

Gateway Science Academy of St. Louis

Financial Statements Together with Auditors' Report Year Ended June 30, 2018



TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
FINANCIAL STATEMENTS	
Statement of Financial Position – Modified Cash Basis.....	7
Statement of Activities – Modified Cash Basis	8
Statement of Cash Flows – Modified Cash Basis	9
Statement of Functional Expense – Modified Cash Basis	10
Notes to Financial Statements.....	11
SUPPLEMENTARY INFORMATION	
Balance Sheet – Governmental Funds – Modified Cash Basis.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Financial Position – Modified Cash Basis.....	21
Statement of Receipts, Disbursements and Changes in Fund Balances – Governmental Funds – Modified Cash Basis	22
Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Modified Cash Basis	23
Schedule of Receipts Collected by Source	24
Schedule of Disbursements Paid by Object	25
Schedule of Selected Statistics.....	26
Schedule of Expenditures of Federal Awards.....	28
INTERNAL CONTROL AND COMPLIANCE	
Independent Accountants' Report on Management's Assertions About Compliance with Specified Requirements of Missouri Laws and Regulations	31

TABLE OF CONTENTS

INTERNAL CONTROL AND COMPLIANCE (continued)

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 <i>Government Auditing Standards</i>	32
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	34
Summary Schedule of Findings and Questioned Costs	37
Schedule of Prior Audit Findings	38



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

We have audited the accompanying financial statements of Gateway Science Academy of Saint Louis (a non-profit organization), which comprise the modified cash basis statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses – modified cash basis for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

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 Academy'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 Academy'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 modified cash basis financial position of Gateway Science Academy of Saint Louis, as of June 30, 2018, and the results of its operations and its cash flows – modified cash basis for the year then ended in conformity with the basis of accounting described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The data contained under Supplementary Information 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits*, and is 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 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 of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2018, on our consideration of Gateway Science Academy of Saint Louis' 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 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* in considering Gateway Science Academy of Saint Louis' internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 3, 2018

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS
June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,175,317
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TOTAL CURRENT ASSETS	2,175,317
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Property and Equipment

Depreciable

Capital assets, net	4,673,071
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TOTAL ASSETS	6,848,388
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LIABILITIES

Current Liabilities

Accrued expenses	92,663
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Current portion of notes payable	3,418,988
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TOTAL CURRENT LIABILITIES	3,511,651
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Long-Term Liabilities

Notes payable, less current portion	1,767
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TOTAL LIABILITIES	3,513,418
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Net Assets

Unrestricted	\$ 3,334,970
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See accompanying notes

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
For the Year Ended June 30, 2018

SUPPORT AND REVENUE:

Local	\$ 1,910,173
State	11,817,520
Federal	<u>1,173,372</u>

TOTAL SUPPORT AND REVENUE	<u>14,901,065</u>
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EXPENSES:

Instruction	10,299,067
Student services	65,111
Instructional staff support	222,229
Building level administration	447,498
General administration and central services	1,588,256
Operation of plant	634,189
Food service	502,049
Community service	5,660
Interest	179,932
Depreciation	<u>826,392</u>

TOTAL EXPENSES	<u>14,770,383</u>
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INCREASE IN NET ASSETS	130,682
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Net Assets, beginning of year	<u>3,204,288</u>
Net Assets, end of year	<u><u>\$ 3,334,970</u></u>

See accompanying notes

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 130,682
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	826,392
Changes in:	
Accrued expenses	<u>22,911</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	979,985
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CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	<u>(392,823)</u>
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NET CASH (USED) BY INVESTING ACTIVITIES	(392,823)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on notes payable	<u>(239,296)</u>
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NET CASH (USED) BY FINANCING ACTIVITIES	<u>(239,296)</u>
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NET INCREASE IN CASH	347,866
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CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,827,451</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 2,175,317</u></u>

SUPPLEMENTAL DISCLOSURE

Interest paid	<u><u>\$ 179,932</u></u>
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See accompanying notes

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
For the Year Ended June 30, 2018

	Program Services	Support Services	
	Charter School	Management and General	Total
Salaries	\$ 6,719,856	\$ 41,069	\$ 6,760,925
Employee Benefits	2,087,703	151,733	2,239,436
Purchased Services	2,201,180	1,768,156	3,969,336
Supplies	739,232	55,130	794,362
Depreciation	743,753	82,639	826,392
Interest and fees	179,932	-	179,932
TOTAL FUNCTIONAL EXPENSES	<u>\$ 12,671,656</u>	<u>\$ 2,098,727</u>	<u>\$ 14,770,383</u>

See accompanying notes

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – ORGANIZATION

Gateway Science Academy of Saint Louis (the “Academy”) is a Missouri not-for-profit corporation. The purpose of the Academy is to operate a Charter School established within the boundaries of the Saint Louis, Missouri School District. The Academy is legally separate from the Saint Louis, Missouri School District and is not financially accountable to it.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are presented in accordance with FASB ASC 958-205 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-For-Profit Organization”). Under ASC 958-205, the Academy is required to report information regarding its assets and net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Academy does not have temporarily restricted net assets or permanently restricted net assets as of June 30, 2018.

Basis of Accounting

The Academy has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as timing of recognizing receipts, disbursements, and their related assets and liabilities. Under the modified cash basis of accounting, receipts and disbursements and the related assets are recorded when they result from cash transactions. The modification to cash basis relates to the presentation of capital assets and related depreciation, payroll liabilities, and long-term debt.

Property and Equipment

Depreciation of property and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. These assets have been recorded at historical cost. It is the policy of the Academy to capitalize expenditures for equipment, furniture and fixtures in excess of \$1,000 per item.

Compensated Absences

Vacation time, personal business days, and sick leave are considered as expenses in the year paid.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of Donor Restrictions

Contributions are recognized when they are unconditionally received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. If a restriction is fulfilled in the same time period in which the contribution is received, the Academy reports the support as unrestricted.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Academy defines its cash and equivalents to include only cash in demand deposits.

Income Taxes

On June 11, 2012, the Academy was notified by the Internal Revenue Service (IRS) that their exempt status had been revoked due to the failure to file IRS Form 990s for three years. The revocation was retroactive to November 15, 2011. On June 25, 2012, the Academy submitted a request for retroactive reinstatement of exempt status and was granted reinstatement as of that date. As of November 3, 2018, the Academy has not received IRS approval of the retroactive portion of the reinstatement request. Effective June 26, 2012, the Academy was exempted 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)(1).

Accounting for Uncertainty in Income Taxes

The Academy adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income taxes* ["FIN 48"]) on July 1, 2013. Under ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of ASC 740-10-25 had no impact on the Academy's financial statements. The Academy does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of June 30, 2018, as a result of the adoption of ASC 740-10-25.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the Academy does not receive approval of its request for retroactive reinstatement, it will be responsible for taxes at the normal corporate rates. At the due date for filing a corporate tax return for a June 30, 2012, year end, the Academy chose to not file a Form 1120 return as a for-profit corporation and pay estimated taxes and no extension request was filed. At that date, the estimated corporate tax due was estimated at \$173,597 for federal taxes and \$28,252 for State of Missouri taxes for the period of November 15, 2011, to June 30, 2012. As no returns or extensions were filed, if retroactive reinstatement is not approved, the Academy will be responsible for the corporate taxes due in addition to penalties relating to failure to file and failure to pay at various federal and state rates. On February 9, 2015, the Academy was notified of the removal of \$50,000 in penalties relating to the June 30, 2010, Form 990. While this can be viewed as progress toward retroactive reinstatement, the Academy had not been notified officially regarding retroactive reinstatement as of November 3, 2018. The Academy has continued efforts to engage with the Internal Revenue Service in an effort to bring closure to this matter.

Subsequent Events

Management has evaluated subsequent events through November 3, 2018, the date the financial statements were available to be issued. On September 9, 2018, the Academy entered into an agreement with Fifth Third Bank to refinance notes payable dated September 9, 2013 with IFF and Fifth Third Bank.

NOTE C – RETIREMENT PLAN

The Academy contributes to The Public School Retirement System of the School District of Saint Louis, Missouri a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the Saint Louis, Missouri Public School District, the Saint Louis 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 Saint Louis, Missouri, 3641 Olive Street, Suite 300, Saint Louis, Missouri, 63108, or by calling 1-314-534-7444.

The Retirement System members are required to contribute 5.5% of their annual covered salary and the Academy is required to contribute an amount of 16.0%. The contribution requirements of members and the school are established, and may be amended, by the Board of Trustees. The Academy's contributions to the system for the year ended June 30, 2018, were \$1,405,313, equal to the required contributions.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE D – OPERATING LEASES

On June 1, 2010, the Academy entered into a five-year lease with the St. Louis City Catholic Church Real Estate Corporation, a Missouri nonprofit corporation. As part of the lease agreement, the Academy pays a base rent of \$13,000 each month plus operating expenses of the leased facility, including all costs associated with the use, maintenance, financing, or repair of the property and all utilities, insurance, periodic capital replacement reserve amounts and management fees through June 30, 2015. A renewal option for five additional years at \$11,000 per month was exercised six months prior to the expiration of the lease, to extend the agreement to July 31, 2020. The amount the Academy recognized in rent expense for the fiscal year ended June 30, 2018, was \$110,000.

On May 14, 2013, the Academy entered into a fifteen-year lease with 6651 Gravois, LLC, and New Plan Learning, Inc. As part of the lease agreement, the Academy pays a base rent each month plus tax, insurance, and operating expenses of the leased facility, including all costs associated with the use, maintenance, financing, or repair of the property and all utilities, insurance, periodic capital replacement reserve amounts and management fees. There is a renewal option for two successive extension periods of five additional years each. The first period base rent is \$32,800 per month with increases annually equaling 103% of the base rent of the immediately preceding lease year, rounded to the nearest whole dollar. This agreement is for the period of August 1, 2013 to July 31, 2018. The amount the Academy recognized in rent expense for this lease for the fiscal year ended June 30, 2018, was \$432,279.

Future base rent commitments for these leases at June 30, 2018, are as follows:

Year Ending June 30,	New Plan Learning	St. Louis City Catholic Church Real Estate Corp.
2019	\$ 455,183	\$ 132,000
2020	468,838	132,000
2021	482,903	-
2022	497,391	-
2023	512,312	-
2024	527,682	-
2025	543,512	-
2026	559,817	-
2027	576,612	-
2028	48,168	-
	<u>\$ 4,672,418</u>	<u>\$ 264,000</u>

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE E – EDUCATION MANAGEMENT AGREEMENT

Effective July 1, 2015, the Academy entered into an agreement with Concept Schools, an Illinois non-profit corporation to provide management and operating services to the Academy at a rate of 10% of School's total annual revenue, including grant funding, to the extent that such grants do not prohibit the transfer of grant funds to a third party in the form of a management fee.

The agreement will continue until the end of the charter agreement and automatically renew for additional, successive terms commensurately with the charter agreement unless one party notifies the other party on or before April 1, prior to the expiration of the then-current term, of its intention not to renew the agreement. During the year, the Academy disbursed \$1,488,948 to Concept Schools.

NOTE F – CLAIMS AND ADJUSTMENTS

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. As of June 30, 2018, significant amounts of grant disbursements have not been audited by grantor governments, but the Academy believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

NOTE G – NOTES PAYABLE

On September 9, 2013, the Academy entered into a five-year financing agreement with IFF in the amount of \$1,000,000 to finance the acquisition of tangible property. As part of the financing agreement, the Academy pays a base payment of \$8,039 each month, which includes interest at a rate of 5.25%. At October 1, 2018, the Academy will have a final payment of principal and interest of \$757,284. Future base payments for this agreement at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 768,082	\$ 13,318	\$ 781,400

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – NOTES PAYABLE (continued)

On September 9, 2013, the Academy entered into a five-year financing agreement with Fifth Third Bank in the amount of \$2,995,000 to finance the acquisition of tangible property, which has been pledged as collateral. As of June 30, 2018, the outstanding balance payable was \$2,385,700. The Academy also entered into a note payable agreement as a part of this financing agreement and as of June 30, 2018, the remaining payable associated with this agreement is \$258,114. As part of the financing agreement, the Academy pays a monthly principal payment and a variable interest rate OF 3% PLUS THE London Interbank Offer Rate (LIBOR). At September 9, 2018, the Academy will have final principal payments of \$2,643,814 plus accrued interest. As of June 30, 2018, the Academy was in the process of securing funds from Fifth Third Bank to refinance and consolidate the IFF and Fifth Third Bank notes payable into one note on or before the date of each notes' respective final principal payments scheduled to be paid in the 2019 fiscal year. An agreement was reached with Fifth Third Bank dated September 9, 2018. Future base payments for the 2013 agreement at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,643,814	\$ 31,160	\$ 2,674,974

This interest rate is presented at the June 30, 2018, LIBOR rate and will change as LIBOR is adjusted.

On September 13, 2015, the Academy entered into a five-year financing agreement with Toyota Financial Services in the amount of \$35,434 to finance the acquisition of a school vehicle. As part of the financing agreement, the Academy pays a monthly principal payment of \$591 and an interest rate of 0%. Future base payments for this agreement at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 7,092	\$ -	\$ 7,092
2020	1,767	-	1,767
	\$ 8,859	\$ -	\$ 8,859

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – NOTES PAYABLE (continued)

The following represents the changes in notes payable for the year ended June 30, 2018:

Notes Payable, June 30, 2017	\$ 3,660,051
Additions	-
Deletions	(239,296)
Notes Payable, June 30, 2018	<u>\$ 3,420,755</u>

NOTE H – PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of building improvements and equipment were as follows:

Depreciable	
Building	\$ 902,894
Building improvements	4,874,295
Improvements other than building	157,972
Classroom instructional apparatus	599,389
Equipment	1,639,827
Vehicles	113,984
	<u>8,288,361</u>
Accumulated depreciation	<u>(3,615,290)</u>
	<u>\$ 4,673,071</u>

Depreciation charged to expense for the year ended June 30, 2018, was \$826,392. Depreciation is allocated to management and administration in the amount of \$82,639 and to program costs in the amount of \$743,753.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE I – SIGNIFICANT CONCENTRATION OF CREDIT RISK

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates on current vulnerabilities due to certain concentrations. Those matters include the disclosure that the Academy maintains its cash deposits in local banks. From time to time, the balances of the accounts may exceed FDIC insurance limits. Fifth Third Bank has pledged additional security for deposits over FDIC insurance coverage amounts in the form of pledged U.S. Government Securities.

NOTE J – FUNCTIONAL EXPENSES

The Academy has only one program service, which is the operation of a charter school district. For the year ended June 30, 2018, program service expenses were \$12,671,656 and management expenses were \$2,098,727.

NOTE K – OPEN TAX YEARS

The Academy's informational and tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2018, the following tax years are subject to examination:

<u>Jurisdiction</u>	<u>Open Years for Filed Returns</u>	<u>Return to be filed in 2018</u>
Federal	2014-2016	2017
Missouri	2014-2016	2017

SUPPLEMENTARY INFORMATION

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,175,317	\$ -	\$ -	\$ 2,175,317
TOTAL ASSETS	<u>\$ 2,175,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,175,317</u>
LIABILITIES AND FUND BALANCE				
Current Liabilities				
Accrued payroll taxes	\$ 92,663	\$ -	\$ -	\$ 92,663
Fund Balance				
Unassigned	2,082,654	-	-	2,082,654
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,175,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,175,317</u>

NOTE: The supplementary modified cash basis financial statement above has been provided for purposes of reporting to the State of Missouri Department of Elementary and Secondary Education. This statement conforms to the presentation of the Annual Secretary of the Board Report. The modification to cash basis relates only to the presentation of deposits and payroll liabilities.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
FINANCIAL POSITION – MODIFIED CASH BASIS
Year Ended June 30, 2018

The following items reconcile the differences between the Governmental Funds
Balance Sheet and the Statement of Financial Position - Modified Cash Basis:

Fund balance - total governmental funds	\$ 2,082,654
Assets on the Statement of Financial Position	
Governmental capital assets	8,288,361
Less accumulated depreciation	<u>(3,615,290)</u>
	4,673,071
Liabilities on the Statement of Financial Position	
Notes payable	<u>(3,420,755)</u>
Net Assets on the Statement of Financial Position	<u><u>\$ 3,334,970</u></u>

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
RECEIPTS				
Local	\$ 1,018,015	\$ 702,113	\$ 190,045	\$ 1,910,173
State	6,180,423	5,167,408	469,689	11,817,520
Federal	397,148	776,224	-	1,173,372
TOTAL RECEIPTS	7,595,586	6,645,745	659,734	14,901,065
DISBURSEMENTS				
Instruction	5,352,221	4,946,846	392,823	10,691,890
Student services	65,111	-	-	65,111
Instructional staff support	8,616	213,613	-	222,229
Building level administration	447,498	-	-	447,498
General administration and central services	102,970	1,485,286	-	1,588,256
Operation of plant	634,189	-	-	634,189
Food service	502,049	-	-	502,049
Community service	5,660	-	-	5,660
Debt service - principal	-	-	239,296	239,296
Debt service - interest	-	-	179,932	179,932
TOTAL DISBURSEMENTS	7,118,314	6,645,745	812,051	14,576,110
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	477,272	-	(152,317)	324,955
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(152,317)	-	152,317	-
NET CHANGE IN FUND BALANCE	324,955	-	-	324,955
FUND BALANCE, Beginning of year	1,757,699	-	-	1,757,699
FUND BALANCE, End of year	\$ 2,082,654	\$ -	\$ -	\$ 2,082,654

NOTE: The supplementary modified cash basis financial statement above has been provided for purposes of reporting to the State of Missouri Department of Elementary and Secondary Education. This statement conforms to the presentation of the Annual Secretary of the Board Report. The modification to cash basis relates only to the presentation of deposits and payroll liabilities.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES –
MODIFIED CASH BASIS
Year Ended June 30, 2018

The following items reconcile the differences between the Statement of Receipts,
Disbursements and Changes in Fund Balances of Governmental Funds and the
Statement of Activities - Modified Cash Basis:

Net change in fund balances - total governmental funds	\$ 324,955
Changes in assets on the Statement of Financial Position	
Capital outlay	392,823
Depreciation	<u>(826,392)</u>
	(433,569)
Changes in liabilities on the Statement of Financial Position	
Notes payable	<u>239,296</u>
Increase in Net Assets	<u><u>\$ 130,682</u></u>

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
SCHEDULE OF RECEIPTS COLLECTED BY SOURCE
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
LOCAL				
Sales tax	\$ 841,775	\$ 505,066	\$ -	\$ 1,346,841
Earnings on investments	5,617	-	-	5,617
Food service	87,652	-	-	87,652
Student activities	78,687	-	-	78,687
Community services	2,095	159,096	-	161,191
Gifts	2,189	37,951	-	40,140
Other	-	-	190,045	190,045
TOTAL LOCAL	1,018,015	702,113	190,045	1,910,173
STATE				
Basic formula	6,117,320	5,167,408	-	11,284,728
Basic formula - classroom trust fund	59,258	-	469,689	528,947
Food service	3,845	-	-	3,845
TOTAL STATE	6,180,423	5,167,408	469,689	11,817,520
FEDERAL				
Medicaid	78,310	-	-	78,310
IDEA entitlement funds part B IDEA	-	219,950	-	219,950
School lunch program	260,794	-	-	260,794
School breakfast program	58,044	-	-	58,044
Title I	-	485,035	-	485,035
Title IV.A student support	-	9,808	-	9,808
Title III	-	12,383	-	12,383
Title II.A	-	49,048	-	49,048
TOTAL FEDERAL	397,148	776,224	-	1,173,372
TOTAL RECEIPTS	<u>\$ 7,595,586</u>	<u>\$ 6,645,745</u>	<u>\$ 659,734</u>	<u>\$ 14,901,065</u>

The Schedule of Receipts by Source agrees to the Annual Secretary of the Board Report.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
SCHEDULE OF DISBURSEMENTS PAID BY OBJECT
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Salaries	\$ 2,999,156	\$ 3,761,769	\$ -	\$ 6,760,925
Employee benefits	922,828	1,316,608	-	2,239,436
Purchased services	2,402,026	1,567,368	-	3,969,394
Supplies	794,304	-	-	794,304
Capital outlay	-	-	392,823	392,823
Principal expense	-	-	239,296	239,296
Interest expense	-	-	179,932	179,932
	<u>\$ 7,118,314</u>	<u>\$ 6,645,745</u>	<u>\$ 812,051</u>	<u>\$ 14,576,110</u>

The Schedule of Disbursements Paid by Object agrees to the Annual Secretary of the Board Report.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS 115-916
 SCHEDULE OF SELECTED STATISTICS
 For the Year Ended June 30, 2018

1. CALENDAR

- A. Standard Day Length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time were as follows:

Grades K-5 – Academy	6.25
Grades K-5 – South Elementary	6.25
Grades 6-12	6.50

- B. The number of hours classes were in session and pupils were under the direction of teachers during the year was as follows:

Grades K-5 - Academy	1,127.25
Grades K-5 - South Elementary	1,127.25
Grades 6-8 - Middle School	1,171.50
Grades 9-12 - High School	1,171.50

- C. The number of days classes were in session and pupils were under the direction of teachers during the year was 183 days.

2. AVERAGE DAILY ATTENDANCE

Average daily attendance:

Regular term:

Grades K-5 - Academy	416.07
Grades K-5 - South Elementary	388.94
Grades 6-8 - Middle School	249.77
Grades 9-11 - High School	231.03
Total regular term	1,285.81
Summer school average daily attendance	34.94
Total Average Daily Attendance	<u>1,320.75</u>

3. SEPTEMBER MEMBERSHIP

September Resident Membership	<u>1,377.00</u>
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GATEWAY SCIENCE ACADEMY OF SAINT LOUIS 115-916
 SCHEDULE OF SELECTED STATISTICS (continued)
 FOR THE YEAR ENDED JUNE 30, 2018

4. FREE AND REDUCED PRICE LUNCH FTE COUNT

Free and Reduced Price Eligible Students:

Free	562.00
Reduced	131.00
Total	<u>693.00</u>

5. FINANCE

- A. A bond is not required by Section 162.401, RSMo, since the Academy is organized under the charter school laws of Missouri.
- B. The Academy's deposits are not required to be secured during the year as required by Section 110.010 and 110.020, RSMo.
- C. The Academy does not have a Debt Service Fund.
- D. Salaries reported for educators in the October Core Data Cycle are supported by payroll/contract records.
- E. The Academy made a \$162,326 or 7% x SAT x WADA transfer that was not in excess of the adjusted expenditure calculation. The transfer was approved by the Board of Directors.
- F. The Academy is not required to publish a summary of the 2016-2017 audit report pursuant to Section 165.121, RSMo.
- G. The Academy is not required to have a professional development committee plan adopted by the Board identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.
- H. The amount spent for professional development activities was \$212,218.

There were no findings noted above.

6. TRANSPORTATION

- A. The Academy did not operate a transportation system and therefore has not claimed any costs for school transportation under 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number or Other Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Missouri Department of Elementary and Secondary Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	20177N109943	\$ 11,771
		20188N109943	46,273
			58,044
National School Lunch Program - Cash	10.555	20177N109943	51,250
- Cash		20188N109943	209,544
- Commodities		115-916	23,462
			284,256
Total Child Nutrition Cluster			342,300
TOTAL U.S. DEPARTMENT OF AGRICULTURE			342,300
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Missouri Department of Elementary and Secondary Education			
Title I Grants to LEAs	84.010	S010A160025	242,593
		S010A170025	276,288
			518,881
Improving Teacher Quality State Grants	84.367	S367A160024	20,853
		S367A170024	30,800
			51,653
Special Education Grants to States	84.027	H027A160040	159,605
		H027A170040	60,345
			219,950
Student Support and Academic Enrichment Program	84.424	S424A170026	10,313
English Language Acquisition State Grants	84.365	S365A160025	6,165
		S365A170025	6,218
			12,383
TOTAL U.S. DEPARTMENT OF EDUCATION			813,180
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,155,480

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The accompanying Schedules of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Gateway Science Academy of St. Louis, Missouri, under programs of the federal government for the year ended June 30, 2018. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Gateway Science Academy, St. Louis, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.
2. The Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described in Note B of the Academy's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Commodities received and expended are valued by the Food Service Section of the Department of Elementary and Secondary Education.
3. The Academy did not provide funds to subrecipients in the current year.
4. The Academy has not elected to use the 10% de minimis indirect cost rate.

INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT ACCOUNTANTS' REPORT ON MANAGEMENT'S
ASSERTIONS ABOUT COMPLIANCE WITH SPECIFIED
REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS**

Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

We have examined management's assertions that Gateway Science Academy of Saint Louis complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the Academy's attendance records of average daily attendance, standard day length, resident membership on the last Wednesday of September, pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and other statutory requirements as listed in the schedule of selected statistics during the year ended June 30, 2018. Gateway Science Academy of Saint Louis' Management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertions referred to above are fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Education, Academy management, 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.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 3, 2018

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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***

Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

We have audited, in accordance with the 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 the governmental activities and each major fund of Gateway Science Academy of Saint Louis as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Gateway Science Academy of Saint Louis' basic financial statements and have issued our report thereon dated November 3, 2018.

Internal Control over Financial Reporting

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

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. 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.

Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gateway Science Academy of Saint Louis' 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 3, 2018



**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

Report on Compliance for the Major Federal Program

We have audited Gateway Science Academy of Saint Louis' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Gateway Science Academy of Saint Louis' major federal program for the year ended June 30, 2018. Gateway Science Academy of Saint Louis' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance on Gateway Science Academy of Saint Louis' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits* (Uniform Guidance). Those standards and Uniform Guidance 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 Gateway Science Academy of Saint Louis' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Gateway Science Academy of Saint Louis' compliance.

Opinion on the Major Federal Program

In our opinion, Gateway Science Academy of Saint Louis complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Internal Control Over Compliance

Management of Gateway Science Academy of Saint Louis is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gateway Science Academy of Saint Louis' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Academy's internal control over compliance.

A deficiency in internal control over compliance 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 3, 2018

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with the modified cash basis of accounting:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified: _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified: _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)
84.010

Name of Federal
Program or Cluster
Title I Grants to LEAs

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

GATEWAY SCIENCE ACADEMY OF SAINT LOUIS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no prior year audit findings.



Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

In planning and performing our audit of the basic financial statements of Gateway Science Academy of Saint Louis, for the year ended June 30, 2018, we considered the Academy's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

However, we became aware of matters to bring to your attention. The following paragraphs summarize our comments regarding these matters.

1. Account Code Structure Changes

Beginning on July 1, 2018, DESE implemented a new mandatory account code structure for Missouri school districts. The account code structure changes are designed to satisfy many uses by segmenting the code into several dimensions. Academy personnel are responsible for proper coding and recording in accordance with the new requirements. In addition, DESE is implementing a newly formatted Annual Secretary of the Board Report (ASBR) effective for the year ending June 30, 2019. The new ASBR requires all components to be electronically uploaded using the Academy's software. Correct use of the new account code structure is imperative for a successful ASBR upload.

We Recommend:

Academy personnel ensure that the Academy's software has been updated to reflect the new account structure. All personnel within the Academy who have management and disbursement coding responsibilities need to monitor activity within the general ledger to ensure appropriate codes are utilized in order to ensure a successful ASBR upload. Furthermore, we recommend Academy personnel continue training throughout the year on the new coding and ASBR changes.

2. Periodic Internal Control Review

As the Academy evolves, policies and procedures change, the Academy should periodically conduct a review of its internal control procedures to determine if any changes are necessary in order to protect the Academy's assets.

We Recommend:

The Academy conduct a review of its internal control procedures to determine opportunities for strengthening safeguards over the Academy's assets. The Academy may want to consider conducting reviews on cash management, computer information systems, mail distribution procedures, purchasing procedures, new vendor procedures, and other areas the Academy considers necessary.

3. Implementation of FASB ASU 2016-14: Presentation of Financial Statements of Not-for-Profit Entities

The Financial Accounting Standards Board has released new standards regarding presentation of financial information. Some significant changes will include the presentation of net assets (from three categories to two, donor restricted and net assets without restrictions) and disclosure of new qualitative information regarding liquidity risk. The effective date is for fiscal years beginning after December 15, 2017. For Gateway Science Academy of Saint Louis, that will be the fiscal year ending June 30, 2019.

We Recommend:

The Organization become familiar with the requirements of FASB ASU 2016-14 in order to assess the steps necessary to ensure successful implementation of this statement on the effective date.

We appreciate this opportunity to serve as Gateway Science Academy of Saint Louis' independent auditor and the courtesies and assistance extended to us by the Academy's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 3, 2018