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March 14, 2013

Charter School Board
KIPP Indianapolis College Preparatory
3202 E. 42nd Street
Indianapolis, IN 46205

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of KIPP Indianapolis College Preparatory, as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for KIPP Indianapolis College Preparatory was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

State Board of Accounts

Sikich.

KIPP Indianapolis College Preparatory

Financial Statements
With Supplemental Information
June 30, 2012

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8555 N. River Rd., Suite 300
Indianapolis, Indiana 46240

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KIPP Indianapolis College Preparatory
Indianapolis, Indiana:

We have audited the accompanying statement of financial position of KIPP Indianapolis College Preparatory (an Indiana non-profit organization) as of June 30, 2012, and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of KIPP Indianapolis College Preparatory's management. 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. 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 Indianapolis College Preparatory as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, 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 January 18, 2013, on our consideration of KIPP Indianapolis College Preparatory's internal control over financial reporting and 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 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 conducted for the purpose of forming an opinion on the basic financial statements of KIPP Indianapolis College Preparatory taken as a whole. The supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organization, and State Board of Audit Reports* and is also not a required part of the 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 additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
January 18, 2013

KIPP INDIANAPOLIS COLLEGE PREPARATORY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

CURRENT ASSETS:	
Cash	$ 194,340
Grants receivable	1,080,172
Prepaid expenses	7,561
Total Current Assets	1,282,073
PROPERTY AND EQUIPMENT:	
Books and educational materials	2,164
Furniture and equipment	31,474
Computer hardware	97,851
Computer software	43,761
Leasehold improvements	504,290
Land	900,000
Building	1,550,000
Less: accumulated depreciation	(243,277)
Total Property and Equipment, net	2,886,263
	$ 4,168,336

See accompanying notes to the financial statements.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
STATEMENT OF FINANCIAL POSITION
(continued)
JUNE 30, 2012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	$ 12,660
Line of credit	160,000
Current maturities of long-term debt	77,575
Accrued expenses	1,364
Total Current Liabilities	251,599
LONG TERM LIABILITIES:	
Common School Loans	1,360,363
Long-term debt	61,648
Accrued interest - Common School Loans	146,618
Total Long Term Liabilities	1,568,629
Total Liabilities	1,820,228
NET ASSETS:	
Unrestricted	2,306,566
Temporary restricted	41,542
Total Net Assets	2,348,108
	$ 4,168,336

See accompanying notes to the financial statements.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
School lunch program	$ 1,053	$ -	$ 1,053
Student fees	11,245	-	11,245
Contributions and donations	122,722	41,542	164,264
Grant revenue	2,807,065	-	2,807,065
In-kind contributions	2,489,999	-	2,489,999
Other revenue	31,938	-	31,938
Net assets released from restrictions by satisfaction of temporary restrictions	260	(260)	-
Total Revenues and Support	5,464,282	41,282	5,505,564
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	2,111,510	-	2,111,510
Supporting services:			
General and administrative	739,457	-	739,457
Fundraising	-	-	-
Total Expenses	2,850,967	-	2,850,967
CHANGE IN NET ASSETS	2,613,315	41,282	2,654,597
NET ASSETS, beginning of year As previously reported	(209,612)	260	(209,352)
Prior period adjustment for understatement of accrued interest from Common School Loans	(97,137)	-	(97,137)
NET ASSETS, beginning of year As restated	(306,749)	260	(306,489)
NET ASSETS, end of year	$ 2,306,566	$ 41,542	$ 2,348,108

See accompanying notes to the financial statements.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 2,654,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	37,123
Disposal of assets	1,250
(Increase) decrease in:	
Grants receivable	(185,015)
Prepaid expense	(7,561)
Increase (decrease) in:	
Accounts payable	(54,128)
Accrued interest	146,618
Accrued payroll	782
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,593,666
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(2,476,305)
NET CASH USED BY INVESTING ACTIVITIES	(2,476,305)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Long-term debt borrowings	146,153
Long-term debt repayments	(81,146)
NET CASH PROVIDED BY FINANCING ACTIVITIES	65,007
NET INCREASE IN CASH	182,368
CASH AND CASH EQUIVALENTS - beginning of year	14,136
CASH AND CASH EQUIVALENTS - end of year	$ 196,504

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - KIPP Indianapolis College Preparatory (the “School”) was incorporated March 21, 2003, under the laws of the State of Indiana and commenced operations in September 2004. The School is a free, open-enrollment, public college preparatory middle school dedicated to preparing students in the under-served communities of Indianapolis for success in college and life. A longer school day, academic and character development, a relentless focus on student outcomes and college completion – coupled with unparalleled professional development programs for teachers and school leaders – create “The KIPP Effect”.

Basis of Accounting - The financial statements of the School have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation - As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Net Assets - The financial statements report amounts separately by class of net assets:

> ***Unrestricted net assets -*** Unrestricted amounts are those currently available for use in the School’s activities.
>
> ***Temporarily restricted net assets -*** Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of June 30, 2012, the School had $41,542 of temporarily restricted net assets.
>
> ***Permanently restricted net assets -*** Net assets subject to donor-imposed stipulations require that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2012, the School had no permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the School considers all investments purchased with a maturity of three months or less to be cash equivalents.

.

Grants Receivable - Grants receivable represent the uncollected portion of funds from grants awarded to the School.

Grant receivables are reported net of an allowance for doubtful accounts. There were no allowances, as of June 30, 2012, based on management's estimate of the amount of receivables that will actually be collected. Grant receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

Property and Equipment - Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of property and equipment in excess of $1,000 cost, or fair value if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 40 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was $37,123 for the year ended June 30, 2012.

Impairment of Long-lived Assets - The School evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the year ended June 30, 2012.

Contributed Materials and Services - Contributed services are recognized as contributions in accordance with Contributions Disclosure Topic of FASB ASC, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The School received $2,489,999 of in-kind contributions during the year ended June 30, 2012.

At June 30, 2012, these amounts consist of both nursing services ($40,000) and a property of ($2,449,999) provided at no charge.

The School received donated property during the year ended June 30, 2012. The property consisted of a building located at 3202 East 42nd Street, Indianapolis, Indiana. On February 23, 2012 the School purchased the building for a $1 from the Board of School Commissioners of the City of Indianapolis. The building's fair market value was $2,450,000, which resulted in an in-kind contribution of $2,449,999.

Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under Contributions Disclosure Topic of FASB ASC. These services include volunteering at events, picking up donations, and various clerical work.

Revenue Recognition - The School reports grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the School reports the support as unrestricted.

Functional Expense Allocation - The costs of providing the various programs and other activities have been summarized in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the School.

Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

Advertising - The School expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2012 was $6,637.

Income Taxes - The School is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The School is not considered to be a private foundation. Accordingly, no provision for income taxes has been reflected in the School's financial statements.

The School has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the School is subject to examination by taxing authorities. The School's tax returns for years subsequent to fiscal year 2008 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the School currently files or has filed.

Concentration of Credit Risk - Financial instruments that potentially subject the School to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

The School places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There were no amounts over the FDIC insured limits at June 30, 2012.

Concentrations of credit risk with respect to grants receivable are limited due to the School's ability to accomplish the terms of the grants. Credit losses, if any, have been provided in the financial statements and have been within management's expectations.

Operating Funds from the Indiana Department of Education amounted to 38% of the School's support and revenue in June 30, 2012. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education - The academic program of the School is designed to challenge every student to achieve on or above grade level performance in all academic subjects. While students may enter the school below grade level in many areas, the school is prepared for the challenge of equipping students with the knowledge, skills, and habits necessary for success in an academically rigorous college preparatory high school. The school's curriculum is based upon the Indiana Academic Standards and is taught rigorously to ensure that students are prepared for a college preparatory high school upon completion of the 8th grade.

The School provides an age-appropriate curriculum for reading, language arts, math, science, and social studies at each grade level. Spanish is also offered to our sixth through eighth graders, and all students are enrolled in Physical Education. Teachers also lead an advisory role, which consists of instruction in the values, life skills, and study skills.

NOTE 3 - OPERATING LEASES

The School entered into a six year lease with The Board of School Commissioners, City of Indianapolis for educational facilities located at 120 East Walnut Street, Indianapolis, Indiana. The lease, which expires on June 30, 2012, requires a monthly payment of $3,000. During the year ended June 30, 2012, $36,000 was expensed for office rent.

The School leases copiers from Ikon Financial Services. The lease will expire September 2013. The School also leases a postage machine from Pitney Bowes which expired on August 2011. The School continues to lease the postage machine on a month to month basis. During the year ended June 30, 2012, $37,855 was expensed.

The future minimum rental payments required under the operating leases for the years subsequent to June 30, 2012 are as follows:

Year	Amount
2013	$ 6,393

NOTE 4 - PENSION PLAN

403(b) Plan

The School's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the Plan. There was a 7% employer match to the Plan for the year ended June 30, 2012.

Indiana Public Retirement System

Plan Description

The School elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. The School contributes to INPRS, an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under Internal Revenue Code Section 401(a) and is tax exempt.

INPRS is a contributory defined benefit plan that covers substantially all School employees. INPRS retirement benefits vest after 10 years of service. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

Participants have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

The School contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

NOTE 5 - LONG-TERM DEBT ACTIVITY

Long-term debt included the following at June 30, 2012:

Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on January 1, 2033 (a)	$ 146,154
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on July 1, 2030 (a)	297,007
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on July 1, 2031 (a)	408,200
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on July 1, 2032 (a)	244,269
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on July 1, 2029 (a)	264,733
Loan Payable in quarterly installments, including interest computed at 6.75%, Through maturity on July 1, 2014	124,544
Loan Payable in monthly installments, matures on April 1, 2013	14,679
Less: current maturities	(77,575)
Total Long-term Debt	$ 1,422,011

The State of Indiana advanced funds from the Common School Fund to assist the School during its initial years of operations. Under the terms of the agreements with the State of Indiana, the School agreed to repay these loans through deductions from the School's share of State Tuition Support. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Payments will commence on July 1, 2013.

At June 30, 2012, the debt service requirements of loans payable were as follows:

Year Ending	Total Principal	Total Interest	Debt Service
June 30,2014	$ 136,563	$ 54,414	$ 190,977
June 30,2015	74,915	53,834	128,749
June 30,2016	74,915	50,669	125,584
June 30,2017	74,915	47,672	122,587
June 30,2018- and thereafter	1,060,703	504,132	1,564,835
	$ 1,422,011	$ 710,721	$ 2,132,732

Total interest paid during the year ended June 30, 2012 was $68,674.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 are available for the following purposes:

Morgridge Family Foundation	$	37,500
KIPP Foundation		4,042
	$	41,542

During 2012, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

School Technology	$	260
	$	260

NOTE 7 - LINE OF CREDIT

The School has a $200,000 non revolving bank line of credit expiring September 2012. As of June 30, 2012, there was $160,000 borrowed against this line. The line is secured by the assets of the School. Interest varies with the Lender's prime rate plus 2% and is payable monthly. The effective interest rate as of June 30, 2012, was 5.25%.

NOTE 8 - PRIOR PERIOD ADJUSTMENT

During 2012, the School discovered accrued interest expense for Common School Loans from the State of Indiana was understated by $97,137 in the prior years. As a result, a prior period adjustment has been made to increase the accrued interest - Common School Loan account balance and decrease the balance in unrestricted net assets.

NOTE 9 - SUBSEQUENT EVENT

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through January 18, 2013, the date the financial statements were available to be issued.

KIPP INDIANAPOLIS COLLEGE PREPARATORY

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	Program Service Expenses			Supporting Services		
	Grants	Academics	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 307,831	$ 870,571	$ 1,178,402	$ 460,316	$ -	$ 1,638,718
Instructional services	34,575	127,109	161,684	-	-	161,684
IT services	-	-	-	18,759	-	18,759
Legal services	-	-	-	4,450	-	4,450
Accounting services	-	-	-	56,566	-	56,566
Payroll services	-	-	-	2,204	-	2,204
Other services	23,520	3,898	27,418	15,664	-	43,082
Course materials/supplies	1,894	65,899	67,793	39,017	-	106,810
Nutritional support	-	163,189	163,189	8,034	-	171,223
Travel and entertainment	16,672	-	16,672	20,850	-	37,522
Vehicle/transportation expense	4,085	316,212	320,297	-	-	320,297
Rent and facilities	70,367	105,688	176,055	6,643	-	182,698
Depreciation and amortization	-	-	-	37,123	-	37,123
Interest expense	-	-	-	68,674	-	68,674
Miscellaneous	-	-	-	1,155	-	1,155
Total direct program expenses	$ 458,944	$ 1,652,566	$ 2,111,510	$ 739,455	$ -	$ 2,850,965

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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 Board of Directors
of KIPP Indianapolis College Preparatory
Indianapolis, Indiana:

We have audited the financial statements of KIPP Indianapolis College Preparatory as of and for the year ended June 30, 2012, and have issued our report thereon dated January 18, 2013. 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

Management of KIPP Indianapolis College Preparatory is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered KIPP Indianapolis College Preparatory'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.

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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIPP Indianapolis College Preparatory'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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of KIPP Indianapolis College Preparatory's Board of Directors, management, others within the School, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
January 18, 2013

KIPP INDIANAPOLIS COLLEGE PREPARATORY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	FY 2011-2012	$ 117,787
School Breakfast Program	10.553	FY 2011-2012	59,136
Total for Child Nutrition Cluster			176,923
Total for U.S. Department of Agriculture			176,923
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 2011-2012	159,947
		FY 2010-2011	13,622
Total for program			173,569
Total for Title I, Part A Cluster			173,569
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027	FY 2011-2012	34,621
Charter Schools	84.282	FY 2011-2012	73,027
ARRA-Education Job Fund*	84.410	FY 2010-2011	838
Improving Teacher Quality State Grants	84.367	FY 2011-2012	452
		FY 2010-2011	26,293
		FY 2009-2010	7,368
Total for program			34,113
Teacher Incentive Fund	84.374	FY 2011-2012	73,651
School Improvement Grant	84.377	FY 2011-2012	69,124
Total U.S. Department of Education			458,943
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 635,866

** Grant relates to the American Recovery and Reinvestment Act of 2009*

KIPP INDIANAPOLIS COLLEGE PREPARATORY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards include the federal grant activity of KIPP Indianapolis College Preparatory and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of $500,000 in any fiscal year unless by constitution or statute a less frequent audit is required.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
of KIPP Indianapolis College Preparatory
Indianapolis, Indiana:

Compliance

We have audited KIPP Indianapolis College Preparatory's compliance with types of compliance requirements described in the *U.S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of KIPP Indianapolis College Preparatory's major federal programs for the year ended June 30, 2012. KIPP Indianapolis College Preparatory's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of KIPP Indianapolis College Preparatory's management. Our responsibility is to express an opinion on KIPP Indianapolis College Preparatory's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KIPP Indianapolis College Preparatory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on KIPP Indianapolis College Preparatory's compliance with those requirements.

In our opinion, KIPP Indianapolis College Preparatory complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of KIPP Indianapolis College Preparatory is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered KIPP Indianapolis College Preparatory's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KIPP Indianapolis College Preparatory's internal control over compliance.

A *deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of KIPP Indianapolis College Preparatory's Board of Directors, management, others within the School, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
January 18, 2013

KIPP INDIANAPOLIS COLLEGE PREPARATORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- Type of auditors' report issued: **unqualified**

Government Auditing Statements:

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ____ Yes __X__ No

Compliance:

- Noncompliance material to financial statements noted? ____ Yes __X__ No

OMB Circular A-133:

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ____ Yes __X__ No

Compliance with requirements applicable to each major program:

- Identification of major programs: **Title I, Part A Cluster**

- Dollar threshold used to distinguish between type A type B programs: **$ 300,000**
- Auditee qualified as low-risk auditee? ____ Yes __X__ No
- Type of auditors' report issued on compliance for major programs: **unqualified**
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ____ Yes __X__ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

- *None*

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*

KIPP INDIANAPOLIS COLLEGE PREPARATORY
OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2012

The reports presented herein were prepared in addition to another report prepared for the School as listed below:

Supplemental Audit Report of KIPP Indianapolis College Preparatory