CROSSLIN
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

November 18, 2011

To the Board Directors
KIPP East Nashville Preparatory dba KIPP Academy Nashville
Nashville, Tennessee

We have audited the financial statements of KIPP East Nashville Preparatory dba KIPP Academy Nashville (the "School") for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011.

In planning and performing our audit of the financial statements of the School as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control 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, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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 a 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.

We consider the following deficiency in the School's internal control to be a material weakness:

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CONTRIBUTIONS REVENUE RECOGNITION

Criteria, Condition, Context, Cause and Effect

Although ultimately resolved and corrected by the School, we identified certain contributions that were not recognized in accordance with accounting principles generally accepted in the United States of America. The primary reason for these errors was a lack of understanding of revenue recognition principles as prescribed by the Governmental Accounting Standards Board. Beginning net assets for Governmental Activities and beginning fund balance for the General Purpose School Fund were restated to correct the errors.

Recommendation and Benefit

We recommend that the School incorporate an evaluation of its contributions into its year-end closing procedures, along with a timely review, to ensure amounts are properly reflected in the School's financial statements in the correct accounting period.

Management's Response

Management acknowledges the finding and the position of the School's new audit firm on the revenue recognition issues referenced herein. Commencing in the current fiscal year, the School's management will incorporate an evaluation of its contributions into its year-end closing procedures, along with a timely review, to ensure amounts are properly reflected in the School's financial statements in the correct accounting period in accordance with applicable accounting principles as discussed with the auditor. Management believes that this process will ensure that future contributions are properly recognized.

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In addition, during our audit, we noted certain other matters involving the internal control and operations that are presented for your consideration. This letter does not affect our report dated November 18, 2011 on the financial statements of the School. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or assist you in implementing the recommendations. Our other comments are summarized as follows:

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Observation

We noted that the schedule of expenditures of federal awards as of July 1, 2010, excluded the receivable balance for one federal grant. Though not material, the schedule was incomplete. Management made the correction to the schedule and we noted no other programs that were omitted from the schedule; as such, we have no recommendation going forward.

DONATION ACCEPTANCE POLICY

Observation

We noted that the School does not have a formal donation acceptance policy.

Recommendation

Though we identified no contributions that contained unusual or unreasonable restrictions, the School should formalize a donation acceptance policy. The policy should include performing due diligence to ensure that any purpose or time restrictions are sufficiently understood and that the School has the ability to fulfill the requirements without unreasonable effort. Due diligence should also include evaluation of any obligations that may be attached to donated assets (i.e., hazardous materials clean-up needed for real estate, etc.) or embedded in annuity contracts (i.e., required payments to annuitants may be reasonable in relation to anticipated returns on underlying investments). The policy could be tiered with different levels evaluation at certain thresholds.

2011-12 SCHOOL YEAR FEDERAL EXPENDITURES

Observation

The School expects to incur over $500,000 of federal expenditures in the 2011-12 school year. As such, it will be required to have a Single Audit performed in accordance with OMB Circular A-133.

Recommendation

As the School has never had a Single Audit, we recommend that the School become familiar with the requirements of OMB Circular A-133 and the related Compliance Supplement. We also recommend that the School closely monitor its federal expenditures during the 2011-12 school year to ensure that it is both aware of the program or programs that will be tested as major programs and complying with the respective program compliance requirements.

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This report is intended solely for the information and use of management, the Board Directors, others within the School, pass-through entities, and the Comptroller of the Treasury, State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Crosslin & Associates, P.C.

CROSSLIN & ASSOCIATES, P.C.