

**KIPP ENDEAVOR ACADEMY
KANSAS CITY, MISSOURI**

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2010

**KIPP ENDEAVOR ACADEMY
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INDEPENDENT AUDITORS' REPORT

To the Governing Board
KIPP Endeavor Academy

We have audited the accompanying statement of financial position of KIPP Endeavor Academy (a nonprofit organization) as of June 30, 2010 and the related statements of activities and cash flows for the year ended June 30, 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Endeavor Academy as of June 30, 2010 and the change in its net assets and its cash flows for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information presented on pages 8 through 16, is presented for purposes of complying with the requirements of the Missouri Department of Elementary and Secondary Education and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



November 3, 2010

KIPP ENDEAVOR ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Cash and cash equivalents	\$ 847,840
Federal funds receivable	26,019
Prepaid insurance	8,847
Property and equipment, net	<u>70,543</u>
 Total Assets	 <u><u>\$ 953,249</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 62,844
Advance from government	<u>62,638</u>
 Total liabilities	 <u>125,482</u>
 Net Assets:	
Unrestricted	794,324
Temporarily restricted	<u>33,443</u>
 Total Net Assets	 <u>827,767</u>
 Total Liabilities and Net Assets	 <u><u>\$ 953,249</u></u>

See accompanying notes.

**KIPP ENDEAVOR ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS:			
Local	\$ 448,491	\$ -	\$ 448,491
State	1,331,576	106,000	1,437,576
Federal	366,814	-	366,814
Net assets released from restrictions	<u>72,557</u>	<u>(72,557)</u>	<u>-</u>
 Total support, revenue and reclassifications	 <u>2,219,438</u>	 <u>33,443</u>	 <u>2,252,881</u>
 EXPENSES:			
Instruction	934,182	-	934,182
Student services	4,620	-	4,620
Instructional staff support	34,947	-	34,947
General administration and central services	205,756	-	205,756
Building administration	313,885	-	313,885
Operation of plant	317,283	-	317,283
Transportation	222,256	-	222,256
Food service	<u>103,544</u>	<u>-</u>	<u>103,544</u>
 Total expenses	 <u>2,136,473</u>	 <u>-</u>	 <u>2,136,473</u>
 Change in Net Assets	 82,965	 33,443	 116,408
 Net assets, beginning	 <u>711,359</u>	 <u>-</u>	 <u>711,359</u>
 Net assets, ending	 <u>\$ 794,324</u>	 <u>\$ 33,443</u>	 <u>\$ 827,767</u>

See accompanying notes.

**KIPP ENDEAVOR ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 116,408
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	19,076
(Increase) decrease in:	
Federal funds receivable	65,460
Prepaid insurance	(8,847)
Accounts receivable, net	11,186
Increase (decrease) in:	
Accounts payable	62,844
Payroll liabilities	(2,109)
Advance from government	<u>16,261</u>
 Cash provided by operating activities	 <u>280,279</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(2,611)</u>
 NET INCREASE IN CASH	 277,668
 CASH AND CASH EQUIVALENTS, beginning	 <u>570,172</u>
 CASH AND CASH EQUIVALENTS, ending	 <u>\$ 847,840</u>

See accompanying notes.

KIPP ENDEAVOR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - BUSINESS ACTIVITY

The KIPP Endeavor Academy, (the School), was incorporated as KIPP Kansas City in October 2006. Actual operations of the School began May 23, 2007. KIPP Kansas City is a not-for-profit corporation whose purpose is to operate one or more public charter schools in accordance with the KIPP educational model in the State of Missouri. The School is governed by Senate Bill No. 781 of the 89th General Assembly of the Missouri legislature and is sponsored by The Junior College District of Metropolitan Kansas City, Missouri. The School is exempt from most Missouri laws and statutes governing educational institutions. The School's charter provides for the education of students in fifth through eighth grades.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: For purposes of the statement of cash flows, the School considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Recognition of Donor Restrictions: Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Federal Funds Receivable: The receivable is due from federal agencies and is considered fully collectible. Accordingly, no allowance for doubtful accounts is required. If accounts become uncollectible, they are charged to operations when that determination is made.

Property and Equipment: All property and equipment are valued at historical cost. A capitalization threshold of \$1,000 is used to report capital assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Furniture and fixtures	7 years
Equipment	5 years

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: The School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Subsequent Events: The School has evaluated subsequent events through November 3, 2010, the date which the financial statements were available to be issued.

KIPP ENDEAVOR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE C - CASH AND CASH EQUIVALENTS

State statutes do not require that the Charter School's deposits be collateralized. At June 30, 2010, the bank balances of the School's deposits totaled \$877,590. Of this amount \$26,663 was covered by FDIC insurance and \$850,927 was invested in securities issued or guaranteed by the U.S. Government and its agencies.

NOTE D - RETIREMENT PLAN

The School contributes to The Public School Retirement System of the School District of Kansas City, Missouri a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the Kansas City, Missouri Public School District, the Kansas City Public Library, and the Public School Retirement System. The Retirement System provides service and disability retirement benefits to full-time employees and optional benefits to members' beneficiaries. Positions covered by The Retirement System are also covered by Social Security. The Retirement System is administered by a twelve member Board of Trustees. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of the School District of Kansas City, Missouri, 324 E. 11th St., Kansas City, Missouri, 64106, or by calling 1-816-472-5800.

The Retirement System members are required to contribute 7.5% of their annual covered salary and the School is required to contribute a matching amount. The contribution requirements of members and the School are established, and may be amended, by the Board of Trustees. The School's required contributions to the System for the years ended June 30, 2010, 2009, and 2008 were \$59,057, \$39,137, and \$25,417 respectively, equal to the required contributions.

NOTE E - LEASE/RELATED PARTY

On July 1, 2007, the School entered into a building facility lease agreement with The Junior College District of Metropolitan Kansas City, the School's charter sponsor. Rent expense for the year ended June 30, 2010 was \$255,494.

NOTE F - INSURANCE

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. KIPP Endeavor Academy maintains commercial insurance to protect the School from such risks.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2010, temporarily restricted net assets were \$33,443. This amount is restricted to be used for salaries for two teachers and a recruitment director.

NOTE H - FUND-RAISING EXPENSE

Total fund-raising expense for the year ended June 30, 2010 was \$33,392. Fund-raising expenses related to the solicitation of contributions, gifts, and grants.

KIPP ENDEAVOR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE I - ADVANCE FROM GOVERNMENT

Advance from government at June 30, 2010 consist of the following:

Basic formula - state	\$	52,351
Federal programs - Part B Special Education		<u>10,287</u>
	\$	<u><u>62,638</u></u>

NOTE J - PROPERTY AND EQUIPMENT

Furniture and fixtures	\$	11,050
Equipment		<u>87,490</u>
		98,540
Accumulated depreciation		<u>(27,997)</u>
	\$	<u><u>70,543</u></u>

Depreciation expense for the year ended June 30, 2010 was \$19,076. The depreciation expense was allocated to the related programs, food service \$2,377, instruction \$12,203 and general and administrative \$4,496.

NOTE K - OPERATING LEASE

On September 4, 2007, the School entered into an operating lease agreement for copier equipment. On September 29, 2009, the School entered into an additional operating lease agreement for two copiers. On October 30, 2009, the School bought out the original copier lease. Lease expense for the year ended June 30, 2010 was \$11,939. The new lease is payable in monthly installments of \$1,035.

The required future minimum lease payments on the non-cancelable lease are as follows:

Year ending June 30,	
2011	\$ 12,420
2012	12,420
2013	12,420
2014	12,420
2015	<u>6,210</u>
	<u><u>\$ 55,890</u></u>

SUPPLEMENTARY INFORMATION

KIPP ENDEAVOR ACADEMY
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS				
Cash and cash equivalents	\$ 792,379	\$ -	\$ 55,461	\$ 847,840
Federal funds receivable	26,019	-	-	26,019
Prepaid insurance	8,847	-	-	8,847
Total assets	<u>\$ 827,245</u>	<u>\$ -</u>	<u>\$ 55,461</u>	<u>\$ 882,706</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 62,844	\$ -	\$ -	\$ 62,844
Advance from government	<u>62,638</u>	<u>-</u>	<u>-</u>	<u>62,638</u>
Total liabilities	125,482	-	-	125,482
Fund Balances:				
Unreserved	<u>701,763</u>	<u>-</u>	<u>55,461</u>	<u>757,224</u>
Total liabilities and fund balances	<u>\$ 827,245</u>	<u>\$ -</u>	<u>\$ 55,461</u>	<u>\$ 882,706</u>

KIPP ENDEAVOR ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

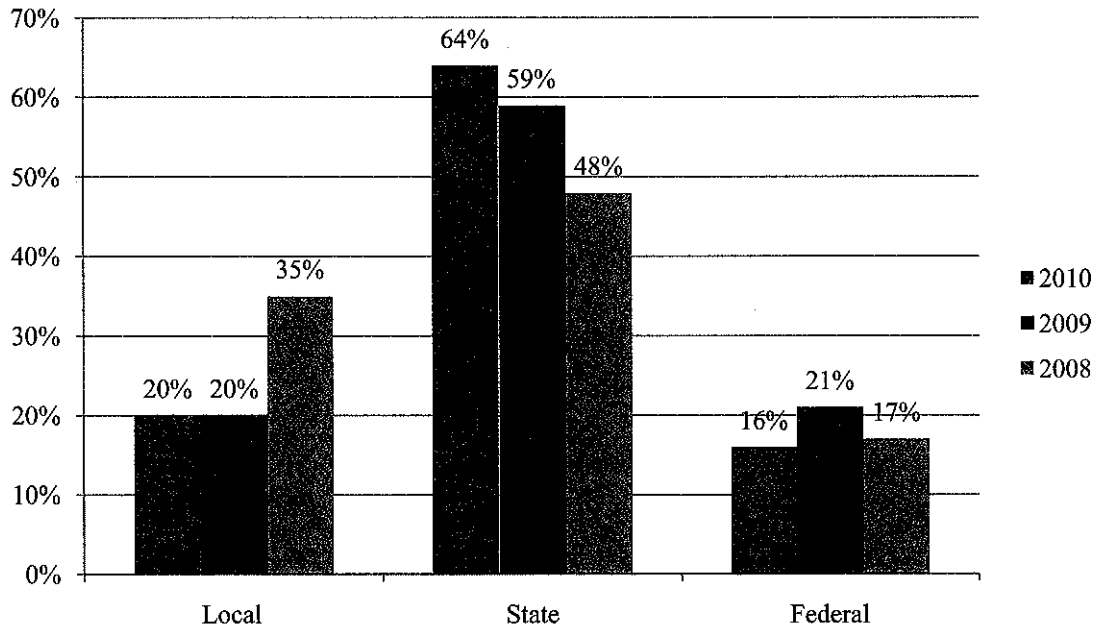
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
REVENUES:				
Local	\$ 412,901	\$ 35,590	\$ -	\$ 448,491
State	817,302	620,274	-	1,437,576
Federal	<u>283,043</u>	<u>-</u>	<u>83,771</u>	<u>366,814</u>
Total Revenues	<u>1,513,246</u>	<u>655,864</u>	<u>83,771</u>	<u>2,252,881</u>
EXPENDITURES:				
Instruction	175,591	655,864	90,524	921,979
Student services	4,620	-	-	4,620
Instructional staff support	33,288	-	1,659	34,947
General administration and central services	203,871	-	-	203,871
Building administration	311,160	-	2,725	313,885
Operation of plant	317,283	-	-	317,283
Transportation	222,256	-	-	222,256
Food service	<u>101,167</u>	<u>-</u>	<u>-</u>	<u>101,167</u>
Total Expenditures	<u>1,369,236</u>	<u>655,864</u>	<u>94,908</u>	<u>2,120,008</u>
Revenues Over (Under) Expenditures	144,010	-	(11,137)	132,873
Other Financing Sources (Uses):				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	144,010	-	(11,137)	132,873
Fund balance, beginning	<u>557,753</u>	<u>-</u>	<u>66,598</u>	<u>624,351</u>
Fund balance, ending	<u>\$ 701,763</u>	<u>\$ -</u>	<u>\$ 55,461</u>	<u>\$ 757,224</u>

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF REVENUES BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
LOCAL:				
Sales tax	\$ 59,317	\$ 35,590	\$ -	\$ 94,907
Earnings on investments	1,140	-	-	1,140
Food service	7,060	-	-	7,060
Student activities	4,070	-	-	4,070
Grants and donations	311,921	-	-	311,921
Other local	29,393	-	-	29,393
Total Local	<u>412,901</u>	<u>35,590</u>	<u>-</u>	<u>448,491</u>
STATE:				
Basic formula	744,335	620,274	-	1,364,609
Transportation	33,432	-	-	33,432
Basic formula - classroom trust fund	39,197	-	-	39,197
Food service	338	-	-	338
Total State	<u>817,302</u>	<u>620,274</u>	<u>-</u>	<u>1,437,576</u>
FEDERAL:				
Food service	92,887	-	-	92,887
Title I	10,541	-	-	10,541
Title II A	1,983	-	-	1,983
Title II D	525	-	-	525
Title II D - ARRA	1,659	-	-	1,659
Title IV	809	-	-	809
Individuals with Disabilities	1,129	-	-	1,129
Individuals with Disabilities - ARRA	11,809	-	-	11,809
Transportation - ARRA	3,433	-	-	3,433
Basic formula - stabilization funds	77,287	-	-	77,287
Public Charter Schools Program	80,981	-	83,771	164,752
Total Federal	<u>283,043</u>	<u>-</u>	<u>83,771</u>	<u>366,814</u>
 Total Revenues	 <u>\$ 1,513,246</u>	 <u>\$ 655,864</u>	 <u>\$ 83,771</u>	 <u>\$ 2,252,881</u>

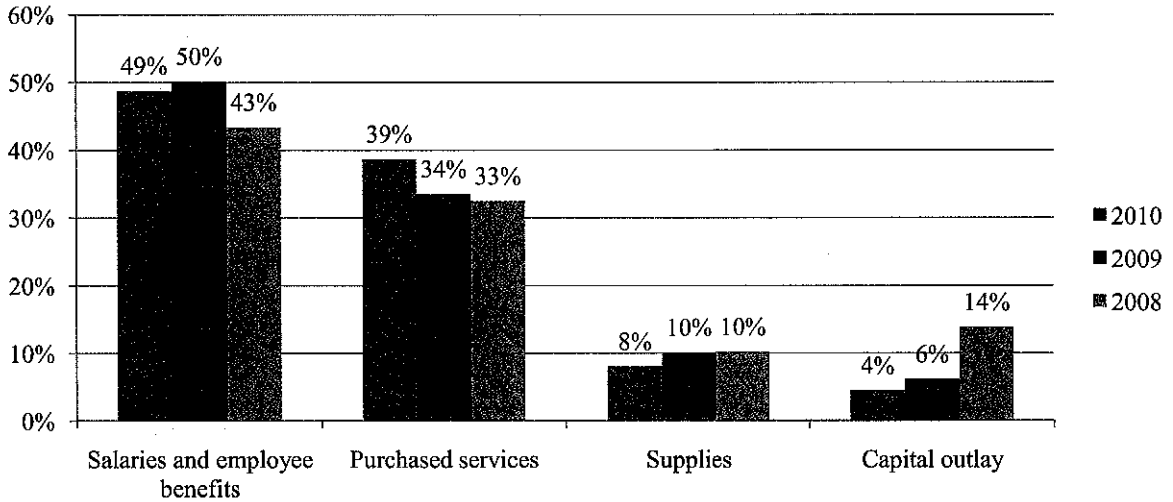
**KIPP ENDEAVOR ACADEMY
COMPARISON OF REVENUES COLLECTED BY SOURCE
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Local	\$ 448,491	\$ 333,363	\$ 489,632
State	1,437,576	1,015,656	658,577
Federal	<u>366,814</u>	<u>361,084</u>	<u>232,834</u>
	<u>\$ 2,252,881</u>	<u>\$ 1,710,103</u>	<u>\$ 1,381,043</u>



**KIPP ENDEAVOR ACADEMY
SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	2010 TOTALS	2009 TOTALS	2008 TOTALS
Salaries	\$ 306,292	\$ 519,986	\$ -	\$ 826,278	550,017	376,628.00
Employee benefits	72,064	135,877	-	207,941	145,218	92,712.00
Purchased services	820,410	-	-	820,410	464,439	351,565.00
Supplies	170,470	-	-	170,470	140,245	110,407.00
Capital outlay	-	-	94,908	94,908	85,460	150,104.00
	<u>\$ 1,369,236</u>	<u>\$ 655,863</u>	<u>\$ 94,908</u>	<u>\$ 2,120,007</u>	<u>\$ 1,385,379</u>	<u>\$ 1,081,416</u>



**KIPP ENDEAVOR ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2010**

Type of audit performed: Yellow Book X

1. CALENDAR (Sections 160.041 and 171.031, RSMo)

- A. The number of hours classes were in session and pupils were under the direction of teachers during the year was 1,213.00.
- B. The number of days classes were in session and pupils were under the direction of teachers during the year was 175 days.

2. AVERAGE DAILY ATTENDANCE (ADA)

Grade 5	56.29
Grade 6	57.32
Grade 7	38.80
Summer School	12.41
Total Regular Term Plus Summer School ADA	164.82

3. SEPTEMBER MEMBERSHIP

September Membership FTE count	170.00
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4. FREE AND REDUCED PRICED LUNCH FTE COUNT (Section 163.011(6), RSMo)

State FTE Total		120.00
	Free	120.00
	Reduced	20.00

5. FINANCE

- A. A bond and or insurance policy as required by Section 160.405, RSMo. has not been purchased by the School.
- B. The School's deposits were secured during the year as required by Section 110.010 and 110.020, RSMo. True
- C. The School maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo. N/A
- D. The School issued the following type(s) of general obligation refunding bonds in the current year.

	Current: N/A
	Advanced Defeased: N/A
	Advanced-Crossover: N/A
- E. The School has appropriately included all current and prior year crossover refunding bonds in the financial statements. N/A
- F. The School is not required to participate in professional development activities.

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2010**

5. FINANCE (continued)

- G. The School did not use state funded grant monies to supplant existing salaries. True
- H. Salaries reported for educators in the October Core Data Cycle are supported by payroll/contract records. True
- I. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. N/A
- J. The School took action prior to October 31 to cause the current year audit to be performed. True
- K. The School published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. True

6. TRANSPORTATION (Section 163.161, RSMo)

- A. The pupil transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True
- B. The School's transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported. True
- C. Based on ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:

Eligible	157.50
Ineligible	0.00
- D. The School's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year. True
- E. Actual odometer records show the total district-operated and contracted mileage for the year was: 101,430

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:

Eligible Miles	94,275
Ineligible Miles (Non-Route/Disapproved)	7,155
- F. Number of days the school operated the school transportation system during the regular school year: 175

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2010**

7. MISSOURI SCHOOL IMPROVEMENT PROGRAM (MSIP)

The School has made representation regarding the following:

- A. The School has adequate procedures that allow for the proper recording and reporting of hours of absence. N/A
- B. The School has adequate procedures that allow for the identification and recording of dropouts as defined in the Core Data Manual (Exhibit 6) and the subsequent reporting of those students to the Adult Literacy Hotline and on the June Cycle of Core data. N/A
- C. The School has a set of adequate procedures for following up on the College and Vocational Placement of all of the previous years' graduates 180 days after graduation. N/A
- D. The School has a set of procedures that ensures advanced courses and career courses (approved by the state) are properly identified and reported according to Core Data standards. N/A

INTERNAL CONTROL AND COMPLIANCE

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

To the Governing Board
KIPP Endeavor Academy

We have audited the financial statements of KIPP Endeavor Academy for the year ended June 30, 2010 and have issued our report thereon dated November 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A material weakness is a control deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

FINANCIAL ACCOUNTING AND REPORTING - Statement on Auditing Standards 115, which is effective for audits of periods ending on or after December 15, 2009, require auditors to communicate control deficiencies whereby material misstatements will not be prevented, or detected and corrected, by the School's internal control.

Under SAS 115, the auditor cannot be part of the School's internal control, nor can any audit procedure be considered a compensating control. In prior years, material misstatements have often been identified by auditors during the audit process, and the resulting adjustments were then accepted and posted by the auditee. The auditors then rendered an opinion on the materially correct financial statements.

The new audit regulations require that material misstatements in the financial statements for the period under audit should be identified by the School's internal control and not by the auditor. Therefore, the School will need to have management and accounting employees with expertise in financial accounting and reporting. These employees should possess qualifications and training to be able to prepare materially correct financial statements and disclosures in conformity with the comprehensive basis of accounting used by the School. If financial statements are prepared by the auditors or other outside source, then the School must be able to detect any omission of material disclosure or material misstatement of account.

We noted that the School does not have the expertise in financial accounting and reporting as required under SAS 115. Internal controls should be designed to prevent, detect and correct misstatements in financial accounting and reporting. The lack of controls could allow misstatements in the financial statements to occur and go undetected.

In order to remove this material weakness in the School's internal control, the School would need to hire an accounting firm independent of the auditing process; however, costs would exceed benefits. The School would incur costs for the accounting firm to prepare materially correct financial statements and disclosures. The only benefit of this action would be to remove this comment from the report as the independent audit process will ultimately result in materially correct financial statements.

Response: We do not believe it is cost beneficial to hire additional personnel or out source this work in order to mitigate this condition. Further, we see no benefit of this action other than the removal of this comment from this report.

SEGREGATION OF DUTIES - During our audit, we noted that the Director of Finance's duties include setting up new employees in the computer system, inputting payroll information, processing direct deposit payroll authorizations, processing accounts payable checks and reconciling bank accounts. The assignment of these duties to the same person does not provide adequate control, since the person preparing the payroll data and executing payments to employees also prepares the bank reconciliation. Fraud or errors could occur and go undetected.

Response: The School has indicated that with limited office personnel, proper segregation of duties is difficult to achieve. However, the School will continue to review procedures and make changes in an effort to mitigate the related risk.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the Board in a separate letter dated November 3, 2010.

The School's responses to the findings identified in our audit are described above. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governing Board, administration, The Junior College District of Metropolitan Kansas City, Missouri and the Missouri Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

November 3, 2010

**REPORT ON THE ADMINISTRATION'S ASSERTIONS
ABOUT COMPLIANCE WITH SPECIFIED
REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS**

To the Governing Board
KIPP Endeavor Academy

We have audited the administration's assertions, included in its representation letter dated November 3, 2010, that KIPP Endeavor Academy complied with the requirements of Missouri Laws and Regulations regarding the operation of a charter school; accurate disclosure by the School's attendance records of average daily attendance, resident membership on the last Wednesday of September, 2009 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2010. As discussed in that representation letter, the administration is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the administration's assertions about the School's compliance based on our audit.

Our audit was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining evidence supporting compliance with the specified laws and regulations and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the School's compliance with specified requirements.

In our opinion, the administration's assertions that the School complied with the aforementioned requirements for the year ended June 30, 2010, are fairly stated in all material respects.

We noted immaterial instances of non-compliance with the aforementioned requirements that we have reported to the administration of the School in the accompanying Schedule of State Findings.

This report is intended solely for the information and use of the Board of Directors, administration, The Junior College District of Metropolitan Kansas City, Missouri and the Missouri Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

November 3, 2010

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

ATTENDANCE

During our audit, we noted that the School's year end attendance information that is uploaded through MOSIS did not agree to the information in the School's attendance software. As a result of our audit, the School has resolved the discrepancies and uploaded the correct information through MOSIS which reports the year end attendance figures to the Department of Elementary and Secondary Education.

During our audit, we also noted the School's manual calendar did not agree to the calendar uploaded on Core Data. As a result of our audit, the School has corrected Core Data.

TRANSPORTATION

During our audit, we noted that the pupils transported eligible for state aid were understated and the number of days the transportation system operated was overstated on the Application for State Transportation Aid. As a result of our audit, the Application for State Transportation Aid has been corrected.

CERTIFIED INSTRUCTIONAL STAFF

Section 160.420 RSMo requires the School to employ at least eighty percent certificated instructional staff. We noted that based on instructional staff information submitted to the State, the School did not comply with this statute at June 30, 2010.

INSURANCE POLICY

The Missouri Revised Statutes, Section 160.405, requires the chief financial officer of a charter school to maintain a surety bond in an amount determined by the sponsor to be adequate based on the cash flow of the school or an insurance policy on all employees in the amount of \$500,000 or more that provides coverage in the event of employee theft. We recommend the School purchase a surety bond or insurance policy as soon as possible to comply with the statute.

REVENUE ALLOCATION

During our audit, we noted that the School did not allocate the proper amount of Proposition C Sales Tax revenue to the Special Revenue Fund as required by RSMo 164.013. State statutes require that 75% of 50% of the Proposition C Sales Tax revenue be placed in the Special Revenue Fund. As a result of our audit, the School reclassified \$35,950 from the General Fund to the Special Revenue Fund.