

ACADEMY FOR INTEGRATED ARTS

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Academy for Integrated Arts
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the Academy for Integrated Arts (the "Academy") (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of June 30, 2020, and the related statements of support, revenue and expenses-modified cash basis, functional expenses-modified cash basis, and cash flows-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 as described in Note 2. This includes determining that the modified cash basis of accounting is an acceptable basis for the 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 9 to the financial statements, the Academy's financial statements do not include the accounts of the Academy for Integrated Arts Supporting Foundation or the accounts of the AFIA Holding Company that the Academy has a majority voting interest in the boards of each entity. In our opinion, the Academy's financial statements should include the accounts of the Academy for Integrated Arts Supporting Foundation and the AFIA Holding Company to conform with the modified cash basis of accounting as described in Note 2. Quantification of the effects of this departure from the modified cash basis of accounting on the financial statements of the Academy is not practicable.

Qualified Opinion

In our opinion, except for the effects of not including the accounts of the Academy for Integrated Arts Supporting Foundation and the AFIA Holding Company in the accompanying financial statements as explained in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of the Academy for Integrated Arts as of June 30, 2020, and its support, revenue and expenses and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 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 that matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the Table of Contents under Supplementary Information on pages 17-24 is presented for purposes of additional analysis 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.

Board of Directors
Academy for Integrated Arts
Kansas City, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of the Academy for Integrated Arts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy for Integrated Arts' internal control over financial reporting and compliance.



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
October 16, 2020

ACADEMY FOR INTEGRATED ARTS

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
June 30, 2020

ASSETS

Cash and cash equivalents	\$ 892,403
Capital assets, net of accumulated depreciation	<u>9,084</u>
Total Assets	\$ <u>901,487</u>

LIABILITIES AND NET ASSETS

Payroll withholdings	\$ <u>80</u>
Total Liabilities	80
Net Assets:	
Without donor restrictions	893,549
With donor restrictions	<u>7,858</u>
Total Net Assets	<u>901,407</u>
Total Liabilities and Net Assets	\$ <u>901,487</u>

See Accompanying Independent Auditor's Report and Notes to these Financial Statements.

ACADEMY FOR INTEGRATED ARTS

STATEMENT OF SUPPORT, REVENUE AND EXPENSES – MODIFIED CASH BASIS
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT, REVENUE & OTHER INCOME:</u>			
Contributions and donations	\$ 217,407	\$ 83,332	\$ 300,739
State aid receipts	2,159,745	0	2,159,745
Federal grants and contracts	515,869	0	515,869
Sales tax (Proposition C)	237,343	0	237,343
Community services	2,160	0	2,160
Gain on loan extinguishment	335,944	0	335,944
Other income	<u>91,102</u>	<u>0</u>	<u>91,102</u>
Total Support, Revenue & Other Income	3,559,570	83,332	3,642,902
<u>EXPENSES:</u>			
Program services	2,669,253	0	2,669,253
Supporting activities:			
General and administrative	581,994	0	581,994
Fundraising	<u>2,867</u>	<u>0</u>	<u>2,867</u>
Total Supporting activities	<u>584,861</u>	<u>0</u>	<u>584,861</u>
Total Expenses	3,254,114	0	3,254,114
Net assets released from restrictions	<u>174,224</u>	<u>(174,224)</u>	<u>0</u>
Change in Net Assets	479,680	(90,892)	388,788
Net Assets, Beginning of Year	<u>413,869</u>	<u>98,750</u>	<u>512,619</u>
Net Assets, End of Year	<u>\$ 893,549</u>	<u>\$ 7,858</u>	<u>\$ 901,407</u>

See Accompanying Independent Auditor's Report and Notes to these Financial Statements.

ACADEMY FOR INTEGRATED ARTS

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

For the Year Ended June 30, 2020

	Supporting Activities			Total Supporting Activities	Total
	Program Services	General & Administrative	Fundraising		
Salaries and wages	\$ 1,189,432	\$ 308,737	\$ 0	\$ 308,737	\$ 1,498,169
Retirement	118,349	31,870	0	31,870	150,219
Payroll taxes	87,923	22,523	0	22,523	110,446
Employee insurance	96,675	16,020	0	16,020	112,695
Other employee benefits	0	13,180	0	13,180	13,180
Tuition	10,956	0	0	0	10,956
Professional fees	64,130	16,859	0	16,859	80,989
Technical services	165,109	91,047	2,547	93,594	258,703
Property services	342,850	66,238	320	66,558	409,408
Contracted transportation	220,001	0	0	0	220,001
Travel & professional development	370	2,295	0	2,295	2,665
Insurance	38,384	2,100	0	2,100	40,484
Dues and memberships	130	80	0	80	210
Other purchased services (food)	216,747	0	0	0	216,747
General supplies	98,368	10,918	0	10,918	109,286
Books and periodicals	17,704	0	0	0	17,704
Depreciation	<u>2,125</u>	<u>127</u>	<u>0</u>	<u>127</u>	<u>2,252</u>
Total Expenses	\$ <u>2,669,253</u>	\$ <u>581,994</u>	\$ <u>2,867</u>	\$ <u>584,861</u>	\$ <u>3,254,114</u>

See Accompanying Independent Auditor's Report and Notes to these Financial Statements.

ACADEMY FOR INTEGRATED ARTS

STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
For the Year Ended June 30, 2020

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Change in net assets	\$ 388,788
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	2,252
Increase (decrease) in:	
Payroll withholdings	<u>80</u>
Net cash from operating activities	391,120
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Purchase of property and equipment	<u>(7,580)</u>
Net cash from investing activities	<u>(7,580)</u>
Net Increase (Decrease) in Cash	383,540
Cash and Cash Equivalents, Beginning of Year	<u>508,863</u>
Cash and Cash Equivalents, End of Year	<u>\$ 892,403</u>

See Accompanying Independent Auditor's Report and Notes to these Financial Statements.

ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: ORGANIZATION

Academy for Integrated Arts (the “Academy”) is a not-for-profit public benefit corporation organized on August 21, 2009 under Chapter 355, RSMo and governed by Senate Bill No. 781 of the 89th General Assembly of the Missouri legislature. The corporation operates a charter school, which is sponsored by the Missouri Charter Public School Commission. The Academy is exempt from most Missouri laws and statutes governing educational institutions. The afore-mentioned Senate Bill No. 781 governs it.

The Academy’s charter provides for the education of students in pre-kindergarten, kindergarten, and grades one through six. Approximately 80% of the Academy’s funding is provided from State and Federal funds received from the Missouri Department of Elementary and Secondary Education. Other support is provided by contributions and grants from foundations and individuals.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The Academy has implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (“ASU”) 2016-14 as it relates to FASB’s Accounting Standards Codification (“ASC”) Topic 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. FASB ASC 958-205 requires disclosing the amounts of expenses by both their natural classification and their functional classification. The Academy is required to report information regarding its financial position and activities according to two classes of net assets, which is as follows.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that can be fulfilled by actions of the Academy pursuant to those restrictions or that expire by the passage of time. Contributions restricted by donors whose restrictions are met in the same reporting periods are recorded as unrestricted. Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Academy’s actions are restricted. Restrictions stipulate that resources must be maintained permanently but permit the Academy to expend the income generated in accordance with the provisions of the agreements.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed (or certain grantor) restrictions or law.

B. Basis of Accounting

The financial statements are presented on the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues and expenses when they result from cash transactions with a provision for recording property and equipment, depreciation and long-term liabilities, such as promissory notes, which are recognized when incurred. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Academy considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Academy to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at a high-quality financial institution and accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Academy held \$639,092 in uninsured balances at the institution. The Academy has not experienced any losses on its cash or cash equivalents.

E. Capital Assets

Capital assets are stated at historical cost if purchased or at the fair value at the date of donation in the case of donated assets. A capitalization threshold of \$1,000 is used to report capital assets. Depreciation is provided over the assets' estimated useful lives using the strait-line method of depreciation. The range of useful lives by type of asset is as follows:

Leasehold improvements	5 years
Furniture and fixtures	7 years
Computer equipment	5 years

F. Compensated Absences

The Academy has established personal leave for its eligible employees. All full-time regular employees who have completed three months of continuous employment are provided twelve paid leave days per school year, which includes leave for illness and personal days. Sick and personal days are considered as expenditures in the year paid. Unused personal days are forfeited.

G. Recognition of Donor Restrictions

All contributions are considered to be available for use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to contributions without donor restrictions and reported in the Statement of Support, Revenue and Expenses as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Income Taxes

The Academy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and comparable state law as charitable organizations whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to federal income tax. The Academy currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Academy has adopted provisions of FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25). The Academy does not believe there are any material uncertain tax provisions and, accordingly, they will not recognize any liability for unrecorded tax benefits. For the year ended June 30, 2020, there was no interest or penalties recorded in the financial statements.

I. Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Support, Revenue, and Expenses. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited and, in some cases, to one or more program or supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include technical services, property services, depreciation, and interest. Property services, depreciation, and interest are allocated based on estimated square footage, and technical services are allocated based on estimated project and purpose usage.

J. Estimates

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

K. Subsequent Events

The Academy has evaluated subsequent events through October 16, 2020, the date which the financial statements were available to be issued.

ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CAPITAL ASSETS

Leasehold improvements	\$ 152,867
Computer equipment	53,616
Furniture and fixtures	<u>50,131</u>
	256,614
Less: Accumulated depreciation	<u>247,530</u>
Total Capital Assets, net	\$ <u>9,084</u>

Depreciation expense for the year ended June 30, 2020 was \$2,252, which was allocated to the related functions: instruction \$2,125 and operation of plant \$127.

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Accelerating literacy	\$ 1,622
Fine arts & music	5,135
Technology	<u>1,101</u>
	\$ <u>7,858</u>

Net assets released from restrictions for the following purposes during the year ended June 30, 2020.

Accelerating literacy	\$ 58,000
Fine Arts & music	11,117
Marketing & advertising	5,000
Technology	7,231
Professional development	<u>92,876</u>
	\$ <u>174,224</u>

NOTE 5: 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, 2020, a significant amount of disbursements had 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 6: INSURANCE

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

ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: PAYROLL PROTECTION PROGRAM LOAN

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Academy signed a note payable with the U.S. Small Business Administration (“SBA”) in April 2020 for \$335,944 with a maturity date of April 10, 2022, the first payment deferred for six months, and annual interest rate of 1.0%. This note was available through the Paycheck Protection Program (the “PPP”) as a part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) that offers cash-flow assistance to nonprofit and small business employers through guaranteed loans for certain expenses incurred between February 15, 2020, and June 30, 2020. The PPP loan did not require collateral or personal guarantees and offers the ability to have a substantial portion of the principal amount forgiven when the Academy uses the proceeds on eligible costs. The Academy filed for forgiveness in August 2020 and received notification of lender approval and is waiting on the official release from SBA.

NOTE 8: RETIREMENT PLAN

Public School Retirement System of the School District of Kansas City, Missouri (“KCPSRS”) is a mandatory cost-sharing multiple employer defined benefit pension plan (the “Plan”), which was established by the General Assembly of the State of Missouri and is exempt from the provisions of the Employee Retirement Income Security Act of 1974. The 12-member Board of Trustees of KCPSRS administers and operates the Plan in accordance with the statutes of the State of Missouri. Participation is mandatory for employees of the Kansas City, Missouri Public School District, the Kansas City Public Library and the Public School Retirement System. All regular, full-time employees of the participating employers become members of the Plan as a condition of employment, if they are in a position requiring at least 25 hours of work per week and nine calendar months per year. Employees hired before or during 1961 are members of Plan A. As of December 31, 2014, there are no longer any members of Plan A receiving benefits. Employees hired after January 1, 2014, are members of Plan C. The most recent audited financial statements and actuarial valuation report are located on KCPSRS’ website at www.kcpsrs.org.

Benefits Provided

KCPSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Positions covered by the Plan are also covered by social security. A Retirement Facts Book detailing the provisions of the plan can be found on KCPSRS’ website at www.kcpsrs.org.

Contributions

Employers are required to match the contributions made by members. The contribution rate is set each year by the KCPSRS Board of Trustees within the contribution restrictions set in Section 169.350.4 and 169.291.16 RSMo. The rate may be changed in increments not to exceed 0.5% of pay each year. Effective January 1, 2019, members of Plan B and C contributed at 10.5% of annual compensation. Effective January 1, 2020, members of Plan B and C contributed at 12.0% of annual compensation. The Academy’s contributions to KCPSRS were \$150,219 for the year ended June 30, 2020.

ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: RELATED PARTY ENTITIES

Academy for Integrated Arts Supporting Foundation

On November 30, 2015, the Academy for Integrated Arts Supporting Foundation (“Supporting Foundation”) was incorporated in Missouri as a not-for-profit public benefit corporation and organized under Section 509(a)(3)(A) of the Code to benefit the Academy. The Supporting Foundation is exempt from federal income tax under Section 501(c)(3) of the Code and has a five-member Board of Directors, three of which are appointed by the Academy. The Supporting Foundation was formed to solicit donations and acquire a loan to purchase a building for the Academy, with any additional funds to be used and applied for the benefit of the Academy’s operations as determined by the Board of Directors.

AFIA Holding Company

On June 15, 2016, the AFIA Holding Company was incorporated in Missouri as a not-for-profit public benefit corporation and organized under Section 509(a)(3)(A) of the Code to benefit the Academy. The AFIA Holding Company is exempt from federal income tax under Section 501(c)(3) of the Code and has a three-member Board of Directors, two of which are appointed by the Academy. The AFIA Holding Company was formed to own and maintain the building in which the Academy currently operates. During the year ended June 30, 2020, the Academy paid rent expense of \$300,000 to AFIA Holding Company.

Based on the majority voting interest by members of the Academy’s Board of Directors on the Board of Directors for each of these entities, the Academy should consolidate the financial statements for all related entities. However, the Academy has elected not to consolidate and include the accounts and activity of the Supporting Foundation or AFIA Holding Company. The effect on the financial statements of the preceding practice is not reasonably determinable.

NOTE 10: LEASE COMMITMENTS

Building

On September 16, 2016, the Academy entered into a 20-year lease with AFIA Holding Company starting August 1, 2016 and ending on July 31, 2036 with a base rent of \$140,000 for the first year and base rent of \$300,000 for the remaining years. The lease agreement includes an automatic renewal clause for two successive renewal periods of 10 years each with the same terms and conditions. The leasing expense for the year ending June 30, 2020 was \$300,000.

Office Equipment

The Academy leases office equipment with 60-month terms beginning on January 2018 and ending in December 2022 at a monthly rate of \$665 that includes a maintenance care agreement and charges for overages. The leasing expense for the year ending June 30, 2020 was \$10,723.

The Academy also leases office equipment with 36-month terms beginning on November 2017 and ending in October 2020 at a monthly rate of \$413 that includes a maintenance care agreement. The leasing expense for the year ending June 30, 2020 was \$4,957.

ACADEMY FOR INTEGRATED ARTS

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10: LEASE COMMITMENT (continued)

Future minimum lease payments are as follows.

<u>Year Ending June 30,</u>	
2021	\$ 309,632
2022	307,980
2023	303,990
2024	300,000
2025	300,000
2026 – 2036	<u>3,300,000</u>
Total	<u>\$ 4,821,602</u>

NOTE 11: LIQUIDITY RESOURCE MANAGEMENT

The Academy regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Academy considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 892,403
Less: Donor restricted	<u>(7,858)</u>
	\$ 884,545

SUPPLEMENTARY INFORMATION

ACADEMY FOR INTEGRATED ARTS

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>892,403</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>892,403</u>
Total Assets	\$ <u>892,403</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>892,403</u>
 <u>LIABILITIES & FUND BALANCES</u>				
Liabilities:				
Payroll withholdings	\$ 80	\$ 0	\$ 0	\$ 80
Fund Balances:				
Restricted	7,858	0	0	7,858
Unassigned	<u>884,465</u>	<u>0</u>	<u>0</u>	<u>884,465</u>
Total Fund Balances	<u>892,323</u>	<u>0</u>	<u>0</u>	<u>892,323</u>
Total Liabilities & Fund Balances	\$ <u>892,403</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>892,403</u>

See Accompanying Independent Auditor's Report.

ACADEMY FOR INTEGRATED ARTS

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES-
CASH BASIS

GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
RECEIPTS:				
Local	\$ 878,284	\$ 89,004	\$ 0	\$ 967,288
State	842,725	1,317,020	0	2,159,745
Federal	<u>515,869</u>	<u>0</u>	<u>0</u>	<u>515,869</u>
Total Receipts	2,236,878	1,406,024	0	3,642,902
DISBURSEMENTS:				
Instruction	451,645	1,175,932	0	1,627,577
Support services - Students	42,034	0	0	42,034
Support services - Instructional Staff	43,936	0	0	43,936
Support services - General Administration	240,869	134,307	0	375,176
Support services - Building Level Admin	1,173	92,655	0	93,828
Business Support Services	95,316	0	0	95,316
Operation and Maintenance Plant Services	505,616	0	0	505,616
Student Transportation	220,001	0	0	220,001
Food Services	228,805	0	0	228,805
Internal Services	231	0	0	231
Support services - Central Office	365	0	0	365
Community services	<u>23,427</u>	<u>3,130</u>	<u>0</u>	<u>26,557</u>
Total Disbursements	<u>1,853,418</u>	<u>1,406,024</u>	<u>0</u>	<u>3,259,442</u>
Receipts Over (Under) Disbursements	383,460	0	0	383,460
Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balance	383,460	0	0	383,460
FUND BALANCE - JUNE 30, 2019	<u>508,863</u>	<u>0</u>	<u>0</u>	<u>508,863</u>
FUND BALANCE - JUNE 30, 2020	\$ <u><u>892,323</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>892,323</u></u>

See Accompanying Independent Auditor's Report.

ACADEMY FOR INTEGRATED ARTS

SCHEDULE OF RECEIPTS COLLECTED BY SOURCE - CASH BASIS

For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
<u>LOCAL:</u>				
Sales tax (Prop C)	\$ 148,339	\$ 89,004	\$ 0	\$ 237,343
Community services	2,160	0	0	2,160
Gifts and contributions	300,739	0	0	300,739
Gain on loan extinguishment	335,944	0	0	335,944
Other	<u>91,102</u>	<u>0</u>	<u>0</u>	<u>91,102</u>
Total Local	878,284	89,004	0	967,288
<u>STATE:</u>				
Basic formula	723,679	1,317,020	0	2,040,699
Transportation	44,138	0	0	44,138
Classroom trust fund	66,272	0	0	66,272
Food services	1,117	0	0	1,117
Other	<u>7,459</u>	<u>0</u>	<u>0</u>	<u>7,459</u>
Total State	842,725	1,317,020	0	2,159,745
<u>FEDERAL:</u>				
Medicaid	42,491	0	0	42,491
Assistive tech reimbursement	3,672	0	0	3,672
IDEA Special education	48,375	0	0	48,375
Food services	220,997	0	0	220,997
ESEA Title I	172,070	0	0	172,070
ESEA Title II	16,877	0	0	16,877
ESEA Title IV.A	<u>11,387</u>	<u>0</u>	<u>0</u>	<u>11,387</u>
Total Federal	<u>515,869</u>	<u>0</u>	<u>0</u>	<u>515,869</u>
 Total All Sources	 <u>\$ 2,236,878</u>	 <u>\$ 1,406,024</u>	 <u>\$ 0</u>	 <u>\$ 3,642,902</u>

See Accompanying Independent Auditor's Report.

ACADEMY FOR INTEGRATED ARTS

SCHEDULE OF EXPENDITURES PAID BY OBJECT - CASH BASIS

For the Year Ended June 30, 2020

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Totals</u>
Salaries	\$ 375,065	\$ 1,123,104	\$ 0	\$ 1,498,169
Retirement	34,828	115,391	0	150,219
Payroll taxes	27,437	83,009	0	110,446
Employee benefits	28,175	84,520	0	112,695
Other employee benefits	13,180	0	0	13,180
Tuition fees	10,956	0	0	10,956
Professional fees	80,989	0	0	80,989
Technical services	258,703	0	0	258,703
Property services	409,408	0	0	409,408
Contracted transportation	220,001	0	0	220,001
Travel and prof development	2,665	0	0	2,665
Insurance-property/liability	40,484	0	0	40,484
Dues and membership	210	0	0	210
Other purchased services	216,747	0	0	216,747
General supplies	116,866	0	0	116,866
Books and periodicals	<u>17,704</u>	<u>0</u>	<u>0</u>	<u>17,704</u>
Total Expenditures	\$ <u>1,853,418</u>	\$ <u>1,406,024</u>	\$ <u>0</u>	\$ <u>3,259,442</u>

See Accompanying Independent Auditor's Report.

SCHEDULE OF SELECTED STATISTICS
For the Year Ended June 30, 2020

1. Calendar (Sections 160.041, 171.029, 171.031, and 171.033 RSMO)

Report each unique calendar the district/charter school has as defined by Sections 160.041, 171.029, 171.031, and 171.033, RSMo.

<u>School Code</u>	<u>Begin Grade</u>	<u>End Grade</u>	<u>Half Day Indicator</u>	<u>Standard Day Length</u>	<u>Days</u>	<u>Hours in Session</u>
6995	PK	06	n/a	6.5000	126	764.0000

2. Average Daily Attendance (ADA)

Report the total attendance hours of PK-12 students allowed to be claimed for the calculation of Average Daily Attendance.

<u>School Code</u>	<u>Grade Level</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Remedial Hours</u>	<u>Other</u>	<u>Summer School</u>	<u>Total</u>
6995	PK	5,625.7335	0.0000	0.0000	0.0000	0.0000	5,625.7335
6995	K	38,762.6687	0.0000	0.0000	0.0000	0.0000	38,762.6687
6995	1	33,660.7015	0.0000	0.0000	0.0000	0.0000	33,660.7015
6995	2	31,337.0512	0.0000	0.0000	0.0000	0.0000	31,337.0512
6995	3	24,214.8416	0.0000	0.0000	0.0000	0.0000	24,214.8416
6995	4	16,423.5506	0.0000	0.0000	0.0000	0.0000	16,423.5506
6995	5	15,649.2673	0.0000	0.0000	0.0000	0.0000	15,649.2673
6995	6	<u>11,375.9171</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>11,375.9171</u>
Grand Total		<u>177,049.7315</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>177,049.7315</u>

3. September Membership

Report the FTE count of resident students in grades PK-12 taken the last Wednesday in September who are enrolled on the count day **and** in attendance at least 1 of the 10 previous school days, by grade at each attendance center. This count should only include PK students marked as being eligible to be claimed for state aid in the October MOSIS Student Core File.

<u>School Code</u>	<u>Grade Level</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Other</u>	<u>Total</u>
6995	PK	9.00	0.00	0.00	9.00
6995	K	57.00	0.00	0.00	57.00
6995	1	49.00	0.00	0.00	49.00
6995	2	46.00	0.00	0.00	46.00
6995	3	34.00	0.00	0.00	34.00
6995	4	24.00	0.00	0.00	24.00
6995	5	22.00	0.00	0.00	22.00
6995	6	<u>16.00</u>	<u>0.00</u>	<u>0.00</u>	<u>16.00</u>
Grand Total		<u>257.00</u>	<u>0.00</u>	<u>0.00</u>	<u>257.00</u>

SCHEDULE OF SELECTED STATISTICS
For the Year Ended June 30, 2020

4. Free and Reduced Priced Lunch FTE Count (Section 163.011(6), RSMo)

Report the FTE count taken the last Wednesday in January of resident students enrolled in grades K-12 and in attendance at least 1 of the 10 previous school days whose eligibility for free or reduced lunch is documented through the application process using federal eligibility guidelines or through the direct certification process. Desegregation students are considered residents of the district in which the students are educated

<u>School Code</u>	<u>Free Lunch</u>	<u>Reduced Lunch</u>	<u>Deseg In Free</u>	<u>Deseg In Reduced</u>	<u>Total</u>
6995	<u>233.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>233.00</u>

5. Finance

Answer the following questions with an appropriate response of true, false, or N/A unless otherwise noted.

<u>Section</u>	<u>Question</u>	<u>Answer</u>
5.1	The charter school maintained a calendar in accordance with 160.041, 171.029, 171.031, and 171.033, RSMo and all attendance hours were reported.	True
5.2	The charter school maintained complete and accurate attendance records allowing for the accurate calculation of Average Daily Attendance for all students in accordance with all applicable state rules and regulations. Sampling of records included those students receiving instruction in the following categories:	True
	Academic Programs Off-Campus	N/A
	Career Exploration Program – Off Campus	N/A
	Cooperative Occupational Education (COE) or Supervised Occupational Experience Program	N/A
	Dual enrollment	N/A
	Homebound instruction	N/A
	Missouri Options	N/A
	Prekindergarten eligible to be claimed for state aid	N/A
	Remediation	N/A
	Sheltered Workshop participation	N/A
	Students participating in the school flex program	N/A
	Traditional instruction (full and part-time students)	True
	Virtual instruction (MOCAP or other option)	N/A
	Work Experience for Students with Disabilities	N/A

SCHEDULE OF SELECTED STATISTICS
For the Year Ended June 30, 2020

5. Finance (continued)

<u>Section</u>	<u>Question</u>	<u>Answer</u>
5.3	The charter school maintained complete and accurate attendance records allowing for the accurate calculation of September Membership for all students in accordance with all applicable state rules and regulations.	True
5.4	The charter school maintained complete and accurate attendance and other applicable records allowing for the accurate reporting of the State FTE count for Free and Reduced Lunch for all students in accordance with all applicable state rules and regulations.	True
5.5	As required by Section 162.401, RSMo, a bond was purchased for the charter school’s treasurer in the total amount of:	<u>\$ n/a</u>
5.6	The charter school’s deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	N/A
5.7	(Not applicable to charter schools.)	N/A
5.8	Salaries reported for educators in the October MOSIS Educator Core and Educator School files are supported by complete and accurate payroll and contract records.	True
5.9	(Not applicable to charter schools.)	N/A
5.10	The charter school published a summary of the prior year’s audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	True
5.11	(Not applicable to charter schools.)	N/A
5.12	The amount spent for approved professional development committee plan activities was:	<u>\$ n/a</u>
Notes:	The Academy has insurance coverage up to <u>\$500,000</u> for employee theft instead of a purchased surety bond (Section 5.5).	
All above “False” answers <u>must</u> be supported by a finding or management letter comment.		N/A

SCHEDULE OF SELECTED STATISTICS
For the Year Ended June 30, 2020

6. Transportation (Section 163.161, RSMo)

Answer the following questions with an appropriate response of true, false, or N/A unless otherwise noted.

<u>Section</u>	<u>Question</u>	<u>Answer</u>
6.1	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	True
6.2	The charter school’s pupil transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.	True
6.3	Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	True
	Eligible ADT	<u>147.00</u>
	Ineligible ADT	<u>14.00</u>
6.4	The charter school’s transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.	False
6.5	Actual odometer records show the total charter-operated and contracted mileage for the year was:	<u>37,006</u>
6.6	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:	True
	Eligible Miles	<u>35,658</u>
	Ineligible Miles (Non-Route/Disapproved)	<u>1,348</u>
6.7	Number of days the charter school operated the school transportation system during the regular school year:	<u>126</u>

Notes: None

All above “False” answers **must** be supported by a finding or management letter comment.

Finding # MO20-01

INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITOR’S 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
Academy for Integrated Arts
Kansas City, 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 Academy for Integrated Arts (the “Academy”) (a nonprofit organization), which comprise the statement of assets and net assets-modified cash basis as of June 30, 2020, and the related statement of support, receipts and disbursements for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control over Financial Reporting

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

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 material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Academy for Integrated Arts
Kansas City, Missouri

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
October 16, 2020



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

Board of Directors
Academy for Integrated Arts
Kansas City, Missouri

We have examined management's assertion, included in its representation letter dated October 16, 2020, that the Academy for Integrated Arts (the "Academy") complied with the requirements of Missouri laws and regulations regarding accurate disclosure of the Academy's records of average daily attendance and average daily transportation of pupils, and other statutory requirements as listed in the Schedule of Selected Statistics for the year ended June 30, 2020. Management is responsible for its assertion that the Academy complied with the aforementioned requirements. Our responsibility is to express an opinion on management's assertion 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 assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. 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 assertion, 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. Our examination does not provide a legal determination on the Academy's compliance with specified requirements.

In our opinion, management's assertion that the Academy for Integrated Arts complied with the aforementioned requirements included in the Schedule of Selected Statistics for the year ended June 30, 2020, are fairly stated, in all material respects.

We noted immaterial instances of noncompliance with the aforementioned requirements that we have reported to the administration of the Academy in the accompanying Schedule of State Findings.

This report is intended for the information and use of the Board of Directors, Academy's management, the Missouri Department of Elementary and Secondary Education and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
October 16, 2020

ACADEMY FOR INTEGRATED ARTS

SCHEDULE OF STATE FINDINGS

For the Year Ended June 30, 2020

Finding MO20-01 - Transportation

During our audit, we noted that the contracted transportation company estimates the number of eligible route miles by taking the actual readings for one day during the month and multiplying them by the number of operating days the students are transported during that month. Although this method provides materially correct information, state transportation regulations require that schools report actual route miles for the year by taking odometer readings. We recommend the Academy review the data from the contracted transportation company to ensure accurate reporting and follows state transportation regulations. As a result of our audit, the mileage data has been corrected and resubmitted to Missouri DESE.

Auditee's Response:

The Academy has reviewed the finding and is working with the contracted transportation company to have odometer readings sent with the vendor invoices. When odometer readings are not sent with the invoices, the Academy will work with the transportation company to receive the readings from the company in a timely manner.