

**KIPP ENDEAVOR ACADEMY
KANSAS CITY, MISSOURI**

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

FOR THE YEAR ENDED JUNE 30, 2014

**KIPP ENDEAVOR ACADEMY
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INDEPENDENT AUDITORS' REPORT

To the Governing Board
KIPP Endeavor Academy

We have audited the accompanying financial statements of KIPP Endeavor Academy (a nonprofit organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the School's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Westbrook & Co., P.C." The signature is written in a cursive, flowing style.

Richmond, Missouri
November 5, 2014

KIPP ENDEAVOR ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Cash and cash equivalents	\$ 436,436
Accounts receivable, net	68,226
Prepaid insurance	2,365
Property and equipment, net	<u>16,966</u>
 Total Assets	 <u><u>\$ 523,993</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 24,845
Payroll liabilities	26,174
Advance from government	<u>26,951</u>
 Total liabilities	 <u>77,970</u>
 Net Assets:	
Unrestricted	407,528
Temporarily restricted	<u>38,495</u>
 Total Net Assets	 <u>446,023</u>
 Total Liabilities and Net Assets	 <u><u>\$ 523,993</u></u>

See accompanying notes.

**KIPP ENDEAVOR ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Government grants	\$ 3,411,123	\$ -	\$ 3,411,123
Contributions and grants	276,615	85,000	361,615
Fees and services	9,349	-	9,349
Investment income	33	-	33
Other revenue	<u>3,595</u>	<u>-</u>	<u>3,595</u>
Total revenue	3,700,715	85,000	3,785,715
Net assets released from restrictions	<u>46,505</u>	<u>(46,505)</u>	<u>-</u>
Total revenues and reclassifications	<u>3,747,220</u>	<u>38,495</u>	<u>3,785,715</u>
EXPENSES:			
Instruction	1,774,198	-	1,774,198
Student services	69,132	-	69,132
Instructional staff support	95,025	-	95,025
General administration and central services	339,655	-	339,655
Building administration	413,297	-	413,297
Operation of plant	517,112	-	517,112
Transportation	304,317	-	304,317
Food service	<u>178,085</u>	<u>-</u>	<u>178,085</u>
Total expenses	<u>3,690,821</u>	<u>-</u>	<u>3,690,821</u>
Change in net assets	56,399	38,495	94,894
Net assets, beginning	<u>351,129</u>	<u>-</u>	<u>351,129</u>
Net assets, ending	<u>\$ 407,528</u>	<u>\$ 38,495</u>	<u>\$ 446,023</u>

See accompanying notes.

**KIPP ENDEAVOR ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 94,894
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	19,137
(Increase) decrease in:	
Accounts receivable	55,974
Prepaid insurance	(967)
Increase (decrease) in:	
Accounts payable	(22,885)
Payroll liabilities	16,664
Advance from government	<u>26,951</u>
 Net cash provided by operating activities	 189,768
 CASH AND CASH EQUIVALENTS, beginning	 <u>246,668</u>
 CASH AND CASH EQUIVALENTS, ending	 <u><u>\$ 436,436</u></u>

See accompanying notes.

KIPP ENDEAVOR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - BUSINESS ACTIVITY

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 was sponsored by Metropolitan Community Colleges until July 2013 when University Missouri - Columbia took over as their sponsor. 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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as unrestricted.

Accounts Receivable: Accounts receivable consists of amounts due from federal and state agencies and are considered fully collectible. Accordingly, no allowance for doubtful accounts is required.

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.

Subsequent Events: The School has evaluated subsequent events through November 5, 2014, the date which the financial statements were available to be issued.

KIPP ENDEAVOR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes: The School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law as charitable organizations whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to federal income tax. The School currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The School has adopted provisions of FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25). The School does not believe there are any material uncertain tax provisions and, accordingly, they will not recognize any liability for unrecorded tax benefits. For the year ended June 30, 2014, there were no interest or penalties recorded in the financial statements.

The School's Forms 990, Return on Organization Exempt from Income Taxes, for the years ended June 30, 2014, 2013, and 2012 are subject to IRS examinations, generally three years after they were filed.

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2014, the bank balances of the School's deposits totaled \$508,131. Of this amount \$28,131 was covered by FDIC insurance and \$480,000 was invested in securities issued or guaranteed by the U.S. Government and its agencies under a repurchase agreement.

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%, for July 1, 2013 through December 31, 2013 and 8.0% for January 1, 2014 through June 30, 2014, 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 contributions to the System for the year ended June 30, 2014 was \$122,745, equal to the required contributions.

NOTE E - OPERATING LEASE

On May 27, 2008, the School entered into a three-year building facility lease agreement with The Junior College District of Metropolitan Kansas City through June 30, 2011. On July 1, 2011, the agreement automatically renewed for three consecutive three-year terms. Under the lease, the School shall pay monthly \$11.04 per square foot of space used. This amount is adjusted each year by a percentage not to exceed the percentage increase reflected in the Consumer Price Index, All Urban Consumers, Kansas City, MO-KS as published by the U.S. Department of Labor. Rent expense for the year ended June 30, 2014 was \$445,366.

KIPP ENDEAVOR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 - PROPERTY AND EQUIPMENT

Furniture and fixtures	\$ 11,050
Equipment	<u>121,288</u>
	132,338
Accumulated depreciation	<u>(115,372)</u>
	<u>\$ 16,966</u>

Depreciation expense for the year ended June 30, 2014 was \$19,137 and was allocated to related programs as follows: food service \$1,579, instruction \$10,596 and general administration \$6,962.

NOTE H - OPERATING LEASE

On September 30, 2009, the School entered into a non-cancellable operating lease agreement for two copiers. The lease is payable in 63 monthly installments of \$1,035. Lease expense for the year ended June 30, 2014 was \$12,420. Remaining future minimum lease payments for the year ending June 30, 2015 are \$6,210.

SUPPLEMENTARY INFORMATION

KIPP ENDEAVOR ACADEMY
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ 428,866	\$ 7,570	\$ -	\$ 436,436
Federal funds receivable	68,226	-	-	68,226
Prepaid insurance	<u>2,365</u>	<u>-</u>	<u>-</u>	<u>2,365</u>
Total assets	<u>\$ 499,457</u>	<u>\$ 7,570</u>	<u>\$ -</u>	<u>\$ 507,027</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,845	\$ -	\$ -	\$ 24,845
Payroll liabilities	18,604	7,570	-	26,174
Advance from government	<u>26,951</u>	<u>-</u>	<u>-</u>	<u>26,951</u>
Total liabilities	70,400	7,570	-	77,970
Fund Balances:				
Unassigned	<u>429,057</u>	<u>-</u>	<u>-</u>	<u>429,057</u>
Total liabilities and fund balances	<u>\$ 499,457</u>	<u>\$ 7,570</u>	<u>\$ -</u>	<u>\$ 507,027</u>

KIPP ENDEAVOR ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

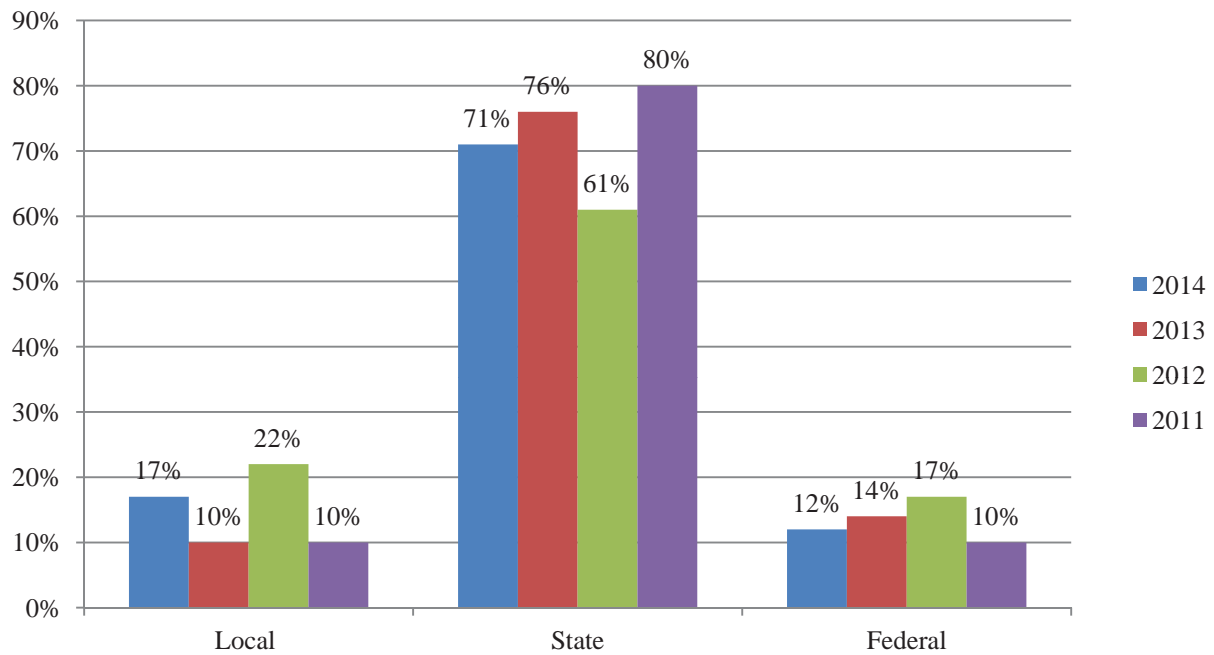
	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES:				
Local	\$ 536,626	\$ 97,220	\$ -	\$ 633,846
State	1,344,579	1,336,336	-	2,680,915
Federal	470,954	-	-	470,954
	<u>2,352,159</u>	<u>1,433,556</u>	<u>-</u>	<u>3,785,715</u>
Total Revenues				
EXPENDITURES:				
Instruction	330,046	1,433,556	-	1,763,602
Student services	69,132	-	-	69,132
Instructional staff support	95,025	-	-	95,025
General administration and central services	332,693	-	-	332,693
Building administration	413,297	-	-	413,297
Operation of plant	517,112	-	-	517,112
Transportation	304,317	-	-	304,317
Food service	176,506	-	-	176,506
	<u>2,238,128</u>	<u>1,433,556</u>	<u>-</u>	<u>3,671,684</u>
Total Expenditures				
Net change in fund balance	114,031	-	-	114,031
Fund balance, beginning	315,026	-	-	315,026
Fund balance, ending	<u>\$ 429,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,057</u>

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF REVENUES BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
LOCAL:				
Sales tax	\$ 162,034	\$ 97,220	\$ -	\$ 259,254
Earnings on investments	33	-	-	33
Food service	43	-	-	43
Student activities	9,306	-	-	9,306
Grants and donations	361,615	-	-	361,615
Other local revenue	<u>3,595</u>	<u>-</u>	<u>-</u>	<u>3,595</u>
Total Local	<u>536,626</u>	<u>97,220</u>	<u>-</u>	<u>633,846</u>
STATE:				
Basic formula	1,198,062	1,336,336	-	2,534,398
Transportation	51,758	-	-	51,758
Basic formula - classroom trust fund	93,482	-	-	93,482
Food service	<u>1,277</u>	<u>-</u>	<u>-</u>	<u>1,277</u>
Total State	<u>1,344,579</u>	<u>1,336,336</u>	<u>-</u>	<u>2,680,915</u>
FEDERAL:				
Food service	162,924	-	-	162,924
Title I	239,156	-	-	239,156
Title II A	26,420	-	-	26,420
Individuals with Disabilities	<u>42,454</u>	<u>-</u>	<u>-</u>	<u>42,454</u>
Total Federal	<u>470,954</u>	<u>-</u>	<u>-</u>	<u>470,954</u>
 Total Revenues	 <u>\$ 2,352,159</u>	 <u>\$ 1,433,556</u>	 <u>\$ -</u>	 <u>\$ 3,785,715</u>

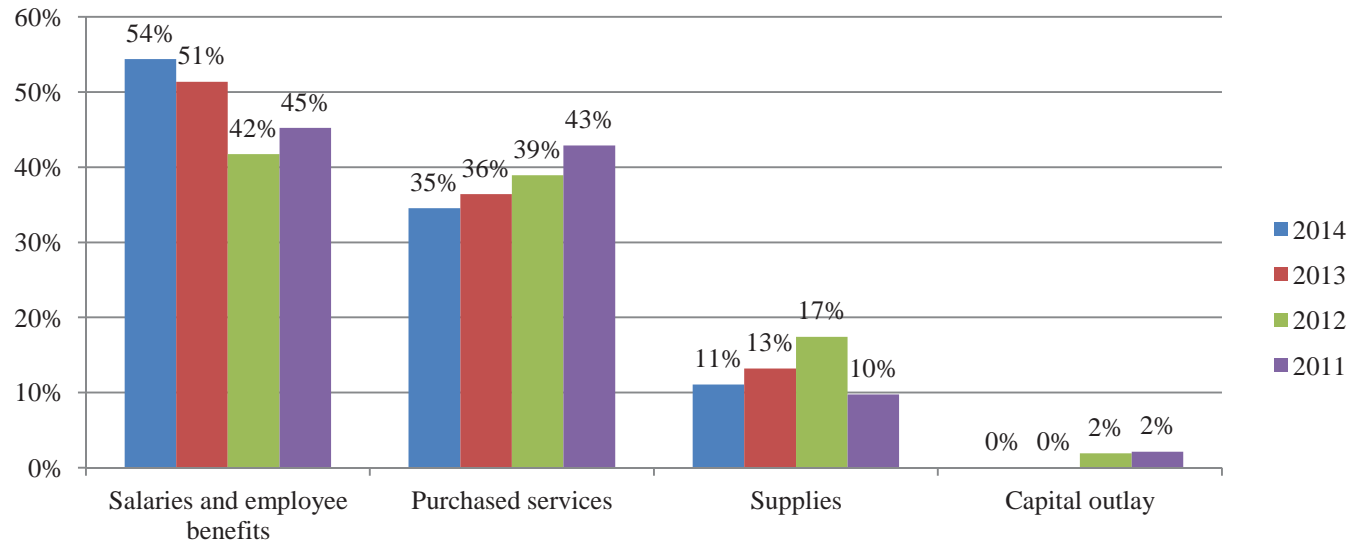
**KIPP ENDEAVOR ACADEMY
COMPARISON OF REVENUES BY SOURCE
FOR THE YEARS ENDED JUNE 30, 2014, 2013, 2012 AND 2011**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Local	\$ 633,846	\$ 330,513	\$ 606,798	\$ 269,556
State	2,680,915	2,449,266	1,629,532	2,126,669
Federal	<u>470,954</u>	<u>445,792</u>	<u>442,587</u>	<u>254,433</u>
	<u>\$ 3,785,715</u>	<u>\$ 3,225,571</u>	<u>\$ 2,678,917</u>	<u>\$ 2,650,658</u>



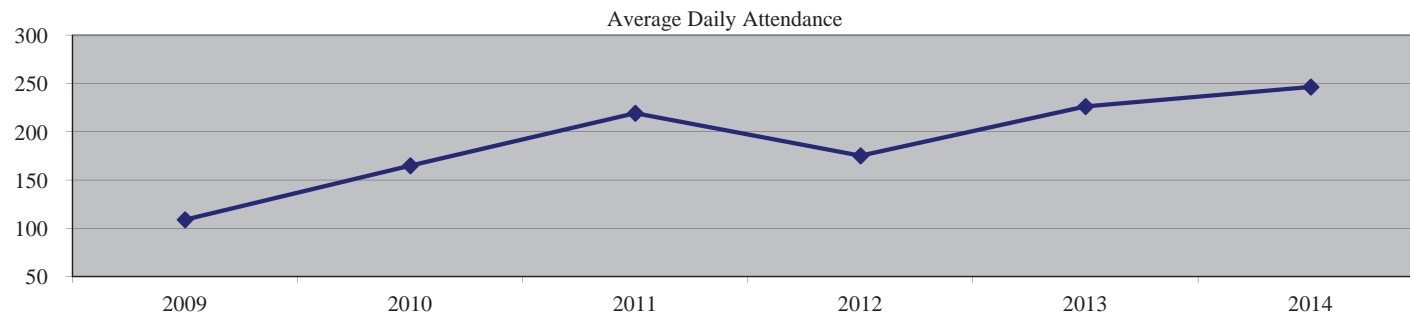
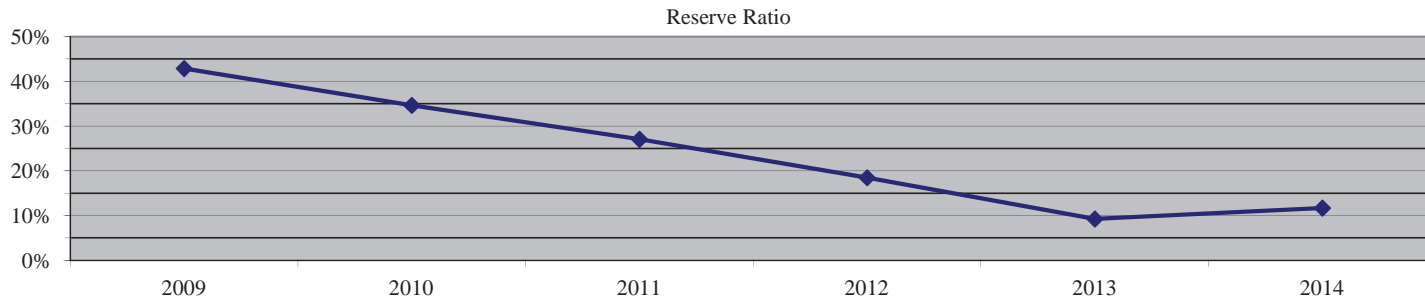
**KIPP ENDEAVOR ACADEMY
SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEARS ENDED JUNE 30, 2014, 2013, 2012 AND 2011**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	2014 TOTALS	2013 TOTALS	2012 TOTALS	2011 TOTALS
Salaries	\$ 431,221	\$ 1,193,667	\$ -	\$ 1,624,888	\$ 1,425,444	\$ 936,493	\$ 981,004
Employee benefits	131,637	239,889	-	371,526	331,953	239,117	231,834
Purchased services	1,268,631	-	-	1,268,631	1,211,180	1,095,874	1,150,417
Supplies	406,639	-	-	406,639	452,188	490,785	262,030
Capital outlay	-	-	-	-	-	53,978	57,168
	<u>\$ 2,238,128</u>	<u>\$ 1,433,556</u>	<u>\$ -</u>	<u>\$ 3,671,684</u>	<u>\$ 3,420,765</u>	<u>\$ 2,816,247</u>	<u>\$ 2,682,453</u>



**KIPP ENDEAVOR ACADEMY
SELECTED TRENDS
FOR THE YEARS ENDED JUNE 30, 2009 THROUGH 2014**

General and Special Revenue Funds	2009	2010	2011	2012	2013	2014
Total Fund Balances	\$ 557,753	\$ 701,763	\$ 709,912	\$ 510,220	\$ 315,026	\$ 429,057
Total Expenditures	\$ 1,299,919	\$ 2,025,100	\$ 2,625,285	\$ 2,762,270	\$ 3,420,765	\$ 3,671,684
Reserve ratio	42.91%	34.65%	27.04%	18.47%	9.21%	11.69%
Average daily attendance	108.94	164.82	219.24	175.12	226.00	246.33



**KIPP ENDEAVOR ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2014**

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 1,199.50.
- B. The number of days classes were in session and pupils were under the direction of teachers during the year was 181 days.

2. AVERAGE DAILY ATTENDANCE (ADA)

Grade 5	56.51
Grade 6	64.96
Grade 7	69.73
Grade 8	55.05
Remedial	0.08
Summer School	-
Total ADA	246.33

3. SEPTEMBER MEMBERSHIP

September Membership FTE count 260.00

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

State FTE Total	Free	247.00
	Reduced	11.00

5. FINANCE

- A. The School has obtained a surety bond or insurance policy as required by Section 160.405, RSMo. True
- 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. Salaries reported for educators in the October Core Data Cycle are supported by payroll/contract records. True
- E. 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
- F. 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

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2014**

5. **FINANCE** (continued)

G. The School has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. N/A

H. The amount spent for approved professional development committee plan activities was: N/A

6. **TRANSPORTATION** (Section 163.161, RMSo)

A. The School's 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	256.00
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 school-operated and contracted mileage for the year was: 62,961

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	61,415
Ineligible Miles (Non-Route/Disapproved)	1,546

F. Number of days the school operated the school transportation system during the regular school year: 181

INTERNAL CONTROL AND COMPLIANCE



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

To the Governing Board
KIPP Endeavor Academy

We have audited, 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, the financial statements of KIPP Endeavor Academy as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

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

School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Richmond, Missouri
November 5, 2014

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

MATERIAL WEAKNESS

2014-001 SEGREGATION OF DUTIES

Condition: The Director of Finance has the ability to setup new employees in the computer system, input payroll information, process direct deposit payroll authorizations, process accounts payable disbursements, maintain the general ledger and reconcile the bank accounts, and also performs the reporting function.

Criteria: Accounting duties should be segregated to provide for adequate internal control.

Cause: The School has not segregated accounting duties.

Effect: Inadequate controls could allow for errors, fraud or abuse to occur.

Recommendation: We recommend that the monthly bank statement go directly to a board member to analyze all transactions and verify signatures and payee names and amounts on each check.

Auditee's Response: The School will review the policies and procedures for accounting duties and implement mitigating procedures as necessary.

SIGNIFICANT DEFICIENCY

2014-002 FINANCIAL ACCOUNTING AND REPORTING

Condition: The School engages the auditor to assist in the preparation of the draft financial statements and the Director of Finance is designated to oversee the audit services performed. We noted that School personnel do not have sufficient experience in the applicable accounting principles and disclosure requirements used to prepare the draft financial statements. However, the School does have procedures to use disclosure checklists when reviewing the draft financial statements.

Criteria: The design and operation of internal control procedures should permit management to prevent, or detect and correct, misstatements in the draft financial statements.

Cause: While the School has attended continuing education and uses a checklist to enhance the approval of the financial statement drafting process, the School, as is common with Missouri schools, engages the School's auditor to draft the financial statements.

Effect: Lack of effective controls to thoroughly review the draft financial statements could allow misstatements in the draft financial statements to occur and go undetected.

Recommendation: The School personnel responsible for review of draft financial statements should continue expanding their knowledge of government accounting policies to enhance the approval of the drafted financial statements.

Auditee's Response: School personnel will continue to participate in conferences and meetings to ensure knowledge of the latest changes in governmental and non-profit accounting and reporting.

**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 5, 2014, 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, 2013 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2014; and accurate disclosure by the School's pupil transportation records of the average students scheduled to be transported eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and the allowable costs for pupil transportation during the year ended June 30, 2014. 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, 2014, are fairly stated in all material respects.

We also 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.

The School's response to these findings are included on the Schedule of State Findings. We did not audit the School's responses, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, administration, University of Missouri and 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 5, 2014

**KIPP ENDEAVOR ACADEMY
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

TRANSPORTATION

During our audit, we noted that the non-disabled student route miles and the non-route miles were overstated by 2,825 and 2,039, respectively. We also noted the number of days the transportation system operated was overstated by 5 on the Application for State Transportation Aid. As a result of our audit, the Application for State Transportation Aid has been corrected.

Also during our audit, we noted the bus company estimates the number of eligible miles by taking the actual readings for one day during the month and multiplying them by the number of days the students are transported during that month. Although this method provides materially correct information, state transportation regulations require that schools report actual route miles for the year by taking odometer readings.

Also during the audit, we noted errors in the ridership lists and the calculation of the number of students that rode the bus. State regulations require that accurate ridership counts for October and February be reported on the Application for State Transportation Aid. We recommend that the School review its procedures and communicate to the bus contractor to ensure accurate reporting in the future. As a result of our audit the Application for State Transportation Aid has been corrected.

Auditee's Response: We have made the corrections as indicated above and will analyze our procedures to ensure accurate reporting to DESE.