately 1,400 students. Student retention across all schools has been approximately 82% on average over the last five years. KIPP Delta has been able to sustain its current enrollment share in the midst of an overall declining public school student population in its market area.

Below is a summary of the change in average daily attendance (ADA) for 2015-2016 for the school districts surrounding KIPP Delta’s campuses.

Attendance District LEA	District Description	2011 ADA	2016 ADA	% Change
5403000	HELENA/ W.HELENA SCHOOL DIST.	2235	1425	-36%
3904000	LEE COUNTY SCHOOL DISTRICT	974	746	-23%
4702000	BLYTHEVILLE SCHOOL DISTRICT	2902	2223	-23%
6201000	FORREST CITY SCHOOL DISTRICT	3133	2439	-22%
5404000	MARVELL-ELAINE SCHOOL DISTRICT	450	366	-19%
1802000	EARLE SCHOOL DISTRICT	696	589	-15%
4801000	BRINKLEY SCHOOL DISTRICT	620	542	-13%
4701000	ARMOREL SCHOOL DISTRICT	448	394	-12%
4713000	OSCEOLA SCHOOL DISTRICT	1361	1234	-9%
5604000	MARKED TREE SCHOOL DISTRICT	584	545	-7%
4708000	GOSNELL SCHOOL DISTRICT	1398	1305	-7%
4802000	CLARENDON SCHOOL DISTRICT	541	508	-6%
1804000	MARION SCHOOL DISTRICT	4226	4036	-5%
0101000	DEWITT SCHOOL DISTRICT	1316	1257	-4%
1803000	WEST MEMPHIS SCHOOL DISTRICT	5657	5561	-2%
5401000	BARTON-LEXA SCHOOL DISTRICT	757	791	5%
4712000	MANILA SCHOOL DISTRICT	979	1052	8%
1608000	JONESBORO SCHOOL DISTRICT	5315	5835	10%
6205000	PALESTINE-WHEATLEY SCH. DIST.	668	751	12%
5440700	KIPP DELTA PUBLIC SCHOOLS	630	1362	116%

Source: Arkansas Department of Education Annual Statistic Report

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Projected Total Enrollment

School Year	2016	2017	2018	2019	2020
Helena					
Pre-K	51	54	70	70	70
Kindergarten	77	78	104	104	104
1st Grade	77	76	104	104	104
2nd Grade	77	76	104	104	104
3rd Grade	77	76	104	104	104
4th Grade	77	76	78	104	104
5th Grade	67	76	75	75	104
6th Grade	74	70	75	75	75
7th Grade	78	76	104	104	104
8th Grade	81	78	75	100	104
9th Grade	73	78	75	78	90
10th Grade	73	70	72	75	75
11th Grade	62	70	72	72	75
12th Grade	44	60	60	70	70
Sub-total	988	1,022	1,180	1,247	1,295
Blytheville					
Kindergarten			55	55	55
1st Grade			55	55	55
2nd Grade				55	55
3rd Grade					55
4th Grade	42	50	55	75	75
5th Grade	47	50	55	55	75
6th Grade	51	50	55	55	55
7th Grade	58	51	60	75	75
8th Grade	59	60	60	57	75
9th Grade	60	60	60	60	60
10th Grade	48	64	60	60	60
11th Grade		54	55	58	60
12th Grade			50	55	55
Sub-total	365	439	620	715	810
Forrest City					
5th Grade	72	65	70	70	70
6th Grade		70	70	70	70
7th Grade			67	70	70
8th Grade				67	67
9th Grade					65
Sub-total	72	135	207	277	342
KIPP Delta Total	1,424	1,588	1,999	2,231	2,439
Growth Rate	5%	12%	26%	12%	9%

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Helena

- KIPP Delta’s Helena campus currently serves 988 students. In addition to offering grades kindergarten through twelve, this campus contains a day care facility and a preschool for three and four year olds. This is KIPP Delta’s oldest and most established school community. Presently, enrollment is suppressed at the lower grades due to space and seat constraints, which will be address through the renovation of Beech Crest.
- While construction is under way, student growth in FY17 is expected to be modest, 26 students across all campuses.
- Student growth in FY18, however, is expected to be significant an increase of 158 students.
- By renovating the Beech Crest Campus, KIPP Delta will be able to initiate several facility transitions across its schools that will permit substantial growth to occur between FY18 and FY20. Enrollment for the revised Helena campus structure is projected to be 1,287 by school year 2020.
- The following bullets explain the more immediate transitions that will allow KIPP Delta’s Helena campus to grow by approximately 274 students over the next four years.
 - Once Beech Crest is renovated, KIPP Delta will gain 35 classrooms. This will allow the elementary to go from four sections per grade to five. This will also allow KIPP Delta to move its preschool and K-4th grades on to campus. KIPP Delta’s day care will close in FY16.
 - In turn, the high school will be able to transition out of its modular campus, which has reached its useful life, to the brick and mortar school located on 215 Cherry Street in downtown Helena.
 - The middle school will remain on its current campus, but the size of its seventh grade class will be able to expand from 75 students to 104, starting in FY18. This increase is permitted because the eighth grade classes will be move into the Depot building, which is located across the street from the “new” high school.
 - In FY19 the fourth and eighth grades will add one section per grade. Total enrollment in FY19 is expected to reach 1,239
 - In FY20, fifth grade and ninth grade will add another section. Total enrollment is expected to reach 1,287.

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Blytheville

- KIPP Delta's Blytheville campus currently serves 365 students in grades fourth through tenth. All grades are currently located on the Bryles campus. By FY2020, total enrollment for Blytheville's campuses is projected to be 810.
- KIPP Delta has secured a 63,000 square foot brick and mortar school referred to as Central. This school was owned by the Blytheville Public School system and was used to serve preschool through sixth grade. It contains 35 classrooms. In addition to classroom space, it contains a cafeteria/gym, a library, and multiple offices. One wing of this property will be renovated in the spring of 2016.
- In July of the same year, grades fourth through sixth will transfer from the Bryles campus to the renovated wing at Central. Enrollment at the new campus in FY18 is projected to be 150.
- The facility transition to Central will open up at least four classrooms on the Bryles campus allowing the high school to increase enrollment among its existing grades and add grades eleventh and twelve over the next two years. By FY18, the Bryles campus will contain grades seventh through twelfth and serve approximately 345 students. By FY20, the Bryles campus expects to serve 385 students.
- In FY17, KIPP Delta will renovate the remaining wing at the Central facility so that in FY18, it can open an elementary school starting with grades kindergarten through first. Enrollment is projected to be 275.
- By FY20, the Central campus will serve grades kindergarten through sixth and serve approximately 425 students.

Forrest City

- The Forrest City campus opened in FY16 with a fifth grade and has maintained an average enrollment of 72 students.
- Each year the school will add a grade until it reaches 9th grade in FY2020. Enrollment is projected to be 342 by FY2020.

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Faculty and Staff

The following table provides information regarding KIPP Delta's current and projected professional staff and faculty as of January of each year listed:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Enrollment	862	1,161	1,212	1,360
Teacher/Aid Counts	67	80	108	114
Student to Teacher/Aid Ratio	13:1	15:1	11:1	12:1
Teacher Retention Rate	70%	66%	72%	56%

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Enrollment	1,424	1,588	1,999	2,231	2,439
Teacher/Aid Counts	112	118	144	159	171
Non-Teachers*	42	38	44	48	52
Student to Teacher/Aid Ratio	13:1	13:1	14:1	14:1	14:1
Student to School Staff Ratio	9:1	10:1	11:1	11:1	11:1

*Non-teachers = school leaders, assistant principals, managing grade level chairs, and operations staff

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The following tables provide information regarding KIPP Delta’s projected professional staff and faculty for each year listed:

2016 (Actual)						
Helena	Enrollment	Teachers + Aids	*Non-teachers	Student to Teacher Ratio	Student to School Staff Ratio	
ELA (Pre-K)	51	8	1	6	6	
ELA (K–4th)	385	31	10	12	9	
DCPS (5th–8th)	300	19	7	16	12	
DCH (9th–12th)	<u>252</u>	<u>23</u>	<u>7</u>	<u>11</u>	<u>8</u>	
Total	988	81	25	12	9	
Blytheville						
BCPS (4th–8th)	257	17	7	15	11	
KBCH (9th–10th)	<u>108</u>	<u>11</u>	<u>5</u>	<u>10</u>	<u>7</u>	
Total	365	28	12	13	9	
Forrest City						
FCCPS (5th)	<u>72</u>	<u>3</u>	<u>5</u>	<u>24</u>	<u>9</u>	
KIPP Delta	<u><u>1,424</u></u>	<u><u>112</u></u>	<u><u>42</u></u>	<u><u>13</u></u>	<u><u>9</u></u>	

*Non-teachers = school leaders, assistant principals, managing grade level chairs and operations staff

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2017					
Helena	Enrollment	Teachers + Aids	*Non-teachers	Student to Teacher Ratio	Student to School Staff Ratio
ELA (Pre-K)	54	8	1	7	6
ELA (K–4th)	382	31	8	12	10
DCPS (5th–8th)	300	21	7	14	11
DCH (9th–12th)	278	18	7	15	11
Total	1,014	78	23	13	10
Blytheville					
BCPS (4th–6th)	150	11	4	13	10
KBCH (7th–11th)	289	19	7	15	11
Total	439	30	11	14	11
Forrest City					
FCCPS (5th & 6th)	135	9	4	15	10
KIPP Delta	1,588	118	38	13	10

*Non-teachers = school leaders, assistant principals, managing grade level chairs and operations staff

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2018

Helena	Enrollment	Teachers + Aids	*Non-teachers	Student to Teacher Ratio	Student to School Staff Ratio
ELA (Pre-K)	70	10	1	7	6
ELA (K-4th)	494	40	10	12	10
DCPS (5th-8th)	329	22	7	15	11
DCH (9th-12th)	279	18	7	15	11
Total	1,172	91	26	13	10
Blytheville					
BCPS (K-1st & 4th-6th)	275	18	6	15	11
KBCH (7th-12th)	345	23	8	15	12
Total	620	41	14	15	11
Forrest City					
FCCPS (5th-7th)	207	13	5	16	12
KIPP Delta	1,999	144	44	14	11

*Non-teachers = school leaders, assistant principals, managing grade level chairs and operations staff

2019

Helena	Enrollment	Teachers + Aids	*Non-teachers	Student to Teacher Ratio	Student to School Staff Ratio
ELA (Pre-K)	70	10	1	7	6
ELA (K-4th)	520	43	10	12	10
DCPS (5th-8th)	354	24	8	15	11
DCH (9th-12th)	295	19	7	15	11
Total	1,239	96	26	13	10
Blytheville					
BCPS (K-2nd & 4th-6th)	350	22	8	16	12
KBCH (7th-12th)	365	23	8	16	12
Total	715	46	15	16	12
Forrest City					
FCCPS (5th-8th)	277	17	7	16	12
KIPP Delta	2,231	159	48	14	11

*Non-teachers = school leaders, assistant principals, managing grade level chairs and operations staff

KIPP DELTA, INC.
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2020

Helena	Enrollment	Teachers + Aids	*Non-teachers	Student to Teacher Ratio	Student to School Staff Ratio
ELA (Pre-K)	70	10	1	7	6
ELA (K-4th)	520	43	11	12	10
DCPS (5th-8th)	387	24	8	16	12
DCH (9th-12th)	310	20	7	15	11
Total	1,287	97	26	13	10
Blytheville					
BCPS (K-6th)	425	28	9	15	11
KBCH (7th-12th)	385	25	8	15	12
Total	810	53	17	15	12
Forrest City					
FCCPS (5th-9th)	342	21	9	17	12
KIPP Delta	2,439	171	52	14	11

*Non-teachers = school leaders, assistant principals, managing grade level chairs, and operations staff

KIPP DELTA, INC.

Assumptions and Notes to Forecasted Financial Statements Years Ending June 30, 2016 Through 2020

Growth 2016 – 2020

Helena

ELA (Pre-K)	19	37%
ELA (K–4th)	135	35%
DCPS (5th–8th)	87	29%
DCH (9th–12th)	58	23%
Total	299	30%

Blytheville

BCPS (K–6th)	168	65%
KBCH (7th–12th)	277	258%
Total	445	122%

Forrest City

FCCPS (5th–9th)	270	376%
KIPP Delta	1,015	71%

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Employee Benefits and Pension Plan

KIPP Delta offers full health insurance as well as employee-paid supplemental benefits such as dental, vision, disability, life, and accident insurance. Full-time employees of KIPP Delta also participate in the Arkansas Teacher Retirement System (ARTRS), which is a defined benefit retirement plan. ARTRS is administered as a “qualified” government sponsored retirement plan under the provisions of IRS § 401(a). KIPP Delta is required to pay an employer match of 14% on the salary paid to ARTRS members. A member becomes vested in the plan after five or more years of service credit.

Insurance

KIPP Delta maintains adequate insurance coverage related to property, casualty and liability claims. There can be no assurance the amount of insurance required to be obtained with respect to its facilities will be adequate or the cause of any damage or destruction to the facility will be as a result of a risk that is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies with which KIPP Delta obtains insurance policies.

Environmental Matters

An environmental survey of the Beech Crest campus revealed the presence of lead based paint and asbestos in the facility. KIPP Delta’s Construction Manager created an abatement strategy with an EPA approved environmental services company and the current construction budget contemplates sufficient funds to remove all hazardous materials as part of the renovation process.

An environmental survey of the Central campus revealed the presence of lead based paint and asbestos in the facility. KIPP Delta elected to abate all hazardous materials in the facility as part of their self-funded phase I renovation activities which are currently underway at the campus. Additional testing will be performed as part of the phase II renovation project and funds have been reserved in the phase II budget for additional abatement of hazardous materials. Furthermore, during the real estate due diligence process for Central Elementary School, an underground fuel storage tank (UST) associated with an on-site boiler, was observed adjacent to the 34,000 square-foot classroom building. Based on the potential for unreported leaks or spills associated with the suspected underground fuel tank, KIPP Delta elected to remove the storage tank and remediate the soil per EPA guidelines. The State of Arkansas’ Department of Environmental Quality has certified the successful resolution of the storage tank issue.

Litigation

From time to time, KIPP Delta may be subject to litigation involving current or former students. Other than a special education case currently pending, KIPP Delta has no knowledge of any other outstanding or threatened litigation matters, administrative proceedings or regulatory issues facing the School wherein any unfavorable decision would have a material adverse impact on KIPP Delta or on its ability to carry out its obligations. As a preventative measure, KIPP Delta carries insurance against actual and threatened litigation. See information on pending lawsuit at *Attachment VII*.

KIPP DELTA, INC.

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Academic Performance

Several metrics are used to determine a student’s college readiness. Test data gathered over the last ten years prove that students make tremendous gains over time at KIPP Delta in both reading and mathematics. Students at KIPP Delta also consistently outperform their peers in the local school districts and statewide. KIPP Delta enrolls all students in the Smart Core Curriculum so they are eligible for the Academic Challenge Scholarship when they graduate. KIPP Delta also uses assessments, such as MAP, and monthly interim tests, described in detail below. These monthly interim tests are analyzed to identify gaps in student learning; then action is taken to ensure students get the additional support they need to score as highly as possible. Students are encouraged to take Advanced Placement courses and all students are required to participate in a college preparatory summer program.

KIPP Delta continues support for students beyond high school graduation through its “KIPP Delta Through College” alumni program. The mission of the Program is to ensure that college graduation is an option for all KIPP Delta students. At the heart of this work is the belief that income, race and zip code should not determine educational outcome. The goal of the program is to ensure 80% of our high school alumni graduate from college by exposing students to multiple college options early, guiding students and families through the admissions and financial aid process, and advocating to eliminate barriers to college matriculation and graduation. On average 93% of KIPP Delta graduates attend a two or four year college, 98% of graduates enroll in a two-year, four-year, or technical college within one year of graduating, and 99% of the seniors from the last five graduating classes have been accepted by a college or university. Since 2010, KIPP Delta graduates have earned over \$6 million in scholarships.

MAP (Measures of Academic Progress) Exam

One indicator of student progress KIPP Delta examines each year is the percentage of students meeting growth targets as measured by the MAP exam. Each student has an individual “growth target” for the year. Growth is measured as the difference in points between the beginning-of-year and end-of-year tests. A student’s growth target is equivalent to average growth nation-wide for students in the same grade with the same beginning-of-year score. Nationally, on average, 50% of students makes their growth target. Local and state comparison data is not available. 65% of KIPP Delta’s students reached their growth target in Math and 61% reached their target in Reading. 47% of KIPP Delta students reached their target in Language and 58% reached their target in Science. KIPP Delta’s 2015 MAP results are included in the 2015 Annual Report, included as *Attachment V*.

ACT Exam

One of the main predictors of college readiness is a student’s performance on the ACT exam. The ACT is the most widely taken college entrance exam in the United States and accepted by all American colleges and universities. Arkansas colleges and universities consider a student scoring a composite of 19 or higher to be “college ready.” One hundred percent of KIPP Delta students sit for the ACT exam, achieving an average score of 20.1. Their peers attending district high schools in Helena achieved a 16.3, in Blytheville achieved 18.3, and in Forrest City achieved 18.6. Across Arkansas, ninety three percent of students take the ACT Exam achieving an average score of 20.4.

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KIPP Delta students engage in rigorous preparation for the ACT including quarterly interim assessments to monitor progress toward college readiness starting the ninth grade.

The Partnership for Assessment of Readiness for College and Careers (PARCC)

PARCC assessments, which are aligned with the Common Core State Standards were administered in Arkansas during the 2014-2015 school year. This was the first year and only year the assessment was used so no trend or other comparative data is available. The PARCC assessments were required to be administered to students in grades 3-10 for ELA/Literacy and grades 3-8 for mathematics. PARCC End-of-Course (EOC) assessments are required for Algebra I and Geometry, and districts may choose to administer assessments for Algebra II and/or Grade 11 ELA/Literacy. On the 2014-15 PARCC assessment, KIPP students outperformed their local districts in all eight out of eight Mathematics assessments and in seven out of eight English Language Arts assessments.

Subject	Test	KIPP Prof	Local Dist. Prof	State Prof
ELA	1ELA Grade 03	10%	8%	29%
ELA	1ELA Grade 04	17%	9%	34%
ELA	1ELA Grade 05	8%	11%	32%
ELA	1ELA Grade 06	19%	16%	33%
ELA	1ELA Grade 07	28%	22%	35%
ELA	1ELA Grade 08	26%	18%	32%
ELA	1ELA Grade 09	25%	13%	37%
ELA	1ELA Grade 10	23%	17%	37%
Math	1Math Grade 03	18%	16%	31%
Math	1Math Grade 04	15%	9%	24%
Math	1Math Grade 05	13%	4%	24%
Math	1Math Grade 06	14%	4%	25%
Math	1Math Grade 07	30%	3%	22%
Math	1Math Grade 08	21%	6%	17%
Math	2Algebra I	17%	2%	28%
Math	3Geometry	9%	2%	21%

*School Level Results are included in *Attachment V*. Also, The '14-'15 PARCC results can be accessed directly by visiting: <http://www.arkansased.gov/divisions/learning-services/student-assessment/test-scores/year?y=2015>

KIPP DELTA, INC.

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Additional information on student performance and programs beyond the classroom are in the 2015 Annual Report, included as *Attachment V*.

Management's assumptions of enrollment projections were obtained from KIPP Delta and are a sensitive assumption to this forecast.

Assessment of Community Support

KIPP Delta has a proven track record of substantial success in fundraising and advocacy. From successful competition for federal, state, and private grants to philanthropic fundraising efforts with individuals, foundations, and corporations, KIPP Delta raised nearly \$8.7 million from FY 2012 through FY 2015 and over \$13.9 million since FY 2008. KIPP Delta has also taken a leadership role in advocating for more equitable facility funding for charters. Working with State legislators and Arkansas Governor Asa Hutchinson, KIPP Delta helped secure a new one-time per pupil facility fund for Arkansas charter schools. This will result in more than \$700,000 in additional public revenue for KIPP Delta this fiscal year. Steps are being taken to ensure that this funding transitions to a permanent resource. These efforts are a focus for both the executive leadership team as well as KIPP Delta's Board and are supported by a full-time development team of three.

The strength of the organization's fundraising efforts was most recently demonstrated by KIPP Delta's success with the Building a Better Tomorrow Campaign. The Campaign was launched in the Fall of 2013 to build a new kindergarten wing and playground at the DELA campus. The campus was operating with over 400 students in a building designed to serve 250 after reaching capacity just four years after its founding. The total project cost was \$1.2 million, and KIPP Delta reached its Campaign goal in just eight months and began construction.

The ongoing fundraising goals are intended to support the programs which KIPP Delta considers to be outside the scope of its per pupil funds – the KIPP Delta Through College alumni program, teacher recruitment and retention, athletics and performing arts, in addition to facility construction needs. As of November 2015, 100% of the FY 2016 goal had been achieved.

Although other schools exist in the counties where KIPP Delta operates, KIPP Delta is committed to providing choice and opportunity for all students. KIPP Delta has received numerous letters of support from community institutions, local businesses and community members (see *Appendix V*).

Note 12: Revenue from State Assistance

Annually, KIPP Delta receives state revenue from a combination of sources to support the education of both its preschool and kindergarten through twelfth grade students. Rates for state assistance for Foundation Funding Aid, plus growth funding; National School Lunch Categorical Funding plus growth funding; and professional development were obtained from the Arkansas Department of Education's August 2015 State Aid Notice. Act 1039 of 2011 amends public school funding amounts for foundation funding (as provided by Ark. Code Ann 6-2062305(a)(2)) and categorical funding (as provided by Ark. Code Ann 6-20-2305(b)(2) and 6-20-2305 (b)(5)).

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Revenues from these funding streams were adjusted using an assumed one percent inflation. Forecasted student populations were provided by the KIPP Delta Management team.

The funding rate for the High Quality Preschool Program was obtained from the August 1 grant agreement issued by the Arkansas Department of Human Services (DHS). The rate for the Arkansas Better Chance Program (ABC) was obtained from the FY17 application. No adjustments to the annual per pupil award amounts were made.

State Funding Summary

Foundation Funding – Foundation funding is provided by the Arkansas Department of Education (ADE) annually. These funds are likely to continue for the foreseeable future. Foundation funds are considered unrestricted and can be used for general operations. Funding rates are published in the Arkansas Department of Education’s August 2015 State Aid Notice (see *Attachment VI*). Charter schools are funded on current year Average Daily Membership (ADM). The final determination of state foundation funding is available after current 3rd-quarter ADM is established.

Professional Development – These funds are likely to continue for the foreseeable future. Professional Development (PD) funding shall be an amount up to the amount authorized by law times the district’s ADM of the previous school year. A Commissioner’s memo is issued annually. The funding rate is also published in the Arkansas Department of Education’s August 2015 State Aid Notice (see *Attachment VI*). PD funding is limited to expenses related to improving the knowledge, skills, and effectiveness of teachers, administrators, paraprofessionals and bus drivers.

State National School Lunch Categorical Funding – KIPP Delta is a Community Eligibility Provision (CEP) district. KIPP Delta’s CEP rate is set at 90% until 2019. The National School Lunch Act (NSLA) funding is based on the school district’s CEP percentage, multiplied by the number of enrolled students for the preceding school year. CEP rates are set for four years at a time. The CEP rate determines the school district’s funding band. For school districts in which 90% or greater of the students are enrolled in the national school lunch program, state categorical funding shall be the amount authorized by Ark. Code Ann. § 6-20-2305(b)(4)(A)(i).

In FY16, KIPP Delta went from a free and reduced lunch participation rate of less than 90 percent to being at or over 90 percent. Additional funding, referred to as transition funding, is provided to that move schools from one funding band to another. KIPP Delta is in year one of a three year transition process. Each year, funding is increased by one-third of the difference between the amount for the current year and the per student funding amount for the preceding year. Full NSLA funding is set at \$1,562. KIPP Delta will reach full funding in FY 2018, which is why the transition and growth funding ceases in the forecasted revenue.

School districts that grow at least one percent for each of the three previous years, also qualify for National School Growth Funding. Growth funding is calculated as the three year average growth in enrollment multiplied by the district’s previous year’s CEP percentage.

All NSLA funding is restricted to uses that provide research-based programs or purposes that improve or sustain the academic achievement of students who were scoring below proficiency.

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This funding cannot be used to meet or satisfy the Arkansas Standards for Accreditation of Arkansas Public Schools and School Districts. The rates for the base NSLA, growth and transition funding are published in the Arkansas Department of Education's August 2015 State Aid Notice (see *Attachment VI*).

AR Better Chance – The Arkansas Better Chance program is funded through an appropriation in the Arkansas Department of Education (ADE) Public School Fund budget. ADE contracts with the DHS Division of Child Care and Early Childhood Education to administer the program. The Division is responsible for all operational duties associated with ABC. Funding is expected to continue for the foreseeable future. Grant funds are awarded annually. Funds are restricted to salaries and programs used to support the growth and development of three and four year old children whose parents qualify for the program.

High Quality Preschool Program – DHS Division of Child Care and Early Childhood Education administers the program. The Division is responsible for all operational duties associated with the High Quality Preschool Program (HQPP). Funding is expected to continue through FY 2019. Grant funds are awarded annually. Funds are restricted to salaries and programs used to support the growth and development of four year old children whose parents qualify for the program. In FY18, KIPP Delta is expected to increase its number of funded slots from 11 to 16.

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Fiscal revenues from all of these funding streams are summarized in the following table. State funding documentation is included in *Attachment VI*.

State Assistance	2016	2017	2018	2019	2020
Foundation funding (general operating)	\$ 6,584	\$ 6,650	\$ 6,716	\$ 6,784	\$ 6,851
Projected students	1,396	1,534	1,929	2,161	2,369
	<u>9,191,264</u>	<u>10,200,855</u>	<u>12,955,817</u>	<u>14,659,147</u>	<u>16,230,817</u>
Professional development	26	26	26	26	26
Projected students	1,316	1,396	1,534	1,929	2,161
	<u>34,282</u>	<u>36,366</u>	<u>39,961</u>	<u>50,250</u>	<u>56,294</u>
State – National School Lunch (NSL) (base - math, literacy, science improvement)	1,042	1,215	1,562	1,562	1,562
Projected students eligible free/reduced lunch	1,192	1,256	1,736	1,945	2,132
	<u>1,242,064</u>	<u>1,526,040</u>	<u>2,711,788</u>	<u>3,037,934</u>	<u>3,330,340</u>
State - National School Lunch (NSL) (transition - math, literacy, science improvement)	173	173	-	-	-
Projected students eligible free/reduced lunch	1,192	1,256	-	-	-
	<u>206,216</u>	<u>217,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
State – National School Lunch (NSL) (growth - math literacy, science improvement)	1,562	1,562	-	-	-
Projected students eligible free/reduced lunch	139	139	-	-	-
	<u>217,118</u>	<u>217,118</u>	<u>-</u>	<u>-</u>	<u>-</u>
AR Better Chance (ABC) Pre-K (3/4 yr olds slots)	4,860	4,860	4,860	4,860	4,860
Projected students	34	34	45	45	45
	<u>165,240</u>	<u>165,240</u>	<u>218,700</u>	<u>218,700</u>	<u>218,700</u>
High Quality Preschool Program (improvement slots)	2,460	2,460	2,460	2,460	-
Projected students (ABC 4 yr olds)	19	19	30	30	-
	<u>46,740</u>	<u>46,740</u>	<u>73,800</u>	<u>73,800</u>	<u>-</u>
High Quality Preschool Program (expansion slots)	7,830	7,830	7,830	7,830	-
Projected students (Non-ABC 4 yr olds)	11	11	16	16	-
	<u>86,130</u>	<u>86,130</u>	<u>125,280</u>	<u>125,280</u>	<u>-</u>
Facilities funding (one-time)	554	-	-	-	-
Projected students	1,316	1,534	1,929	2,161	2,369
	<u>729,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Arkansas No Kid Hungry carryover	720	-	-	-	-
ABC carryover	243	-	-	-	-
Better Beginnings carryover	1,500	-	-	-	-
NSL carryover	21,919	-	-	-	-
Arkansas Recognition Grant (one-time)	9,655	-	-	-	-
Professional development carryover	1,231	-	-	-	-
	<u>35,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total State Assistance	<u>\$ 11,953,386</u>	<u>\$ 12,495,776</u>	<u>\$ 16,125,346</u>	<u>\$ 18,165,112</u>	<u>\$ 19,836,151</u>

Management's assumption that these revenues will be obtained by KIPP Delta is a significant and sensitive assumption to this forecast.

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Note 13: Revenue from Federal Assistance

KIPP Delta receives federal revenue from four U.S. Department of Education formula grant programs: Title I, Title II, Title VI-B, Section 611 and Title VI-B, Section 619. Titles I and II are part of Public Law 107-110, the No Child Left Behind Act of 2001. Title VI-B grants are part of the Individuals with Disabilities Education Act.

KIPP Delta also participates in the U.S. Department of Agriculture National School Lunch Program. The formulas used to allocate these federal funds to schools are outlined in the associated federal statutes. In FY16, KIPP Delta began participating in the Community Eligibility Provision (CEP). Section 104 (a) of the Healthy, Hunger Free Kids Act (HHFKA) of 2010 established CEP. This program is available to local education agencies and schools in high poverty areas.

The Arkansas's Department of Education uses these federal statutes to calculation awards/reimbursement rates annually. The amount awarded per grant program changes annually depending on the total amount of funding allocated to Arkansas, school enrollment, poverty rates, breakfast and lunch participation rates, and the number of students with Individualized Education Programs.

Federal Funding Summary

Title I – Title I, Part A (Title I) of the Elementary and Secondary Education Act, as amended (ESEA) provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. Title I funds are currently allocated through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state. This program is administered by the Arkansas Department of Education (ADE) and funding is expected to continue for the foreseeable future. Grant funds are awarded annually and are considered restricted funds. Schools that operate a school-wide program must use these dollars to upgrade their entire educational programs to improve the achievement for all students, particularly the lowest-achieving students.

Title II – The purpose of the program is to increase academic achievement by improving teacher and principal quality. Title II funds are currently allocated through a statutory formula that takes into account the number of students ages 5 and 17 that are enrolled in the district. This program is administered by the Arkansas Department of Education (ADE) and funding is expected to continue for the foreseeable future. Grant funds are awarded annually and are considered restricted funds. Title II, Part A provides these agencies the flexibility to use these funds creatively to address challenges to teacher quality.

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Federal Special Education and Pre-school – Title VI, Part B, Section 611 and Section 619 of the Individuals with Disabilities Education Act (IDEA) provides financial assistance to LEAs with high number or high percentages of children with disabilities. Federal special education dollars are awarded through two grant programs: Programs for School-age Students (Section 611) and Early Childhood (Section 619). Both grants are currently allocated through three statutory formulas based on (1) historical payment data; (2) the relative number of enrolled students in the district; and (3) the relative number of students living in poverty. This program is administered by the Arkansas Department of Education (ADE) and funding is expected to continue for the foreseeable future. Grant funds are awarded annually and are considered restricted funds. Funds must be used to support the needs of students with Individualized Education Program.

Federal Child Nutrition – Reimbursement rates for breakfast, lunch, and school snacks are determined by the US Department of Agriculture (USDA), Food and Nutrition Service. The program is administered by the Arkansas Department of Education/Child Nutrition Unit and funding is expected to continue for the foreseeable future. Grant funds are awarded annually and are considered restricted funds. Actual funding is based on the number of meals served each month multiplied by the reimbursement rate.

Rural and Low-Income School Program Title VI-B State – In order to receive this funding, a school district must not be eligible for federal Title IV funds and must enroll 20% or more of students between the ages of 5 to 17 from families living below the poverty line. The program is administered by the Arkansas Department of Education and funding is expected to continue for the foreseeable future. Grant funds are awarded annually and are considered restricted funds.

Medicaid/ARMAC Reimbursement – Medicaid is a federally funded program. Schools can receive Medicaid-related reimbursement for a variety health and mental health services provided to students with an Individualized Education Program and/or considered medically fragile. Funding is also received for administrative support. Randomized time studies are used to determine how much administrative time is spent assisting families each quarterly. The program is administered by the Arkansas Department of Education, Medicaid in the Schools Division and funding is expected to continue for the foreseeable future.

Forecasted revenues for FY 2017 through FY 2020 were made by establishing a per pupil allocation using actual FY16 award amounts. The FY16 per pupil allocation was then multiplied by future year enrollment projections. Federal funding documentation is included in *Attachment VI*.

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Federal Assistance	2016	2017	2018	2019	2020
Title I funds	\$ 1,128	\$ 1,139	\$ 1,151	\$ 1,162	\$ 1,174
Projected students	1,316	1,396	1,534	1,929	2,161
	<u>1,484,448</u>	<u>1,590,435</u>	<u>1,765,132</u>	<u>2,241,844</u>	<u>2,536,585</u>
Title II funds	165	167	168	170	172
Projected students	1,316	1,396	1,534	1,929	2,161
	<u>217,140</u>	<u>232,643</u>	<u>258,198</u>	<u>327,929</u>	<u>371,043</u>
Special education	2,246	2,268	2,291	2,314	2,337
Projected students	112	122	152	169	183
	<u>251,220</u>	<u>277,322</u>	<u>348,732</u>	<u>390,673</u>	<u>428,276</u>
Federal – national school lunch w/ community eligibility	932	951	970	989	1,009
Projected students eligible free/reduced lunch	1,396	1,534	1,929	2,161	2,369
	<u>1,301,072</u>	<u>1,458,282</u>	<u>1,870,460</u>	<u>2,137,328</u>	<u>2,389,911</u>
Title VI-B Pre-School (State)	5,217	8,431	10,602	11,878	13,021
Title VI-B Pre-School (Federal)	8,562	6,783	8,530	9,556	10,475
Title VI-B (RLIS)	26,078	28,663	36,043	40,378	44,262
Medicaid/ARMAC reimbursement	15,582	17,127	21,127	24,127	26,449
Title I carryover	261,506	215,000	215,000	215,000	215,000
Title IV-B carryover	22,094	-	-	-	-
Fresh Fruits & Veg. Program	77,175	77,175	-	-	-
Total Federal Assistance	<u>\$ 3,670,094</u>	<u>\$ 3,911,861</u>	<u>\$ 4,533,824</u>	<u>\$ 5,398,714</u>	<u>\$ 6,035,021</u>

Management's assumption that these revenues will be obtained by KIPP Delta is a significant and sensitive assumption to this forecast.

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Note 14: Contributions, Gifts and Donations

KIPP Delta has a proven track record of substantial success in fundraising and advocacy. From successful competition for federal, state, and private grants to philanthropic fundraising efforts with individuals, foundations, and corporations, KIPP Delta has raised nearly \$8.7 million from FY 2011 through FY 2015 and over \$13.9 million since FY 2008. The following table details our fundraising performance by year over the past five years plus the current year.

Annual Campaign	FY2011	FY2012	FY2013	FY2014*	FY2015	FY2016**
Individuals			\$113,451	\$631,025	\$281,743	\$607,350
Grants			1,631,373	1,135,863	1,515,906	1,381,472
Events			61,151	51,387	91,555	105,150
Corporations			110,920	56,723	187,632	93,508
Employee Giving			23,455	8,000	7,835	11,171
Total Annual Campaign	\$1,298,788	\$1,459,973	\$1,919,239	\$1,882,058	\$2,084,672	\$2,198,702

*FY14 Annual Campaign figure does not include a \$250k loan forgiveness from CSGF

** FY16 is YTD Performance

Please note that these figures are lower than the dollar amounts reported by auditors. Auditors report all grants and donations received and earned during a fiscal year. KIPP Delta reporting is slightly more conservative in that they only report philanthropic donations received toward annual campaign.

KIPP Delta has also taken a leadership role in advocating for more equitable facility funding for charters. Working with State Legislators and Governor Hutchinson, KIPP Delta helped secure a new one-time per pupil facility fund for Arkansas charter schools. This will result in more than \$700,000 in additional public revenue for KIPP Delta this fiscal year. Steps are being taking to ensure that this funding transitions to a permanent resource. These efforts are a focus for both the executive leadership team as well as KIPP Delta’s Board and are supported by a full-time development team of three.

The strength of the organization’s fundraising efforts was most recently demonstrated by KIPP Delta’s success with the Building a Better Tomorrow Campaign. The Campaign was launched in the fall of 2013 to build a new kindergarten wing and playground at the DELA campus. The campus was operating with over 400 students in a building designed to serve 250 after reaching capacity just four years after its founding. The total project cost was \$1.2 million, and KIPP Delta reached its Campaign goal in just eight months and began construction.

KIPP Delta’s FY 2016 annual campaign fundraising target is \$2 million. The ongoing fundraising goals are intended to support the programs which KIPP Delta considers to be outside the scope of its per pupil funds – the KIPP Delta Through College alumni program, teacher recruitment and retention, athletics and performing arts, in addition to facility construction needs.

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As of May 20, 2016, \$2,225,711 has been raised toward the \$2M goal with another \$922,450 secured towards next fiscal year's goal.

Contribution revenue is made up of projected donations and is based on historical giving and upon communication of intent with private donors. KIPP Delta feels that this level of fundraising is sustainable with its fundraising plan. Donations are based on historical funding from opening other schools. Based on KIPP Delta's historical financial statements, it is a significant assumption in these forecasted statements that KIPP Delta will continue to maintain approximately \$1,000,000, annually, of temporarily restricted net assets at each fiscal year-end.

Fiscal revenues from these streams are summarized in the following table:

	2016	2017	2018	2019	2020
Contributions, Gifts and Donations					
Wally McCloskey	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Arthur Rock and Rembe AP Grant	125,000	-	-	-	-
KIPP Foundation: Student Wellness	54,235	-	-	-	-
KIPP Foundation CSPG 3	78,500	-	-	-	-
KIPP Foundation CSPG 4	267,988	226,000	-	-	-
KIPP Foundation: Local Advocacy Strategy and Capacity	75,000	-	-	-	-
KIPP Foundation: Shark Tank	200,000	-	-	-	-
KIPP Foundation: STEP (year 1-3)	13,000	9,000	8,000	-	-
USDA - Helena	23,337	-	-	-	-
WFF-Associated Facility Expenses	200,000	-	-	-	-
WFF-Beech Crest	700,000	-	-	-	-
WFF-Central	1,300,000	-	-	-	-
WFF-Forrest City	100,000	-	-	-	-
WFF-General Operating Grant	-	500,000	-	-	-
WFF-Helena	-	500,000	-	-	-
WFF-Transportation	609,200	529,200	-	-	-
Windgate Charitable Foundation (Yrs 2-3)	50,000	50,000	-	-	-
Nurco Steel & Nucor-Yamato Steel (Yrs 2-5)	50,000	50,000	50,000	50,000	-
Southern Bancorp (Yrs 2-5)	25,000	25,000	25,000	25,000	-
WFF - KTC (Yr 2)	198,906	-	-	-	-
Author Rock & Rembe AP grant (carryover)	3,156	-	-	-	-
Author Rock & Rembe PD (carryover)	2,808	-	-	-	-
Doris & Donald Fisher Student Wellness Grant (carryover)	7,771	-	-	-	-
Gates (carryover)	14,772	-	-	-	-
Kenan Charitable Trust (carryover)	2,000	-	-	-	-
King Foundation (carryover)	35,000	-	-	-	-
KIPP Foundation: Local Advocacy Strategy and Capacity (carryover)	13,721	-	-	-	-
KIPP Foundation: ELMA Music Foundation-Helena and Blytheville (carryover)	42,222	-	-	-	-
Morton (carryover) KTC	14,724	-	-	-	-
Pathwise (carryover)	8,053	-	-	-	-
WFF - Forrest City Start Up (carryover)	376,433	-	-	-	-
WFF - KTC (carryover)	141,143	-	-	-	-
Windgate Charitable Foundation carryover (Yr. 1)	50,000	-	-	-	-
Other	292,867	1,110,800	1,917,000	1,925,000	2,000,000
Less: Carryover recognized in PY revenues	(437,273)	-	-	-	-
Total Contributions, Gifts and Donations	\$ 5,137,563	\$ 3,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000

Management's assumption that these contributions will be obtained by KIPP Delta is a significant and sensitive assumption to this forecast.

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Note 15: Activity Revenue

Activity revenue consist of revenues received for ticket sales for athletic events, schools sponsored activities, tuition for daycare and preschool, uniform sales and staff meal sales. No inflation rates were used. Cost estimates are based on FY16 actuals. Projects assume that athletic events will generate \$41 and other school sponsored events will generate \$100 on a per pupil basis for each student enrolled between 7th and 12th grades. Revenue from daycare and preschool tuition assumes that at least 9.5 families will be enrolled annually and pay an annual tuition of \$5,000. The model assumes that each enrolled student will purchase at least three uniform shirts annually. Shirts cost approximately \$8.50. Management estimates that each teacher will eat lunch in their respective school's cafeteria approximately 28 times a year. An adult lunch cost \$3.40. Revenue from these funding streams is summarized in the following table (see *Note 2 – Classification Changes between Forecasted and Historical Periods*):

Activity Revenues	2016	2017	2018	2019	2020
Athletics	\$ 28,337	\$ 29,813	\$ 35,975	\$ 41,391	\$ 45,692
Other school – sponsored events	65,163	72,103	87,004	100,105	110,505
Daycare & Pre-K tuition	47,400	45,000	45,000	45,000	45,000
Uniform sales	28,195	32,928	41,223	46,095	50,463
Paid meals sales	14,962	17,466	17,677	19,571	21,370
Total activity revenues	\$ 184,057	\$ 197,310	\$ 226,879	\$ 252,162	\$ 273,030

Note 16: School-level Employee Compensation and Related Expenses

A summary of school-based salary expenses and employee benefits expense is shown in the following table. KIPP Delta's salary expenses are based on management's forecasted need for approximately 160 full-time equivalents (FTEs) in 2016; 156 in 2017; 189 in 2018; 210 in 2019; and 229 in 2020. These staffing projections include the salary and benefit costs associated with principals, assistant principals, teachers, coaches, instruction aids, counselors and operation support staff. Average salary amounts were used for each respective job category. Management has forecasted an annual retention rate of 66%. Salaries for returning staff are projected to increase 3% annually. Benefit expenses are projected to equal approximately 27% of compensation costs.

	2016	2017	2018	2019	2020
School Site Staff (including SST)	\$ 8,379,844	\$ 8,879,396	\$ 10,800,484	\$ 11,988,867	\$ 13,143,882
Total salaries and benefits	\$ 8,379,844	\$ 8,879,396	\$ 10,800,484	\$ 11,988,867	\$ 13,143,882

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Note 17: School-level Staff Recruitment & Development

Management allocates \$150 per student to staff development and associated travel; \$20 per student for acknowledgment and retention activities; \$70 for interns, stipends and teacher placement fees. Management also estimates that each new school-level staff hire will cost approximately \$500 to recruit. No inflation rate was applied for FY17 through FY20.

Educational materials by purpose are summarized in the table below.

	2016	2017	2018	2019	2020
Staff development & associated travel	\$ 185,572	\$ 239,400	\$ 301,050	\$ 335,850	\$ 367,050
Acknowledgement & retention activities	9,783	31,191	39,222	43,862	48,022
Interns, stipends & TFA fees	102,035	109,496	137,337	153,697	168,637
Staff recruitment	7,924	21,866	19,495	13,108	10,026
	<u>\$ 305,314</u>	<u>\$ 401,953</u>	<u>\$ 497,104</u>	<u>\$ 546,517</u>	<u>\$ 593,735</u>

Note 18: Direct Student Expenses

Direct student expenses were calculated by using historical spending patterns to establish an average cost per line item. Management used projected enrollment and these average cost allocations to forecast cost for each school site. No inflation rates were utilized after FY17.

Direct student expenses by purpose are summarized in the table below:

	2016	2017	2018	2019	2020
Textbooks & core curricula	\$ 180,984	\$ 157,163	\$ 196,211	\$ 219,752	\$ 240,265
Library books & supplemental instructional mat.	147,360	205,510	255,688	284,386	310,662
Testing & exam supplies	46,247	56,109	70,092	78,475	85,961
Classroom materials & supplies	83,395	151,881	189,812	210,692	229,412
Parental involvement act. (required)	18,150	5,104	6,593	6,808	7,161
Special education & counseling services	109,429	99,317	123,568	136,558	147,248
Experienced based field lessons	167,043	193,817	242,079	271,079	297,079
Student activities (<i>i.e.</i> clubs, prom, yearbook)	38,950	56,933	66,339	72,419	80,136
Student uniforms	61,822	55,514	69,022	76,142	83,516
Student recruitment	8,190	27,306	31,235	33,610	38,155
Athletics	102,582	96,166	105,954	113,589	126,708
Music, Drama, & Art (w/ shuttle service)	57,054	44,038	51,235	55,911	62,492
Nursing & wellness services	10,398	30,897	38,590	43,230	46,720
	<u>\$ 1,031,604</u>	<u>\$ 1,179,754</u>	<u>\$ 1,446,417</u>	<u>\$ 1,602,652</u>	<u>\$ 1,755,514</u>

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Note 19: KIPP Through College

The staffing model for KIPP Through College (KtC) is driven by the number of 5th – 12th grade students who have attended KIPP Delta. One advisor is needed to support approximately every 287 students. A director and a part-time administrative assistant are needed to support the entire program. Program expenses are estimated to cost between \$188 and \$194 per student.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Salaries and benefits	\$ 217,805	\$ 290,725	\$ 367,825	\$ 378,859	\$ 390,225
Program expenses	<u>734,441</u>	<u>274,717</u>	<u>244,317</u>	<u>342,319</u>	<u>372,703</u>
Total KIPP through college	<u>\$ 952,246</u>	<u>\$ 565,442</u>	<u>\$ 612,142</u>	<u>\$ 721,178</u>	<u>\$ 762,928</u>

Note 20: Transportation

Transportation expenses are impacted primarily by the number of bus routes needed and student enrollment per community. The below chart provides a breakdown of expenses between salaries and benefits and program expenses.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Salaries and benefits	\$ 589,686	\$ 615,416	\$ 802,754	\$ 925,427	\$ 1,043,692
Program expenses	<u>408,246</u>	<u>426,060</u>	<u>555,756</u>	<u>640,683</u>	<u>722,560</u>
Total transportation	<u>\$ 997,932</u>	<u>\$ 1,041,476</u>	<u>\$ 1,358,510</u>	<u>\$ 1,566,110</u>	<u>\$ 1,766,252</u>

Note 21: Food Services

Food Service expenses are driven primarily by student enrollment. The annual operating budget for food service is limited to the anticipated revenue. The below chart provides a breakdown of expenses between salaries and benefits and program expenses.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Salaries and benefits	\$ 376,466	\$ 437,971	\$ 551,325	\$ 615,311	\$ 672,677
Program expenses	<u>951,360</u>	<u>1,106,789</u>	<u>1,393,243</u>	<u>1,554,940</u>	<u>1,699,909</u>
Total food services	<u>\$ 1,327,826</u>	<u>\$ 1,544,760</u>	<u>\$ 1,944,568</u>	<u>\$ 2,170,251</u>	<u>\$ 2,372,586</u>

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Note 22: Custodial Services

Staffing costs for the custodians is expected to increase by 15 percent annually. The below chart provides a breakdown in expenses between staffing and programs.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Salaries and benefits	\$ 171,590	\$ 197,329	\$ 226,928	\$ 260,967	\$ 300,112
Program expenses	140,646	154,121	160,349	210,638	185,606
Total custodial services	<u>\$ 312,236</u>	<u>\$ 351,450</u>	<u>\$ 387,277</u>	<u>\$ 471,605</u>	<u>\$ 485,718</u>

Note 23: Other Operating and Professional Services

Historical spending patterns were used to establish a per pupil cost allocation. Management used these average cost allocations and projected enrollment to forecast expenses for other operating and professional services for each school site. No inflation rates were utilized after FY17.

Related expenses by purpose are summarized in the table below:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Office expenses	\$ 133,137	\$ 112,453	\$ 140,490	\$ 156,730	\$ 171,290
Non-PD travel expenses (hotel, food, & travel)	13,573	53	58	61	71
Other operating expenses	-	10,820	16,519	14,442	12,718
Professional services (counseling)	52,172	85,924	110,015	122,278	132,111
Total other operating & prof. services	<u>\$ 198,882</u>	<u>\$ 209,249</u>	<u>\$ 267,082</u>	<u>\$ 293,511</u>	<u>\$ 316,190</u>

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Note 24: Central Office and Regional Expenses

Historical spending patterns were used to establish a per central office employee cost allocation. Management used these per staff allocations and its projected FTE estimates to forecast expenses. No inflation rates were utilized after FY17. Actual expenses from FY15, including costs for facility leases, insurance, IT, utilities, and maintenance were used to forecast future expenses on a per pupil basis. No inflation rates were utilized. Central office and regional expenses by purpose are summarized in the table below:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Salaries, benefits and payroll taxes	\$ 1,480,596	\$ 1,897,377	\$ 2,022,676	\$ 2,083,356	\$ 2,145,857
Staff recruitment & development	221,417	104,782	106,853	110,425	108,925
Staff & student support	2,560	2,994	3,099	3,204	3,204
Development & PR	445,197	137,530	161,755	184,280	203,405
Other operating & prof. services	306,492	191,290	215,478	239,401	257,914
Furniture & assets	11,584	25,454	24,368	25,131	23,281
Total central office expense	<u>\$ 2,467,846</u>	<u>\$ 2,359,427</u>	<u>\$ 2,534,229</u>	<u>\$ 2,645,797</u>	<u>\$ 2,742,586</u>

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Facility leases	\$ 44,928	\$ 64,928	\$ 64,928	\$ 64,928	\$ 64,928
Insurance	146,835	212,413	232,530	245,702	257,978
IT & communications	358,070	411,036	517,418	577,469	631,308
Utilities	220,733	269,802	339,631	407,557	489,069
Maintenance	223,997	700,000	250,000	300,000	400,000
Total ins, main, IT, utilities and leases	<u>\$ 994,563</u>	<u>\$ 1,658,178</u>	<u>\$ 1,404,507</u>	<u>\$ 1,595,656</u>	<u>\$ 1,843,283</u>

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Note 25: Depreciation Expense and Fixed Assets

The estimated provision for depreciation during the forecast period was computed using the straight-line method for KIPP Delta's existing capital assets, as well as the capitalized costs of the projects. Depreciation expense is forecasted using the estimated useful lives for each type of asset required. Depreciation of the Beech Crest project is assumed to begin in July 2018 and Bryles and Forrest City projects are assumed to begin July 2019. Depreciation expense is summarized in the following table:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Buildings and improvements	\$ 321,369	\$ 321,369	\$ 564,329	\$ 748,747	\$ 748,747
Furniture and equipment	344,828	368,096	393,485	414,546	435,326
	<u>\$ 666,197</u>	<u>\$ 689,465</u>	<u>\$ 957,814</u>	<u>\$ 1,163,293</u>	<u>\$ 1,184,073</u>

Fixed asset additions are summarized in the following table:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Land	\$ 80,600	\$ -	\$ 719,000	\$ 486,300	\$ -
CIP – 2015	(1,354,297)	-	-	-	-
CIP – Beech Crest	456,611	6,733,389	(7,190,000)	-	-
CIP – Central	1,673,328	1,574,072	(3,247,400)	-	-
CIP – Bryles	-	-	4,863,000	(4,863,000)	-
CIP – Forrest City	-	-	3,000,000	(3,000,000)	-
Buildings – 2015	1,354,297	-	-	-	-
Beech Crest campus	-	-	6,471,000	-	-
Central campus	-	-	3,247,400	-	-
Bryles campus	-	-	-	4,376,700	-
Forrest City site improvements	233,634	-	-	-	-
Forrest City campus	-	-	-	3,000,000	-
Furniture and assets	86,695	232,686	253,886	210,612	207,798
	<u>\$ 2,530,868</u>	<u>\$ 8,540,147</u>	<u>\$ 8,116,886</u>	<u>\$ 210,612</u>	<u>\$ 207,798</u>

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Fixed assets in total are summarized in the following table:

Asset Cost	2016	2017	2018	2019	2020
Sites/land	\$ 916,605	\$ 916,605	\$ 1,635,605	\$ 2,121,905	\$ 2,121,905
Buildings and improvements	12,854,767	12,854,767	22,573,167	29,949,867	29,949,867
Furniture and equipment	3,448,277	3,680,963	3,934,849	4,145,461	4,353,259
Construction in progress	2,129,939	10,437,400	7,863,000	-	-
	<u>19,349,588</u>	<u>27,889,735</u>	<u>36,006,621</u>	<u>36,217,233</u>	<u>36,425,031</u>
Accumulated depreciation	5,160,418	5,849,883	6,807,697	7,970,990	9,155,063
Net book value	<u>\$ 14,189,170</u>	<u>\$ 22,039,852</u>	<u>\$ 29,198,924</u>	<u>\$ 28,246,243</u>	<u>\$ 27,269,968</u>

Note 26: Interest Expense

Interest expense incurred and interest payments projected during the forecast period are summarized in the following tables:

	2016	2017	2018	2019	2020
Interest Incurred					
(FF) USDA – Facilities – ELA	\$ 51,330	\$ -	\$ -	\$ -	\$ -
(GG) Southern Bancorp – Facilities – ELA	28,771	-	-	-	-
(HH) Southern Bancorp – Facilities – Gym/land	49,942	-	-	-	-
(II) Southern Bancorp – Facilities – DCPS	17,636	-	-	-	-
(JJ) Southern Bancorp – DCH	8,367	129,700	-	-	-
(KK) Arvest Bank – Facilities – BCPS Phase 1	135,544	-	-	-	-
(AA) Central Purchase	60,000	60,000	18,285	19,365	18,727
(BB) FC Capital Lease	-	7,617	4,744	1,708	-
(CC) Other Capital Leases	6,438	7,652	3,855	5,963	3,476
(DD) Note payable – Charter School Growth Fund	5,000	5,000	-	-	-
(EE) Construction loan – Forrest City	-	-	76,950	-	-
(A) Construction loan – Beech Crest	-	300,000	-	-	-
(B) Construction loan – Central and Bryles	-	20,000	360,000	-	-
(C) Note payable –TBD Commercial Bank	-	-	22,729	22,824	20,664
(D) USDA – Beech Crest	-	-	300,000	300,793	303,388
(E) FCCPS Campus	-	-	-	127,567	151,016
(F) USDA – Central and Bryles	-	-	-	290,000	317,747
	<u>363,029</u>	<u>529,968</u>	<u>786,563</u>	<u>768,221</u>	<u>815,019</u>
Total interest incurred	363,029	529,968	786,563	768,221	815,019
Less capitalized interest	-	(320,000)	(360,000)	-	-
Total interest expense	<u>\$ 363,029</u>	<u>\$ 209,968</u>	<u>\$ 426,563</u>	<u>\$ 768,221</u>	<u>\$ 815,019</u>

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	2016	2017	2018	2019	2020
Interest Payments					
(FF) USDA – Facilities – ELA	\$ 51,330	\$ -	\$ -	\$ -	\$ -
(GG) Southern Bancorp – Facilities – ELA	28,771	-	-	-	-
(HH) Southern Bancorp – Facilities – Gym/land	49,942	-	-	-	-
(II) Southern Bancorp – Facilities – DCPS	17,636	-	-	-	-
(JJ) Southern Bancorp – DCH	8,367	129,700	-	-	-
(KK) Arvest Bank – Facilities – BCPS Phase 1	135,544	-	-	-	-
(AA) Central Purchase	60,000	60,000	18,285	19,365	18,727
(BB) FC Capital Lease	-	7,617	4,744	1,708	-
(CC) Other Capital Leases	6,438	7,652	3,855	5,963	3,476
(DD) Note payable – Charter School Growth Fund	5,000	5,000	-	-	-
(EE) Construction loan – Forrest City	-	-	76,950	-	-
(A) Construction loan – Beech Crest	-	-	300,000	-	-
(B) Construction loan – Central and Bryles	-	-	-	380,000	-
(C) Note payable –TBD Commercial Bank	-	-	22,729	22,824	20,664
(D) USDA – Beech Crest	-	-	-	600,793	303,388
(E) FCCPS Campus	-	-	-	127,567	151,016
(F) USDA – Central and Bryles	-	-	-	290,000	317,747
	<u>\$ 363,029</u>	<u>\$ 209,968</u>	<u>\$ 426,563</u>	<u>\$ 1,448,221</u>	<u>\$ 815,019</u>
Total interest payments	<u>\$ 363,029</u>	<u>\$ 209,968</u>	<u>\$ 426,563</u>	<u>\$ 1,448,221</u>	<u>\$ 815,019</u>

Notes refer to descriptions of debt agreements include in *Note 27*.

There are timing differences between when interest is incurred on the outstanding debt and when the interest payments are required. The table below shows that the effect of these timing differences is being recorded as accrued interest payable on the balance sheet during the forecasted period, as follows:

	2016	2017	2018	2019	2020
Accrued Interest					
Beginning accrued interest	\$ 50,000	\$ 50,000	\$ 370,000	\$ 730,000	\$ 50,000
Add: Interest incurred	363,029	529,968	786,563	768,221	815,019
Less: Interest paid	<u>363,029</u>	<u>209,968</u>	<u>426,563</u>	<u>1,448,221</u>	<u>815,019</u>
Total accrued interest	<u>\$ 50,000</u>	<u>\$ 370,000</u>	<u>\$ 730,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

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Note 27: Long-term Debt

Long-term debt balances are summarized in the following table:

Balances	2016	2017	2018	2019	2020
(FF) USDA – Facilities – ELA	\$ 1,026,601	\$ -	\$ -	\$ -	\$ -
(GG) Southern Bancorp – Facilities – ELA	575,424	-	-	-	-
(HH) Southern Bancorp – Facilities – Gym/land	998,846	-	-	-	-
(II) Southern Bancorp – Facilities – DCPS	352,718	-	-	-	-
(JJ) Southern Bancorp – DCH	167,348	-	-	-	-
(KK) Arvest Bank – Facilities – BCPS Phase 1	2,710,884	2,594,000	-	-	-
(LL) Line of credit	-	-	-	-	-
(AA) Central/FC	1,200,000	1,200,000	383,382	371,218	358,414
(BB) FC Capital Lease	161,180	110,381	56,708	-	-
(CC) Other Capital Leases	143,057	170,040	85,677	132,502	77,247
(DD) Note payable – Charter School Growth Fund	500,000	500,000	-	-	-
(EE) Construction loan – Forrest City	-	-	3,000,000	-	-
(A) Construction loan – Beech Crest	-	9,300,000	-	-	-
(B) Construction loan – Central and Bryles	-	1,122,000	9,177,000	-	-
(C) Note payable –TBD Commercial Bank	-	-	464,056	422,874	379,531
(D) USDA – Beech Crest	-	-	9,990,000	9,809,466	9,587,771
(E) FCCPS Campus	-	-	-	2,964,221	2,919,223
(F) USDA – Central and Bryles	-	-	-	9,675,000	9,563,171
	<u>7,836,058</u>	<u>14,996,420</u>	<u>23,156,824</u>	<u>23,375,281</u>	<u>22,885,357</u>
Less current portion	<u>(359,190)</u>	<u>(10,871,536)</u>	<u>(12,588,743)</u>	<u>(489,924)</u>	<u>(468,046)</u>
	<u>\$ 7,476,868</u>	<u>\$ 4,124,884</u>	<u>\$ 10,568,081</u>	<u>\$ 22,885,357</u>	<u>\$ 22,417,311</u>

- (A) Forecasted construction line of credit to a TBD Commercial Bank, secured by real estate, interest at 5.0%, with balance due July 1, 2017. In addition to the construction line of credit, this loan will refinance existing loans (FF), (GG), (HH), (II), & (JJ). This loan will be converted to long-term debt by loan (D).
- (B) Forecasted construction line of credit to a TBD Commercial Bank, secured by real estate, interest at 5.0%, with balance due July 1, 2018. In addition to the construction line of credit, this loan will refinance existing loan (KK) and approximately \$806,000 of existing loan (AA). This loan will be converted to long-term debt by loan (F).
- (C) Forecasted note payable to a TBD Commercial Bank, secured by donor contributions, due \$5,334 monthly including interest at 5.125%, with balance due July 2027. This loan will refinance existing loan (DD).
- (D) Forecasted note payable to USDA, secured by real estate, with a \$300,000 interest payment due on July 2018, then due \$43,757 monthly including interest of 3.125%, with balance due August 2047. This loan will refinance loan (A).
- (E) Forecasted note payable to a TBD Commercial Bank, secured by real estate, due \$16,335 monthly including interest of 5.13% with balance due August 2047. This loan will refinance loan (EE).

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- (F) Forecasted note payable USDA, secured by real estate, with a \$290,000 interest payment due on July 2019, then due \$35,798 monthly including interest of 3.125%, with balance due August 2058. This loan will refinance loan (B).
- (AA) Forecasted note payable to Southern Bancorp Community Partners, secured by real estate, interest at 5.25%, due July 1, 2020. \$806,000 of this loan will be refinanced by loan (B). The remaining \$394,000 will be converted to a 20 year note payable with a TBD Commercial Bank at 5.125% interest with principle and interest payments of \$2,627 payable monthly.
- (BB) Forrest City campus capital lease for modular buildings with Ramtech Building Systems, imputed interest of 5.514%, payable \$4,868 due monthly through June 2019.
- (CC) Capital leases for buses and other equipment, imputed interest of approximately 4.5% payable, quarterly payments payable. It is assumed KIPP Delta will continue to acquire buses and other capital assets throughout the forecasted period.
- (DD) Note payable to Charter School Growth Fund, unsecured, due in full in June 2018 including interest at 1%. This loan will be refinanced by loan (C).
- (EE) Forecasted construction line of credit to a TBD Commercial Bank, secured by real estate, interest at 5.13%, with balance due July 1, 2018.
- (FF) Note payable to USDA, secured by real estate, due \$5,497 monthly including interest at 4.75%, with balance due August 2045. This existing loan will be refinanced by loan (A).
- (GG) Note payable to Southern Bancorp, secured by real estate and guaranteed by the USDA, due \$9,786 monthly including interest at 6.37%, with balance due August 2024. This existing loan will be refinanced by loan (A).
- (HH) Note payable to Southern Bancorp, secured by real estate, due \$8,902 monthly including interest at 5.50%, with balance due June 2029. This existing loan will be refinanced by loan (A).
- (II) Note payable to Southern Bancorp, secured by real estate, due \$2,766 monthly including interest at 4.00%, with balance due March 2031. This existing loan will be refinanced by loan (A).
- (JJ) Note payable to Southern Bancorp, secured by real estate, due \$1,328 monthly including interest at 5.00%, with balance due March 2031. This existing loan will be refinanced by loan (A).
- (KK) Note payable to Arvest Bank, secured by real estate and guaranteed by USDA, due \$20,452 monthly including interest at 5.39%, with balance due December 2032. This existing loan will be refinanced by loan (B).
- (LL) Line of credit with available borrowings up to \$500,000 and an interest rate of 5.25%. The line is secured by donor contributions and is due April 2016.

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Long-term debt proceeds and payments are summarized in the following tables:

	2016	2017	2018	2019	2020
Proceeds from new loans					
(AA) Central Purchase	\$ 1,200,000	\$ -	\$ -	\$ -	\$ -
(BB) FC Capital Lease	161,180	-	-	-	-
(CC) Other Capital Leases	-	132,200	-	132,200	-
(DD) Note payable – Charter School Growth Fund	-	-	-	-	-
(EE) Construction loan – Forrest City	-	-	3,000,000	-	-
(A) Construction loan – Beech Crest	-	9,300,000	-	-	-
(B) Construction loan – Central and Bryles	-	1,122,000	8,055,000	-	-
(C) Note payable – TBD Commercial Bank	-	-	500,000	-	-
(D) USDA – Beech Crest	-	-	9,990,000	-	-
(E) FCCPS Campus	-	-	-	3,000,000	-
(F) USDA – Central and Bryles	-	-	-	9,675,000	-
	<u>\$ 1,361,180</u>	<u>\$ 10,554,200</u>	<u>\$ 21,545,000</u>	<u>\$ 12,807,200</u>	<u>\$ -</u>

	2016	2017	2018	2019	2020
Principal Payments					
(FF) USDA – Facilities – ELA	\$ 28,384	\$ 1,026,601	\$ -	\$ -	\$ -
(GG) Southern Bancorp – Facilities – ELA	15,910	575,424	-	-	-
(HH) Southern Bancorp – Facilities – Gym/land	27,617	998,846	-	-	-
(II) Southern Bancorp – Facilities – DCPS	9,752	352,718	-	-	-
(JJ) Southern Bancorp – DCH	4,627	167,348	-	-	-
(KK) Arvest Bank – Facilities – BCPS Phase 1	74,952	116,884	2,594,000	-	-
(LL) Line of credit	380,000	-	-	-	-
(AA) Note payable – Southern Bank	-	-	816,618	12,165	12,803
(BB) FC Capital Lease	-	50,799	53,673	56,708	-
(CC) Other Capital Leases	104,615	105,217	84,362	85,376	55,254
(DD) Note payable – Charter School Growth Fund	-	-	500,000	-	-
(EE) Construction loan – Forrest City	-	-	-	3,000,000	-
(A) Construction loan – Beech Crest	-	-	9,300,000	-	-
(B) Construction loan – Central and Bryles	-	-	-	9,177,000	-
(C) Note payable – TBD Commercial Bank	-	-	35,944	41,182	43,343
(D) USDA – Beech Crest	-	-	-	180,534	221,696
(E) FCCPS Campus	-	-	-	35,779	44,999
(F) USDA – Central and Bryles	-	-	-	-	111,829
	<u>\$ 645,857</u>	<u>\$ 3,393,838</u>	<u>\$ 13,384,597</u>	<u>\$ 12,588,743</u>	<u>\$ 489,924</u>

Note 28: Financial Position Assumptions

Assets and liabilities of KIPP Delta have been forecasted based on known and projected assumptions about future pledges, projected fixed assets, future debt payments and future lease payments. Accounts receivable and accounts payable have been estimated for the forecasted period by determining the historical average as a percent of certain revenue and expenses.

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Note 29: Sensitivity Analysis

Revenues and expenses of KIPP Delta have been forecasted based on a forecasted student population. In the case that specific adverse scenarios play out, KIPP Delta will make appropriate budget adjustments to meet debt obligations. Such adjustments could include, but not be limited to, salary cuts and other cuts that would not impair KIPP Delta's ability to operate.

If the state funding is reduced by 2 percent, the impact on the KIPP Delta's change in forecasted net assets and cash flows, assuming no changing in operating expenses, would be as shown below:

	2016	2017	2018	2019	2020
Unrestricted Revenues, Gains and Other Support					
State assistance	\$ 11,714,318	\$ 12,245,861	\$ 15,802,839	\$ 17,801,809	\$ 19,439,428
Federal assistance	3,670,094	3,911,861	4,533,824	5,398,714	6,035,021
Contributions, gifts and donations	4,137,563	2,000,000	1,000,000	1,000,000	1,000,000
Activity revenue	184,057	197,310	226,879	252,162	273,030
Net assets released from restrictions	1,012,559	1,000,000	1,000,000	1,000,000	1,000,000
	<u>20,718,591</u>	<u>19,355,032</u>	<u>22,563,542</u>	<u>25,452,685</u>	<u>27,747,479</u>
Expenses					
Salaries and wages	8,379,844	8,879,396	10,800,484	11,988,867	13,143,882
Staff recruitment & development	305,314	401,953	497,104	546,517	593,735
Direct student expenses	1,031,604	1,179,754	1,446,417	1,602,652	1,755,514
Other operating & prof. services	198,882	209,249	267,082	293,511	316,190
Foundation fees	63,291	79,930	98,911	116,321	133,268
KIPP through college services	952,246	565,442	612,139	721,178	762,928
Transportation services	997,932	1,041,476	1,358,510	1,566,110	1,766,252
Food services	1,327,826	1,544,760	1,944,568	2,170,251	2,372,587
Custodial services	312,236	351,449	387,276	471,605	485,718
Central office expense	2,467,846	2,359,427	2,534,229	2,645,797	2,742,586
Insurance, Maintenance, IT, Utilities and Leases	994,563	1,658,178	1,404,507	1,595,656	1,843,283
Assets not capitalized	110,232	181,608	306,903	323,222	355,356
Interest	363,029	209,968	426,563	768,221	815,019
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
	<u>18,171,042</u>	<u>19,352,056</u>	<u>23,042,506</u>	<u>25,973,201</u>	<u>28,270,390</u>
Change in Unrestricted Net Assets	<u>2,547,549</u>	<u>2,976</u>	<u>(478,965)</u>	<u>(520,516)</u>	<u>(522,911)</u>
Temporarily Restricted Net Assets					
Contributions, gifts and donations	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net assets released from restrictions	(1,012,559)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Change in Temporarily Restricted Net Assets	<u>(12,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>2,534,990</u>	<u>2,976</u>	<u>(478,965)</u>	<u>(520,516)</u>	<u>(522,911)</u>
Net Assets, Beginning of Year	<u>6,904,353</u>	<u>9,439,343</u>	<u>9,442,319</u>	<u>8,963,354</u>	<u>8,442,839</u>
Net Assets, End of Year	<u>\$ 9,439,343</u>	<u>\$ 9,442,319</u>	<u>\$ 8,963,354</u>	<u>\$ 8,442,839</u>	<u>\$ 7,919,927</u>

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	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Activities					
Change in net assets	\$ 2,534,990	\$ 2,976	\$ (478,965)	\$ (520,516)	\$ (522,911)
Items not requiring operating cash:					
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
Changes in:					
Accounts receivable	34,255	(6,000)	(6,060)	(6,121)	(6,182)
Pledges receivable	(68,543)	(2,000)	(2,020)	(2,040)	(2,061)
Accounts payable, accrued expenses and accrued interest	(126,180)	325,000	365,050	(674,900)	5,152
	<u>3,040,719</u>	<u>1,009,441</u>	<u>835,819</u>	<u>(40,283)</u>	<u>658,071</u>
Investing Activities					
Increase in restricted cash	-	-	65,964	(67,744)	(115,080)
Purchase of property and equipment	(2,530,868)	(8,540,147)	(8,116,886)	(210,612)	(207,798)
	<u>(2,530,868)</u>	<u>(8,540,147)</u>	<u>(8,050,922)</u>	<u>(278,356)</u>	<u>(322,878)</u>
Financing Activities					
Proceeds from issuance of long-term debt	1,361,180	10,554,200	21,545,000	12,807,200	-
Principal payments on long-term debt	(645,857)	(3,393,838)	(13,384,597)	(12,588,743)	(489,924)
	<u>715,323</u>	<u>7,160,362</u>	<u>8,160,403</u>	<u>218,457</u>	<u>(489,924)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,225,174	(370,344)	945,300	(100,182)	(154,731)
Cash and Cash Equivalents, Beginning of Year	<u>1,535,093</u>	<u>2,760,267</u>	<u>2,389,923</u>	<u>3,335,223</u>	<u>3,235,041</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,760,267</u>	<u>\$ 2,389,923</u>	<u>\$ 3,335,223</u>	<u>\$ 3,235,041</u>	<u>\$ 3,080,310</u>

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	2016	2017	2018	2019	2020
Profitability Indicators					
Total margin (change in net assets / total revenues)	12.2%	0.0%	-2.1%	-2.0%	-1.9%
Cash flow margin ((change in net assets + depreciation + interest) / total revenue)	17.2%	4.7%	4.0%	5.5%	5.3%
Return on equity (change in net assets / net assets)	26.9%	0.0%	-5.3%	-6.2%	-6.6%
Liquidity Indicators					
Current ratio (current assets / current liabilities)	4.19	0.27	0.30	3.86	3.78
Days cash on hand (cash / ((total expense – depreciation) / 365 days))	57.6	46.7	55.1	47.6	41.5
Capital Structure Indicators					
Debt service coverage ratio ((change in net assets + depreciation + interest) / (current portion of long- term debt + interest))	4.94	0.08	0.07	1.12	1.15
Long-term debt to capitalization (Long-term debt / (LTD + net assets))	44.2%	30.4%	54.1%	73.1%	73.9%
Cost Indicators					
Salaries to operating expenses (salary expense / total operating expenses)	54.6%	52.9%	53.8%	53.1%	53.2%
Average age of facility (accumulated depreciation / depreciation expense)	7.7	8.5	7.1	6.9	7.7

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Revenues and expenses of KIPP Delta have been forecasted based on a forecasted student population. In the case that specific adverse scenarios play out, KIPP Delta will make appropriate budget adjustments to meet debt obligations. Such adjustments could include, but not be limited to, salary cuts and other cuts that would not impair KIPP Delta's ability to operate.

If the state funding is reduced by 5 percent, the impact on KIPP Delta's changes in forecasted net assets and cash flows, assuming no changes in operating expenses, would be as shown below:

	2016	2017	2018	2019	2020
Unrestricted Revenues, Gains and Other Support					
State assistance	\$ 11,355,717	\$ 11,870,988	\$ 15,319,078	\$ 17,256,856	\$ 18,844,344
Federal assistance	3,670,094	3,911,861	4,533,824	5,398,714	6,035,021
Contributions, gifts and donations	4,137,563	2,000,000	1,000,000	1,000,000	1,000,000
Activity revenue	184,057	197,310	226,879	252,162	273,030
Net assets released from restrictions	1,012,559	1,000,000	1,000,000	1,000,000	1,000,000
Total unrestricted revenues, gains and other support	<u>20,359,990</u>	<u>18,980,159</u>	<u>22,079,781</u>	<u>24,907,732</u>	<u>27,152,395</u>
Expenses					
Salaries and wages	8,379,844	8,879,396	10,800,484	11,988,867	13,143,882
Staff recruitment & development	305,314	401,953	497,104	546,517	593,735
Direct student expenses	1,031,604	1,179,754	1,446,417	1,602,652	1,755,514
Other operating & prof. services	198,882	209,249	267,082	293,511	316,190
Foundation fees	63,291	79,930	98,911	116,321	133,268
KIPP through college services	952,246	565,442	612,139	721,178	762,928
Transportation services	997,932	1,041,476	1,358,510	1,566,110	1,766,252
Food services	1,327,826	1,544,760	1,944,568	2,170,251	2,372,587
Custodial services	312,236	351,449	387,276	471,605	485,718
Central office expense	2,467,846	2,359,427	2,534,229	2,645,797	2,742,586
Insurance, Maintenance, IT, Utilities and Leases	994,563	1,658,178	1,404,507	1,595,656	1,843,283
Assets not capitalized	110,232	181,608	306,903	323,222	355,356
Interest	363,029	209,968	426,563	768,221	815,019
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
	<u>18,171,042</u>	<u>19,352,056</u>	<u>23,042,506</u>	<u>25,973,201</u>	<u>28,270,390</u>
Change in Unrestricted Net Assets	<u>2,188,948</u>	<u>(371,898)</u>	<u>(962,725)</u>	<u>(1,065,469)</u>	<u>(1,117,996)</u>
Temporarily Restricted Net Assets					
Contributions, gifts and donations	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net assets released from restrictions	(1,012,559)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Change in Temporarily Restricted Net Assets	<u>(12,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>2,176,389</u>	<u>(371,898)</u>	<u>(962,725)</u>	<u>(1,065,469)</u>	<u>(1,117,996)</u>
Net Assets, Beginning of Year	<u>6,904,353</u>	<u>9,080,742</u>	<u>8,708,844</u>	<u>7,746,119</u>	<u>6,680,650</u>
Net Assets, End of Year	<u>\$ 9,080,742</u>	<u>\$ 8,708,844</u>	<u>\$ 7,746,119</u>	<u>\$ 6,680,650</u>	<u>\$ 5,562,654</u>

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	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Activities					
Change in net assets	\$ 2,176,389	\$ (371,898)	\$ (962,725)	\$ (1,065,469)	\$ (1,117,996)
Items not requiring operating cash:					
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
Changes in:					
Accounts receivable	34,255	(6,000)	(6,060)	(6,121)	(6,182)
Pledges receivable	(68,543)	(2,000)	(2,020)	(2,040)	(2,061)
Accounts payable, accrued expenses and accrued interest	(126,180)	325,000	365,050	(674,900)	5,152
	<u>2,682,118</u>	<u>634,568</u>	<u>352,059</u>	<u>(585,237)</u>	<u>62,986</u>
Net cash provided by (used in) operating activities					
Investing Activities					
Increase in restricted cash	-	-	65,964	(67,744)	(115,080)
Purchase of property and equipment	(2,530,868)	(8,540,147)	(8,116,886)	(210,612)	(207,798)
	<u>(2,530,868)</u>	<u>(8,540,147)</u>	<u>(8,050,922)</u>	<u>(278,356)</u>	<u>(322,878)</u>
Net cash used in investing activities					
Financing Activities					
Proceeds from issuance of long-term debt	1,361,180	10,554,200	21,545,000	12,807,200	-
Principal payments on long-term debt	(645,857)	(3,393,838)	(13,384,597)	(12,588,743)	(489,924)
	<u>715,323</u>	<u>7,160,362</u>	<u>8,160,403</u>	<u>218,457</u>	<u>(489,924)</u>
Net cash provided by (used in) financing activities					
Increase (Decrease) in Cash and Cash Equivalents	866,573	(745,217)	461,540	(645,136)	(749,816)
Cash and Cash Equivalents, Beginning of Year	<u>1,535,093</u>	<u>2,401,666</u>	<u>1,656,449</u>	<u>2,117,989</u>	<u>1,472,853</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,401,666</u>	<u>\$ 1,656,449</u>	<u>\$ 2,117,989</u>	<u>\$ 1,472,853</u>	<u>\$ 723,037</u>

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	2016	2017	2018	2019	2020
Profitability Indicators					
Total margin (change in net assets / total revenues)	10.7%	-2.0%	-4.4%	-4.3%	-4.1%
Cash flow margin ((change in net assets + depreciation + interest) / total revenue)	15.7%	2.8%	1.9%	3.5%	3.2%
Return on equity (change in net assets / net assets)	24.0%	-4.3%	-12.4%	-15.9%	-20.1%
Liquidity Indicators					
Current ratio (current assets / current liabilities)	3.80	0.21	0.21	2.19	1.51
Days cash on hand (cash / ((total expense - depreciation) / 365 days))	50.1	32.4	35.0	21.7	9.7
Capital Structure Indicators					
Debt service coverage ratio ((change in net assets + depreciation + interest) / (current portion of long-term debt + interest))	4.44	0.05	0.03	0.69	0.69
Long-term debt to capitalization (Long-term debt / (LTD + net assets))	45.2%	32.1%	57.7%	77.4%	80.1%
Cost Indicators					
Salaries to operating expenses (salary expense / total operating expenses)	54.6%	52.9%	53.8%	53.1%	53.2%
Average age of facility (accumulated depreciation / depreciation expense)	7.7	8.5	7.1	6.9	7.7

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Revenues and expenses of KIPP Delta have been forecasted based on a forecasted student population. In the case that specific adverse scenarios play out, KIPP Delta will make appropriate budget adjustments to meet debt obligations. Such adjustments could include, but not be limited to, salary cuts and other cuts that would not impair KIPP Delta's ability to operate.

If the student population is reduced by 2 percent, the impact on the KIPP Delta's changes in forecasted net assets and cash flows, assuming no changes in operating expenses, would be as shown below:

	2016	2017	2018	2019	2020
Unrestricted Revenues, Gains and Other Support					
State assistance	\$ 11,715,023	\$ 12,245,861	\$ 15,802,839	\$ 17,801,809	\$ 19,439,428
Federal assistance	3,610,041	3,846,234	4,455,948	5,304,572	5,929,070
Contributions, gifts and donations	4,137,563	2,000,000	1,000,000	1,000,000	1,000,000
Activity revenue	184,057	197,310	226,879	252,162	273,030
Net assets released from restrictions	1,012,559	1,000,000	1,000,000	1,000,000	1,000,000
	<u>20,659,243</u>	<u>19,289,405</u>	<u>22,485,666</u>	<u>25,358,543</u>	<u>27,641,529</u>
Expenses					
Salaries and wages	8,379,844	8,879,396	10,800,484	11,988,867	13,143,882
Staff recruitment & development	305,314	401,953	497,104	546,517	593,735
Direct student expenses	1,031,604	1,179,754	1,446,417	1,602,652	1,755,514
Other operating & prof. services	198,882	209,249	267,082	293,511	316,190
Foundation fees	63,291	79,930	98,911	116,321	133,268
KIPP through college services	952,246	565,442	612,139	721,178	762,928
Transportation services	997,932	1,041,476	1,358,510	1,566,110	1,766,252
Food services	1,327,826	1,544,760	1,944,568	2,170,251	2,372,587
Custodial services	312,236	351,449	387,276	471,605	485,718
Central office expense	2,467,846	2,359,427	2,534,229	2,645,797	2,742,586
Insurance, Maintenance, IT, Utilities and Leases	994,563	1,658,178	1,404,507	1,595,656	1,843,283
Assets not capitalized	110,232	181,608	306,903	323,222	355,356
Interest	363,029	209,968	426,563	768,221	815,019
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
	<u>18,171,042</u>	<u>19,352,056</u>	<u>23,042,506</u>	<u>25,973,201</u>	<u>28,270,390</u>
Change in Unrestricted Net Assets	<u>2,488,202</u>	<u>(62,652)</u>	<u>(556,841)</u>	<u>(614,658)</u>	<u>(628,862)</u>
Temporarily Restricted Net Assets					
Contributions, gifts and donations	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net assets released from restrictions	(1,012,559)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
	<u>(12,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Temporarily Restricted Net Assets	<u>(12,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>2,475,643</u>	<u>(62,652)</u>	<u>(556,841)</u>	<u>(614,658)</u>	<u>(628,862)</u>
Net Assets, Beginning of Year	<u>6,904,353</u>	<u>9,379,996</u>	<u>9,317,344</u>	<u>8,760,503</u>	<u>8,145,846</u>
Net Assets, End of Year	<u>\$ 9,379,996</u>	<u>\$ 9,317,344</u>	<u>\$ 8,760,503</u>	<u>\$ 8,145,846</u>	<u>\$ 7,516,984</u>

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Activities					
Change in net assets	\$ 2,475,643	\$ (62,652)	\$ (556,841)	\$ (614,658)	\$ (628,862)
Items not requiring operating cash:					
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
Changes in:					
Accounts receivable	34,255	(6,000)	(6,060)	(6,121)	(6,182)
Pledges receivable	(68,543)	(2,000)	(2,020)	(2,040)	(2,061)
Accounts payable, accrued expenses and accrued interest	(126,180)	325,000	365,050	(674,900)	5,152
	<u>2,981,371</u>	<u>943,814</u>	<u>757,943</u>	<u>(134,425)</u>	<u>552,120</u>
Net cash provided by operating activities					
Investing Activities					
Increase in restricted cash	-	-	65,964	(67,744)	(115,080)
Purchase of property and equipment	(2,530,868)	(8,540,147)	(8,116,886)	(210,612)	(207,798)
	<u>(2,530,868)</u>	<u>(8,540,147)</u>	<u>(8,050,922)</u>	<u>(278,356)</u>	<u>(322,878)</u>
Net cash used in investing activities					
Financing Activities					
Proceeds from issuance of long-term debt	1,361,180	10,554,200	21,545,000	12,807,200	-
Principal payments on long-term debt	(645,857)	(3,393,838)	(13,384,597)	(12,588,743)	(489,924)
	<u>715,323</u>	<u>7,160,362</u>	<u>8,160,403</u>	<u>218,457</u>	<u>(489,924)</u>
Net cash provided by (used in) financing activities					
Increase (Decrease) in Cash and Cash Equivalents	1,165,826	(435,971)	867,424	(194,324)	(260,682)
Cash and Cash Equivalents, Beginning of Year	<u>1,535,093</u>	<u>2,700,919</u>	<u>2,264,948</u>	<u>3,132,372</u>	<u>2,938,048</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,700,919</u>	<u>\$ 2,264,948</u>	<u>\$ 3,132,372</u>	<u>\$ 2,938,048</u>	<u>\$ 2,677,366</u>

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

	2016	2017	2018	2019	2020
Profitability Indicators					
Total margin (change in net assets / total revenues)	12.0%	-0.3%	-2.5%	-2.4%	-2.3%
Cash flow margin ((change in net assets + depreciation + interest) / total revenue)	17.0%	4.3%	3.7%	5.2%	5.0%
Return on equity (change in net assets / net assets)	26.4%	-0.7%	-6.4%	-7.5%	-8.4%
Liquidity Indicators					
Current ratio (current assets / current liabilities)	4.12	0.26	0.29	3.58	3.39
Days cash on hand (cash / ((total expense - depreciation) / 365 days))	56.3	44.3	51.8	43.2	36.1
Capital Structure Indicators					
Debt service coverage ratio ((change in net assets + depreciation + interest) / (current portion of long-term debt + interest))	4.85	0.08	0.06	1.05	1.07
Long-term debt to capitalization (Long-term debt / (LTD + net assets))	44.4%	30.7%	54.7%	73.7%	74.9%
Cost Indicators					
Salaries to operating expenses (salary expense / total operating expenses)	54.6%	52.9%	53.8%	53.1%	53.2%
Average age of facility (accumulated depreciation / depreciation expense)	7.7	8.5	7.1	6.9	7.7

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

Revenues and expenses of KIPP Delta have been forecasted based on a forecasted student population. In the case that specific adverse scenarios play out, KIPP Delta will make appropriate budget adjustments to meet debt obligations. Such adjustments could include, but not be limited to, salary cuts and other cuts that would not impair KIPP Delta's ability to operate.

If the student population is reduced by 5 percent, the impact on the KIPP Delta's changes in forecasted net assets and cash flows, assuming no changings in operating expenses, would be as shown below:

	2016	2017	2018	2019	2020
Unrestricted Revenues, Gains and Other Support					
State assistance	\$ 11,357,480	\$ 11,870,988	\$ 15,319,078	\$ 17,256,856	\$ 18,844,344
Federal assistance	3,519,961	3,747,793	4,339,134	5,163,359	5,770,144
Contributions, gifts and donations	4,137,563	2,000,000	1,000,000	1,000,000	1,000,000
Activity revenue	184,057	197,310	226,879	252,162	273,030
Net assets released from restrictions	1,012,559	1,000,000	1,000,000	1,000,000	1,000,000
Total unrestricted revenues, gains and other support	20,211,620	18,816,091	21,885,092	24,672,377	26,887,518
Expenses					
Salaries and wages	8,379,844	8,879,396	10,800,484	11,988,867	13,143,882
Staff recruitment & development	305,314	401,953	497,104	546,517	593,735
Direct student expenses	1,031,604	1,179,754	1,446,417	1,602,652	1,755,514
Other operating & prof. services	198,882	209,249	267,082	293,511	316,190
Foundation fees	63,291	79,930	98,911	116,321	133,268
KIPP through college services	952,246	565,442	612,139	721,178	762,928
Transportation services	997,932	1,041,476	1,358,510	1,566,110	1,766,252
Food services	1,327,826	1,544,760	1,944,568	2,170,251	2,372,587
Custodial services	312,236	351,449	387,276	471,605	485,718
Central office expense	2,467,846	2,359,427	2,534,229	2,645,797	2,742,586
Insurance, Maintenance, IT, Utilities and Leases	994,563	1,658,178	1,404,507	1,595,656	1,843,283
Assets not capitalized	110,232	181,608	306,903	323,222	355,356
Interest	363,029	209,968	426,563	768,221	815,019
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
	18,171,042	19,352,056	23,042,506	25,973,201	28,270,390
Change in Unrestricted Net Assets	2,040,578	(535,966)	(1,157,415)	(1,300,824)	(1,382,873)
Temporarily Restricted Net Assets					
Contributions, gifts and donations	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net assets released from restrictions	(1,012,559)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Change in Temporarily Restricted Net Assets	(12,559)	-	-	-	-
Change in Net Assets	2,028,019	(535,966)	(1,157,415)	(1,300,824)	(1,382,873)
Net Assets, Beginning of Year	6,904,353	8,932,372	8,396,407	7,238,992	5,938,168
Net Assets, End of Year	\$ 8,932,372	\$ 8,396,407	\$ 7,238,992	\$ 5,938,168	\$ 4,555,295

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

	2016	2017	2018	2019	2020
Operating Activities					
Change in net assets	\$ 2,028,019	\$ (535,966)	\$ (1,157,415)	\$ (1,300,824)	\$ (1,382,873)
Items not requiring operating cash:					
Depreciation	666,197	689,465	957,814	1,163,293	1,184,073
Changes in:					
Accounts receivable	34,255	(6,000)	(6,060)	(6,121)	(6,182)
Pledges receivable	(68,543)	(2,000)	(2,020)	(2,040)	(2,061)
Accounts payable, accrued expenses and accrued interest	(126,180)	325,000	365,050	(674,900)	5,152
Net cash provided by (used in) operating activities	<u>2,533,748</u>	<u>470,500</u>	<u>157,369</u>	<u>(820,592)</u>	<u>(201,891)</u>
Investing Activities					
Increase in restricted cash	-	-	65,964	(67,744)	(115,080)
Purchase of property and equipment	<u>(2,530,868)</u>	<u>(8,540,147)</u>	<u>(8,116,886)</u>	<u>(210,612)</u>	<u>(207,798)</u>
Net cash used in investing activities	<u>(2,530,868)</u>	<u>(8,540,147)</u>	<u>(8,050,922)</u>	<u>(278,356)</u>	<u>(322,878)</u>
Financing Activities					
Proceeds from issuance of long-term debt	1,361,180	10,554,200	21,545,000	12,807,200	-
Principal payments on long-term debt	<u>(645,857)</u>	<u>(3,393,838)</u>	<u>(13,384,597)</u>	<u>(12,588,743)</u>	<u>(489,924)</u>
Net cash provided by (used in) financing activities	<u>715,323</u>	<u>7,160,362</u>	<u>8,160,403</u>	<u>218,457</u>	<u>(489,924)</u>
Increase (Decrease) in Cash and Cash Equivalents	718,203	(909,285)	266,850	(880,491)	(1,014,693)
Cash and Cash Equivalents, Beginning of Year	<u>1,535,093</u>	<u>2,253,296</u>	<u>1,344,011</u>	<u>1,610,861</u>	<u>730,370</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,253,296</u>	<u>\$ 1,344,011</u>	<u>\$ 1,610,861</u>	<u>\$ 730,370</u>	<u>\$ (284,323)</u>

KIPP DELTA, INC.
Assumptions and Notes to Forecasted Financial Statements
Years Ending June 30, 2016 Through 2020

	2016	2017	2018	2019	2020
Profitability Indicators					
Total margin (change in net assets / total revenues)	10.0%	-2.8%	-5.3%	-5.3%	-5.1%
Cash flow margin ((change in net assets + depreciation + interest) / total revenue)	15.1%	1.9%	1.0%	2.6%	2.3%
Return on equity (change in net assets / ending net assets)	22.7%	-6.4%	-16.0%	-21.9%	-30.4%
Liquidity Indicators					
Current ratio (current assets / current liabilities)	3.63	0.18	0.18	1.48	0.54
Days cash on hand (cash / ((total expense - depreciation) / 365 days))	47.0	26.3	26.6	10.7	(3.8)
Capital Structure Indicators					
Debt service coverage ratio ((change in net assets + depreciation + interest) / (current portion of long-term debt + interest))	4.23	0.03	0.02	0.50	0.48
Long-term debt to capitalization (Long-term debt / (LTD + net assets))	45.6%	32.9%	59.3%	79.4%	83.1%
Cost Indicators					
Salaries to operating expenses (salary expense / total operating expenses)	54.6%	52.9%	53.8%	53.1%	53.2%
Average age of facility (accumulated depreciation / depreciation expense)	7.7	8.5	7.1	6.9	7.7

Attachment I



KIPP DELTA PUBLIC SCHOOLS

415 Ohio Street
Helena-West Helena
Arkansas, 72342

Phone: 870.753.9035
Fax: 870.753.9440

www.kippdelta.org

May 12, 2016

Justin Ladd
USDA Rural Development
3407 S. Caraway Rd. Suite 3
Jonesboro, AR 72404

Dear Mr. Ladd,

Re: Arkansas Department of Education Approval Process

In March of 2013, KIPP Delta's charter was renewed for a 10 year period. KIPP Delta will seek renewal of its charter by June 30th, 2023. KIPP Delta has permission to operate a K-12 campus in Helena, a 3-12 campus in Blytheville, and a 5-8 campus in Forrest City. Attached please find a letter from the Arkansas Department of Education detailing our current status.

KIPP Delta occasionally requests permission from the State Board of Education to amend our charter to add grades, reconfigure grade-spans, or establish new campuses. We also periodically seek permission from the Commissioner of Education to incur long-term debt. KIPP Delta has received State Board and/or Commissioner of Education approval on 100% of our requests. The following is a brief summary of our current and future approval processes.

In February of this year, KIPP Delta sought and gained approval to establish a new campus at the Central facility location as well as reconfigure the grade-span of our two Blytheville schools.

Upon receipt of an offer of finance from the USDA, KIPP Delta will seek permission from the Commissioner of Education to incur the debt associated with each of the projects we are seeking financing for. Our request to incur debt will include the terms as detailed in the offer of finance as well as a copy of the financial feasibility study. The Commissioner of Education will have 30 days to approve or request additional information.

Final loan document must contain the following language: *No indebtedness of any kind incurred or created by the open-enrollment public charter school shall constitute an indebtedness of the state or its political subdivisions, and no indebtedness of the open-enrollment public charter school shall involve or be secured by the faith, credit, or taxing power of the state or its political subdivisions.*

**KIPP DELTA
COMMUNITIES**

HELENA-WEST
HELENA

BLYTHEVILLE

FORREST CITY

We also anticipate the following amendment requests:

- October 2016 – To establish a new campus at the Beech Crest facility.
- February 2017 - To add grades K-2 in Blytheville.
- February 2019 - To add grades 9-12 in Forrest City.

A Charter Amendment Request includes a written application and a formal presentation to the Charter Authorizing Panel. Following the Charter Authorizing Panel's decision, the State Board of Education will review and either ratifies the decision or request additional information to inform their decision.

Our application and presentation will include:

- Financial Data
- Demographic Data
- Student Performance Data
- Maps detailing current and proposed facilities
- A desegregation analysis confirming that we will continue to comply with all applicable federal and state requirements regarding the creation and maintenance of desegregated schools.

A copy of the current amendment request form is attached.

I hope this letter serves to clarify the Arkansas Department of Education's charter amendment process.

Sincerely,



Scott Shirey
Executive Director
KIPP Delta Public Schools



ARKANSAS DEPARTMENT OF EDUCATION

Johnny Key
Commissioner

February 10, 2016

**State Board
of Education**

Toyce Newton
Crossett
Chair

Mireya Reith
Fayetteville
Vice Chair

Dr. Jay Barth
Little Rock

Joe Black
Newport

Susan Chambers
Bella Vista

Charisse Dean
Little Rock

Vicki Saviers
Little Rock

R. Brett Williamson
El Dorado

Diane Zook
Melbourne

To Whom It May Concern:

The Arkansas State Board of Education approved KIPP Delta Public Schools to operate a charter school serving students in grades 5-8 in March of 2002 in Helena-West Helena. The campus is now approved to serve students in grades K-12 with a maximum enrollment of 1100.

The Arkansas State Board of Education approved the amendment request in November of 2009 for KIPP Delta Public Schools to add a Blytheville campus. The campus is now approved to serve students in grades 3-12 with a maximum enrollment of 810.

The Arkansas State Board of Education approved the amendment request in November of 2014 for KIPP Delta Public Schools to add a Forrest City campus. The campus is now approved to serve students in grades 5-8 with a maximum enrollment of 400.

In March of 2013, the Arkansas State Board of Education renewed the charter for the KIPP Delta Public Schools for 10 years. That charter will expire on June 30, 2023 provided no other action is taken by the Charter Authorizing Panel or the Arkansas State Board of Education prior to that date.

Let me know if you have any questions. I can be reached by phone at (501) 682-5665 or by email at alexandra.boyd@arkansas.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Alexandra Boyd".

Alexandra Boyd, Director
Charter Schools

Four Capitol Mall
Little Rock, AR
72201-1019
(501) 682-4475
ArkansasEd.gov



ARKANSAS DEPARTMENT OF EDUCATION

CHARTER AMENDMENT REQUEST FORM

Instructions

The Charter Amendment Request Form, with any additional documentation pertaining to the amendment request, must be received, via email, at the Arkansas Department of Education at least 35 days prior to the meeting of the Charter Authorizing Panel.

Documentation to be included with **all amendment requests**:

- Budget projections that include the costs associated with the amendment request and demonstrate that the approval of the request will not place an undue financial burden on the charter
- Current Year to Date Enrollment by Race and Grade
- Current Year to Date Percent free and Reduced Lunch

Additional documentation for requests to **add a campus** or **relocate an existing campus**:

- Map of present location
- Map of proposed location
- Signed Facilities Utilization Agreement
- Desegregation Analysis

Additional documentation for requests to **increase enrollment cap** and/or **change grade levels served**:

- Desegregation Analysis

Amendment requests by open-enrollment charter schools must include the superintendent of the school district in which the charter is located as a recipient of the email sent to the Arkansas Department of Education.

To complete and submit the Charter Amendment Request Form, fill in the applicable areas on the form, checking the box(es) of the amendment(s) requested. When finished, print the form to PDF or print to paper and scan as a PDF. The instruction page and any unchecked boxes will not print, leaving only the necessary information. Attach all backup documents to the amendment form and submit as a single PDF packet to the Charter Office at the following email address:

ADE.CharterSchools@arkansas.gov

CHARTER FOR OPEN-ENROLLMENT SCHOOL

WHEREAS, KIPP Delta, Inc. (hereinafter "Petitioner") has petitioned the Arkansas State Board of Education (hereinafter "State Board") to operate KIPP Delta Public Schools, grade levels K-12 with a maximum enrollment of 1,550 students, to be located in the Helena-West Helena School District of Phillips County, as an Open-Enrollment Public Charter School, said petition being attached hereto as Exhibit A and incorporated herein by reference; and

WHEREAS, Petitioner has also petitioned the State Board for a license to operate a campus serving grade levels 3-8 with a maximum enrollment of 450 students, to be located in the Blytheville School District of Mississippi County; and

WHEREAS, the State Board has determined that the petition meets the requirements set forth in the Arkansas Charter Schools Act of 1999, codified at Ark. Code Ann. § 6-23-101 et seq.; and

WHEREAS, Petitioner and State Board agree that all duties and operation of the charter school will be performed pursuant to the terms and conditions detailed in the charter petition attached as Exhibit A, the Arkansas Charter Schools Act of 1999, the Arkansas Department of Education Rules Governing Public Charter Schools, and the legal comments attached to this Charter as Exhibit B and incorporated herein by reference;

NOW THEREFORE, pursuant to the Arkansas Charter Schools Act of 1999, the State Board grants this charter to Petitioner for a period of ten (10) years, to expire on the 30th day of June 2023, to permit Petitioner to operate in accordance with the terms of this Charter. Modification and termination of this charter shall be in accordance with the Arkansas Charter Schools Act of 1999 and the Arkansas Department of Education Rules Governing Public Charter Schools. Continuation and renewal of this charter is contingent on acceptable student performance on assessment instruments adopted by the State Board and in compliance with accountability provisions specified in the Arkansas Charter Schools Act of 1999 and the Arkansas Department of Education Rules Governing Public Charter Schools.

ASSURANCES. Petitioner assures that the charter school will operate in accordance with the United States Constitution, the Constitution of the State of Arkansas and federal and state law, except for the exemptions granted by this charter. Petitioner also assures that its student admission policy will not discriminate on the basis of sex, national origin, race, ethnicity, religion, disability, or academic or athletic eligibility. Petitioner also assures that it will not discriminate on the basis of race, sex, national origin, ethnicity, religion, age, or disability in employment decisions including hiring and retention of administrators, teachers and other employees whose salaries or benefits are derived from any public moneys.

RECEIVED
APR 01 2013

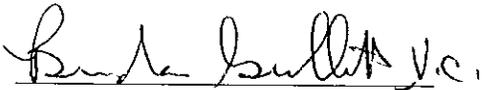
CHARTER SCHOOL OFFICE

SEVERABILITY. If any provision of this charter is determined to be unenforceable or invalid for any reason, the remainder of this Charter shall remain in effect, unless otherwise terminated by one or all parties in accordance with the terms contained herein.

This charter shall be interpreted in accordance with the Arkansas Charter Schools Act of 1999, and the Arkansas Department of Education Rules Governing Public Charter Schools. Any reference to the Arkansas Charter Schools Act of 1999 and the Arkansas Department of Education Rules Governing Public Charter Schools will also include any subsequent amendments to either the Act or the Rules and Regulations.

Approved by the Arkansas State Board of Education on March 11, 2013, and executed by the Chair of the Arkansas State Board of Education and the Charter Holder on the dates set forth below.

Arkansas State Board of Education



Jim Cooper, Chair

Charter Holder:



Chief Operating Officer

Date of Signature:

Date of Signature:

3/25/13
