

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**TOGETHER WITH INDEPENDENT**  
**AUDITOR'S REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
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**d/b/a BROOKSIDE CHARTER SCHOOL**  
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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
BSDS, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BSDS, Inc. ("School") (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BSDS, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note B, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

## **Other Matters**


### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule – Statement of Financial Position, Consolidating Schedule – Statement of Activities, Balance sheet – Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, Schedule of Revenues by Source, Schedule of Expenditures Paid by Object and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The supplementary information presented on pages 14 through 19 are presented for purposes of complying with requirements of the Missouri Department of Elementary and Secondary Education and the schedule of expenditures of federal awards presented on page 30 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ARNOLD, MISSOURI

December 12, 2019

## **FINANCIAL STATEMENTS**

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

Cash and cash equivalents	\$	2,561,114
Investments		1,142,498
Prepaid Personnel Costs		
Accounts receivable, net		22,578
Federal and state funds receivable		215,074
Prepaid insurance		41,259
Property and equipment, net		<u>11,032,855</u>
 Total Assets	 \$	 <u><u>15,015,379</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$	230,501
Deferred revenue		1,631
Accrued personnel costs		40,153
Notes payable		10,230,000
Capital lease payable		<u>8,701</u>
 Total liabilities		 10,510,986
Net Assets		
Without donor restrictions		4,504,391
With donor restrictions		<u>-</u>
 Total net assets		 <u>4,504,391</u>
 Total Liabilities and Net Assets	 \$	 <u><u>15,015,377</u></u>

See accompanying notes.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUE AND GAIN:</b>			
Government grants and contracts	\$ 8,281,135	\$ -	\$ 8,281,135
Tuition	236,300	-	\$ 236,300
Investment income	65,365	-	65,365
Fees and services	131,685	-	131,685
Contributions	574,390	-	574,390
Fundraising	12,426	-	12,426
Other	17,157	-	17,157
Net assets released from restrictions	-	-	-
Total support, revenue and gain	9,318,458	-	9,318,458
<b>EXPENSES:</b>			
Program Services:			
Charter school	7,770,250	-	7,770,250
Management and general	1,642,740	-	1,642,740
Total expenses	9,412,990	-	9,412,990
Change in net assets	(94,532)	-	(94,532)
Net assets, beginning of year	4,598,923	-	4,598,923
Net assets, end of year	\$ 4,504,391	\$ -	\$ 4,504,391

See accompanying notes.



**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Charter School	Management and General	Fundraising	Total
Salaries	\$ 4,400,900	\$ 550,094	\$ -	\$ 4,950,994
Payroll taxes and benefits	1,123,854	149,543	-	1,273,397
Amortization	-	-	-	-
Assistance to individuals	-	-	-	-
Building and equipment maintenance	65,150	7,238	-	72,388
Conferences, meetings and travel	-	-	-	-
Contract and professional fees	731,277	482,627	-	1,213,904
Depreciation	464,152	39,786	-	503,938
Student transportation	51,866	-	-	51,866
Food supplies	-	207,617	-	207,617
Office supplies	-	66,394	-	66,394
Other supplies	181,329	4,712	-	186,041
Insurance	-	62,654	-	62,654
Interest	336,741	37,416	-	374,157
Occupancy	155,382	17,265	-	172,647
Utilities	123,956	13,773	-	137,729
Program and support services	-	-	-	-
Printing and publications	-	-	-	-
Textbooks and educational materials	103,052	-	-	103,052
Telephone and communications	19,991	2,221	-	22,212
Rent expense	12,600	1,400	-	14,000
Postage and shipping	-	-	-	-
Special event expense	-	-	-	-
Bad debt expense	-	-	-	-
Other	-	-	-	-
<b>Total expenses</b>	<b>\$ 7,770,250</b>	<b>\$ 1,642,740</b>	<b>\$ -</b>	<b>\$ 9,412,990</b>

See accompanying notes.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Increase in net assets	\$ (94,532)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	503,938
(Gain) loss on investments	(20,900)
(Increase) decrease in:	
Accounts receivable	(3,627)
Federal and state funds receivable	(23,467)
Prepaid Personnel Costs	-
Prepaid insurance	72,153
Increase (decrease) in:	
Accounts payable	219,877
Deferred revenue	-
Accrued personnel costs	<u>26,357</u>
Capital lease principal	<u>-</u>
Net cash provided by operating activities	679,799
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	-
Proceeds from sale of investments	-
Purchase of investments	<u>-</u>
Net cash used by investing activities	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from note payable	-
Debt reduction - capital lease	<u>(58,114)</u>
Net cash provided from financing activities	<u>(58,114)</u>
<b>NET INCREASE IN CASH</b>	621,685
CASH, beginning	<u>1,939,429</u>
CASH, ending	<u>\$ 2,561,114</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>	
Interest paid	<u>\$ 374,157</u>

See accompanying notes.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - MISSION AND NATURE OF BUSINESS**

The mission of Brookside Charter School is to believe in their students and be committed to providing them with unlimited opportunities.

Brookside Charter School is a Leader in Me School that teaches and implements the 7 Habits to ensure students feel empowered in their daily lives. Students are critical thinkers that are not afraid of failure, because they learn from their strengths and weaknesses. The caring staff creates a safe environment where learning is student centered. Educators collaborate to deliver quality instruction that drives academic excellence. Families work side by side with staff to prepare leaders for today's society.

They are a Leader in Me School:

- Instruction is student centered: Students are actively involved in constructing their own knowledge.
- Instruction is data driven.
- Instruction is literacy based.
- Curriculum is based on standards.
- Leadership is shared within a collaborative culture.
- Families are valued as integral partners.
- Self-discipline is fostered through non-punitive, student-centered strategies.

During October 2012, BSDS, Inc. formed one new entity, BSDS RE Holdings, Inc., a 501(c)2 real estate holding company, which is operated exclusively for the benefit of its sole member, BSDS, Inc. The entity was formed in conjunction with the New Market Tax Credit transaction (See Note L).

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principals of Consolidation: The consolidated financial statements include the accounts of BSDS, Inc. and BSDS RE Holdings, Inc. All significant intercompany accounts have been eliminated in consolidation.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the School considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Investments with readily determinable fair values are valued at their fair value in the Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities.

Accounts Receivable: Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The amount considered uncollectible for the year ending June 30, 2019, is \$0.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

Property and Equipment: All property and equipment are valued at historical cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets.

Furniture	5 - 15 years
Equipment and computers	5 - 15 years
Buildings and Improvements	15 - 40 years

Subsequent Events: Management has evaluated subsequent events through December 12, 2019, the date the financial statements were available to be issued.

Sinking Fund: The School maintains a sinking fund as required under the loan agreement described in Note H. The amount is intended to secure the School's obligation under the loan.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Balances: Employees accrue seven (7) days (56 hours) of paid time off ("PTO") each year. PTO is earned as of the first day of each school year. In the event that accrued PTO is not used by the end of the school year, employees may carry over unused PTO to the next school year, up to maximum of (40) days (320 hours).

Income Taxes: The School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law as charitable organizations whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to federal income tax. The School currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The School has adopted provisions of FASB standard on Accounting for Uncertainty in Income Taxes (ASV 740-10-25). The School does not believe there are any material uncertain tax provisions and, accordingly, they will not recognize any liability for unrecorded tax benefits. For the year ended June 30, 2019, there were no interest or penalties recorded in the financial statements. The School's Forms 990, Return for Organization Exempt from Income Taxes, for the years ended June 30, 2019, 2018, and 2017 are subject to examination by the IRS, generally three years after they were filed.

Functional Allocation of Expenses: Expenses consist of costs related to Organization activities and administrative functions. These costs have been summarized on a functional basis in the statements of activities without donor restrictions. Costs are directly charged to the functions they benefit.

Advertising: The School generally expenses advertising costs as they are incurred.

New Accounting Pronouncement: Effective July 1, 2018, the Organization adopted the requirements of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

**NOTE C - CASH AND CASH EQUIVALENTS**

At June 30, 2019, the bank balances of the School deposits totaled \$3,736,620, of which \$2,271,764 was covered by FDIC and \$1,464,856 was unsecured.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE D – INVESTMENTS**

The School carries Level 1 measurements for investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The School initially records Level 2 financial investments at the fair value as of the date the investments are donated to the School and thereafter carries such investments primarily at current appraised values. The School uses the income approach to record Level 3 investments. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques.

At June 30, 2019, Level 1 investments consist of the following:

	Cost	Fair Value
Certificate of Deposits	\$ 247,000	\$ 247,015
Agency Bonds	900,000	895,483
Total	\$ 1,147,000	\$ 1,142,498

**NOTE E - INSURANCE**

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

**NOTE F - RETIREMENT PLAN**

The School contributes to The Public School Retirement System of the School District of Kansas City, Missouri, a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the Kansas City, Missouri Public School District, the Kansas City Public Library, and the Public School Retirement System. The Retirement System provides service and disability retirement benefits to full-time employees and optional benefits to members' beneficiaries. Positions covered by The Retirement System are also covered by Social Security. The Retirement System is administered by a twelve member Board of Trustees. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of the School District of Kansas City, Missouri, 324 E. 11<sup>th</sup> St., Kansas City, Missouri, 64106, or by calling 1-816-472-5800.

The Retirement System members are required to contribute 9.0% of their annual covered salary and the School is required to contribute a 10.5% match. The contribution requirements of members and the School are established, and may be amended, by the Board of Trustees. The School's contributions to the system for the year ended June 30, 2019, was \$438,890, equal to the required contributions.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE G - PROPERTY AND EQUIPMENT**

Building and improvements	\$ 12,559,619
Equipment	1,275,322
Land	442,145
Accumulated depreciation	<u>(3,244,231)</u>
	<u>\$ 11,032,855</u>

Depreciation expense for the year ended June 30, 2019, was \$503,938. The depreciation expense was allocated to the related functions, instruction \$55,623, instructional staff \$46,133, administration \$1,120, operation of plant \$397,500 and food service \$3,562.

**NOTE H - NOTES PAYABLE**

On October 29, 2012, a note payable was entered into with a limited liability company in the amount of \$5,280,440 to pay off existing debt and develop property for the use as a public charter school facility. Beginning November 1, 2012, the note requires monthly interest payments until maturity with interest at 3.58%. The principal amount and all unpaid interest are due on September 11, 2020. The balance at June 30, 2019, was \$5,280,440.

On October 29, 2012, another note payable was entered into with a limited liability company in the amount of \$2,703,360 to pay off existing debt and develop property for the use as a public charter school facility. Beginning November 1, 2012, the note requires monthly interest payments until maturity with interest at 3.58%. The principal amount and all unpaid interest are due on September 11, 2020. The balance at June 30, 2019, was \$2,703,360.

On October 29, 2012, another note payable was entered into with a limited liability company in the amount of \$2,246,200 to pay off existing debt and develop property for the use as a public charter school facility. Beginning November 1, 2012, the note requires monthly interest payments until maturity with interest at 3.58%. The principal amount and all unpaid interest are due on September 11, 2020. The balance at June 30, 2019, was \$2,246,200.

Various loan covenants are required under the above notes payable. At June 30, 2019, the School was in compliance with each of the covenants.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE H - NOTES PAYABLE (concluded)**

Debt service requirements to maturity are:

June 30,	Principal	Interest	Total
2020	\$ -	\$ 366,158	\$ 366,158
2021	10,230,000	101,574	10,331,574
Total	\$ 10,230,000	\$ 467,732	\$ 10,697,732

**NOTE I – CAPITAL LEASE OBLIGATION**

In October 2015, the School entered into a capital lease to finance the acquisition of computer equipment. The lease requires monthly installments of \$1,073, including interest at 6.569%. The balance of the capital lease obligation at June 30, 2019, was paid off during the fiscal year.

In December 2015, the School entered into a capital lease to finance the acquisition of computer equipment. The lease requires monthly installments of \$1,030, including interest at 7.136%. The balance of the capital lease obligation at June 30, 2019, was paid off during the fiscal year.

In April 2016, the School entered into a capital lease to finance the acquisition of computer equipment. The lease requires monthly installments of \$520, including interest at 1.931%. The balance of the capital lease obligation at June 30, 2019, was paid off during the fiscal year.

In July 2016, the School entered into a capital lease to finance the acquisition of computer equipment. The lease requires monthly installments of \$3,348, including interest at 7.766%. The balance of the capital lease obligation at June 30, 2019, was \$3,326.

In March 2017, the School entered into a capital lease to finance the acquisition of computer equipment. The lease requires monthly installments of \$280, including interest at 7.634%. The balance of the capital lease obligation at June 30, 2019, was \$2,070.

The future minimum lease payments for these leases are as follows:

Year ending	Principal	Interest	Total
June 30,			
2020	\$ 5,396	\$ 79	\$ 5,475
Total	\$ 5,396	\$ 79	\$ 5,475

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE J – FEDERAL AND STATE FUNDS RECEIVABLE**

Federal and state funds receivable at June 30, 2019, consist of the following:

State - Basic Formula	\$ 215,074
Federal Programs	<u>          -</u>
	<u><u>\$ 215,074</u></u>

**NOTE K - LEASE COMMITMENTS**

On June 25, 2017, the School entered into a non-cancelable lease with a maintenance agreement for copier equipment. The base lease is payable in monthly installments of \$3,931. Overage will be invoiced in addition to monthly base. This lease is active through June 25, 2021. Rent expense for the year ended June 30, 2019, under this lease was \$47,174.

Future minimum lease payments for years ending June 30 are as follows:

Year Ending June 30,	Amount
2020	\$ 47,174
2021	19,656
Total	<u><u>\$ 66,830</u></u>

**NOTE L – NEW MARKET TAX CREDIT**

In October 2012, the School and its newly formed affiliate, BSDS RE Holdings, Inc., entered into a series of transactions which generated “New Market Tax Credits” under Section 45D of Internal Revenue Code of 1986, as amended.

Chase NMTC IFF Charter School Investment Fund, LLC, (Investment Fund), an entity wholly owned by Chase Community Equity, LLC by virtue of a capital contribution of \$3,376,200, was awarded New Market Tax Credits of \$4,290,000 in consideration of its \$11,000,000 investment in its 99.99% owned subsidiary, IFF Capital V, LLC.

IFF Capital V, LLC made three loans totaling \$10,230,000 described in Note H to BSDS RE Holdings, LLC.

The School transferred all its real estate to BSDS RE Holdings, Inc. BSDS RE Holdings will lease its real estate to the School under terms of a triple net lease requiring monthly lease payments of \$14,260 from November 1, 2012, through August 1, 2013, \$30,340 from September 1, 2013, through December 1, 2013, \$35,850 from January 1, 2016, through December 1, 2019, \$78,020 from January 1, 2020, through December 31, 2024, \$78,810 from January 1, 2025, through December 31, 2029, and \$79,620 from January 1, 2030, through December 31, 2032.



**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE M – CONTINGENCIES**

The School is involved in some asserted claims that are pending as of the audit report date. No provision has been made in the financial statements for any loss that might arise in the event of an unfavorable outcome of these matters. School management believes that such matters and claims will ultimately be resolved without material financial liability, if any, to the School.

The continued operation of BSDS, Inc. is dependent upon the guidelines set forth by RSMo, Department of Elementary and Secondary Education, and the continued support of the School’s sponsor. The School may cease to exist upon infringement of the aforementioned agreements.

**NOTE N - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The School strives to maintain liquid financial assets sufficient to cover general expenditures and maintain financial stability.

The following table reflects the School’s financial assets as of June 30, 2019, reduced by amounts not available to meet general expenditures within one year of the statement of assets, liabilities and net assets –modified cash basis date because of donor restrictions.

Cash	\$ 2,561,114
Donor restricted assets	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,561,114</u>

**NOTE O – SUBSEQUENT EVENTS**

There are no subsequent events to report as of the audit report date.

## **SUPPLEMENTARY INFORMATION**

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

	<u>BSDS</u>	<u>BSDS RE Holdings, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,519,370	\$ 41,744	\$ -	\$ 2,561,114
Investments	1,142,498	-	-	1,142,498
Accounts receivable, net	22,578	146,130	(146,130)	22,578
Federal and state funds receivable	215,074	-	-	215,074
Prepaid insurance	41,259	-	-	41,259
Property and equipment, net	<u>570,354</u>	<u>10,462,501</u>	<u>-</u>	<u>11,032,855</u>
 Total Assets	 <u>\$ 4,511,133</u>	 <u>\$ 10,650,376</u>	 <u>\$ (146,130)</u>	 <u>\$ 15,015,378</u>

**LIABILITIES AND NET ASSETS**

Liabilities:				
Accounts payable	\$ 376,631	\$ -	\$ (146,130)	\$ 230,501
Deferred revenue	1,632	-	-	1,632
Accrued personnel costs	40,153	-	-	40,153
Notes payable	-	10,230,000	-	10,230,000
Capital lease payable	<u>8,701</u>	<u>-</u>	<u>-</u>	<u>8,701</u>
 Total Liabilities	 <u>427,117</u>	 <u>10,230,000</u>	 <u>(146,130)</u>	 <u>10,510,987</u>
 Net Assets				
Without donor restrictions	4,084,015	420,376	-	4,504,391
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Net Assets	 <u>4,084,015</u>	 <u>420,376</u>	 <u>-</u>	 <u>4,504,391</u>
 Total Liabilities and Net Assets	 <u>\$ 4,511,132</u>	 <u>\$ 10,650,376</u>	 <u>\$ (146,130)</u>	 <u>\$ 15,015,378</u>

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>BSDS</b>			<b>BSDS RE Holding, Inc.</b>		<b>Total</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>Eliminations</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT, REVENUE AND GAIN:</b>								
Government grants and contracts	\$ 8,281,135	\$ -	\$ 8,281,135	\$ -	\$ -	\$ 8,281,135	\$ -	\$ 8,281,135
Tuition	236,300	-	236,300	-	-	236,300	-	236,300
Investment income	65,365	-	65,365	-	-	65,365	-	65,365
Fees and services	131,685	-	131,685	-	-	131,685	-	131,685
Contributions	574,390	-	574,390	-	-	574,390	-	574,390
Fundraising	12,426	-	12,426	-	-	12,426	-	12,426
Other	17,157	-	17,157	430,200	(430,200)	17,157	-	17,157
<b>Total support, revenue and gain</b>	<b>9,318,458</b>	<b>-</b>	<b>9,318,458</b>	<b>430,200</b>	<b>(430,200)</b>	<b>9,318,458</b>	<b>-</b>	<b>9,318,458</b>
<b>EXPENSES:</b>								
Instruction	4,830,211	-	4,830,211	-	-	4,830,211	-	4,830,211
Student services	261,080	-	261,080	-	-	261,080	-	261,080
Instructional staff support	542,788	-	542,788	-	-	542,788	-	542,788
Building level administration	484,337	-	484,337	-	-	484,337	-	484,337
General administration and central services	1,290,425	-	1,290,425	30	-	1,290,455	-	1,290,455
Operation of plant	1,161,431	-	1,161,431	341,301	(430,200)	1,072,532	-	1,072,532
Food service	380,006	-	380,006	-	-	380,006	-	380,006
Community services	125,559	-	125,559	-	-	125,559	-	125,559
Transportation	51,866	-	51,866	-	-	51,866	-	51,866
Debt service:					-			
Interest and fees	2,689	-	2,689	371,467	-	374,156	-	374,156
Contribution to BSDS RE Holdings, Inc.	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>9,130,392</b>	<b>-</b>	<b>9,130,392</b>	<b>712,798</b>	<b>(430,200)</b>	<b>9,412,990</b>	<b>-</b>	<b>9,412,990</b>
Change in unrestricted net assets	188,066	-	188,066	(282,598)	-	(94,532)	-	(94,532)
Distribution (to) from affiliate	-	-	-	-	-	-	-	-
Net assets, beginning of year	4,177,961	-	4,177,961	420,962	-	4,598,923	-	4,598,923
Net assets, end of year	\$ 4,366,027	\$ -	\$ 4,366,027	\$ 138,364	\$ -	\$ 4,504,391	\$ -	\$ 4,504,391

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,519,350	\$ 20	\$ -	\$ 2,519,370
Investments	1,142,498	-	-	1,142,498
Accounts receivable, net	22,578	-	-	22,578
Federal and state funds receivable	215,074	-	-	215,074
Prepaid insurance	41,258	-	-	41,258
 Total assets	 \$ 3,940,758	 \$ 20	 \$ -	 \$ 3,940,778
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 263,020	\$ 113,611	\$ -	\$ 376,631
Deferred revenue	1,632	-	-	1,632
Accrued personnel costs	39,903	250	-	40,153
 Total liabilities	 304,555	 113,861	 -	 418,416
 Fund Balances:				
Unreserved	3,636,203	(113,841)	-	3,522,362
 Total liabilities and fund balances	 \$ 3,940,758	 \$ 20	 \$ -	 \$ 3,940,778

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>REVENUES:</b>				
Local	\$ 1,475,376	\$ 262,831	\$ -	\$ 1,738,207
State	2,843,443	3,619,278	-	6,462,721
Federal	<u>1,117,530</u>	<u>-</u>	<u>-</u>	<u>1,117,530</u>
Total Revenues	<u>5,436,349</u>	<u>3,882,110</u>	<u>-</u>	<u>9,318,458</u>
<b>EXPENDITURES:</b>				
Instruction	1,520,772	3,254,176	-	4,774,948
Student services	261,075	5	-	261,080
Instructional staff support	429,895	66,760	-	496,655
Building level administration	370	482,847	-	483,217
General administration and central services	1,212,103	78,322	-	1,290,425
Operation of plant	1,104,873	-	-	1,104,873
Food service	376,444	-	-	376,444
Community services	125,559	-	-	125,559
Building acquisition and construction	-	-	-	-
Transportation	<u>51,866</u>	<u>-</u>	<u>-</u>	<u>51,866</u>
Debt service:				
Principal	-	-	58,113	58,113
Interest and fees	<u>-</u>	<u>-</u>	<u>2,689</u>	<u>2,689</u>
Total Expenditures	<u>5,082,957</u>	<u>3,882,110</u>	<u>60,802</u>	<u>9,025,869</u>
Revenues Over (Under) Expenditures	353,392	-	(60,802)	292,590
Other Financing Sources (Uses):				
Transfers	<u>(60,802)</u>	<u>-</u>	<u>60,802</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	292,590	-	-	292,590
Fund balance, beginning	<u>3,229,772</u>	<u>-</u>	<u>-</u>	<u>3,229,772</u>
Fund balance, ending	<u>\$ 3,522,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,522,362</u>

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**SCHEDULE OF REVENUES BY SOURCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>LOCAL:</b>				
Sales tax	\$ 438,052	\$ 262,831	\$ -	\$ 700,884
Tuition	236,300	-	-	236,300
Earnings on investments	65,365	-	-	65,365
Food service	2,041	-	-	2,041
Student activities	2,151	-	-	2,151
Community service	139,918	-	-	139,918
Donations	574,390	-	-	574,390
Other	17,157	-	-	17,157
Total Local	<u>1,475,376</u>	<u>262,831</u>	<u>-</u>	<u>1,738,207</u>
<b>STATE:</b>				
Basic formula	2,587,833	3,619,278	-	6,207,111
Basic formula - classroom trust fund	250,977	-	-	250,977
Transportation	1,674	-	-	1,674
Food service	2,959	-	-	2,959
Other state revenue	-	-	-	-
Total State	<u>2,843,443</u>	<u>3,619,278</u>	<u>-</u>	<u>6,462,721</u>
<b>FEDERAL:</b>				
Medicaid	152,046	-	-	152,046
Title I	411,046	-	-	411,046
Title II.A	37,624	-	-	37,624
Title IV A	22,801	-	-	22,801
Individuals with Disabilities - Grants	-	-	-	-
Food Service	392,222	-	-	392,222
Individuals with Disabilities - Part B	101,792	-	-	101,792
Total Federal	<u>1,117,530</u>	<u>-</u>	<u>-</u>	<u>1,117,530</u>
 Total Revenues	 <u>\$ 5,436,349</u>	 <u>\$ 3,882,110</u>	 <u>\$ -</u>	 <u>\$ 9,318,458</u>

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**SCHEDULE OF EXPENDITURES PAID BY OBJECT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
Salaries	\$ 1,865,555	\$ 3,085,440	\$ -	\$ 4,950,995
Employee benefits	476,728	796,670	-	1,273,397
Purchased services	2,059,234	-	-	2,059,234
Supplies	681,441	-	-	681,441
Debt Service	-	-	60,802	60,802
	<u>\$ 5,082,957</u>	<u>\$ 3,882,110</u>	<u>\$ 60,802</u>	<u>\$ 9,025,869</u>



## **STATE COMPLIANCE SECTION**



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

To the Members of the Board of Directors  
BSDS, Inc.

**Report on Compliance with State Requirements**

We have examined management's assertions that BSDS, Inc. ("School") complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by the School'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, 2019.

**Management's Responsibility**

Management is responsible for the School's compliance with the aforementioned requirements.

**Auditor's Responsibility**

Our responsibility is to express an opinion on management's assertions about the School's compliance based on our examination. Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the School's compliance with specified requirements.

**Opinion on Compliance with State Requirements**

In our opinion, management's assertions that BSDS, Inc. complied with the aforementioned requirements for the year ended June 30, 2019, are fairly stated, in all material respects. However, we noted an immaterial instance of noncompliance as reported in the Schedule of State Findings.

This report is intended solely for the information and use of the Governing Board, administration, Missouri Charter Public School Commission and 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.

*Daniel Jones & Associates*

Daniel Jones & Associates, P.C.  
Certified Public Accountants  
Arnold, Missouri

December 12, 2019

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CHARTER NUMBER 048-916**  
**SCHEDULE OF SELECTED STATISTICS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Type of audit performed: Yellow Book \_\_\_\_\_ Single Audit  X

**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.

School Code	Begin Grade	End Grade	Half Day Indicator	Standard Day Length	Days	Hours in Session
6950	PK	5		6.50	172	1,107.50
3950	6	8		6.50	172	1,107.50

**2. AVERAGE DAILY ATTENDANCE (ADA)**

Report the total number of PK-12 student ADA allowed to be claimed for the calculation of Average Daily Attendance. Include only PK students allowed to be claimed for state aid in the calculation.

School Code	Grade Level	Full-Time	Part-Time	Remedial Hours	Other	Summer School	Total
6950	PK-5	447.56			.85	22.02	470.43
3950	6-8	180.40				9.16	189.56
<b>Grand Total</b>		<b>627.96</b>			<b>.85</b>	<b>31.18</b>	<b>659.99</b>

**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.

School Code	Grade Level	Full-Time	Part-Time	Other	Total
6950	PK-5	467			467
3950	6-8	200			200
<b>Grand Totals</b>		<b>667</b>			<b>667</b>

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CHARTER NUMBER 048-916**  
**SCHEDULE OF SELECTED STATISTICS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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.

School Code	Free Lunch	Reduced Lunch	Deseg In Free	Deseg In Reduced	Total
6950	470				470
3950	194				194
<b>Grand Total</b>	<b>664</b>				<b>664</b>

**5. FINANCE**

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

Section	Question	Answer
5.1	The district/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 district/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

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CHARTER NUMBER 048-916**  
**SCHEDULE OF SELECTED STATISTICS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Dual enrollment	N/A
	Homebound instruction	N/A
	Missouri Options	N/A
	Prekindergarten eligible to be claimed for state aid	True
	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
<b>5.3</b>	The district/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
<b>5.4</b>	The district/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
<b>5.5</b>	As required by Section 162.405, RSMo, an insurance policy was purchased for the district's/charter school's employee theft coverage in the total amount of:	\$50,000
<b>5.6</b>	The district's\charter school's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	False
<b>5.7</b>	The district maintained a separate bank account for all Debt Service Fund monies in accordance with Section 108.180 and 165.011, RSMo. (Not applicable to charter schools)	N/A
<b>5.8</b>	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
<b>5.9</b>	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. (Not applicable to charter schools)	True
<b>5.10</b>	The district/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

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**CHARTER NUMBER 048-916**  
**SCHEDULE OF SELECTED STATISTICS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>5.11</b>	The district has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. Remaining 25% of 1% if not spent must be restricted and spent on appropriate expenditures in the future. Spending requirement is modified to seventy-five percent (75%) of one half percent (1/2%) of the current year basic formula apportionment if through fiscal year 2024 the amount appropriated and expended to public schools for transportation is less than twenty-five percent (25%) of allowable cost. (Not applicable to charter schools.)	N/A
<b>5.12</b>	The amount spent for approved professional development committee plan activities was:	N/A

**6. TRANSPORTATION (SECTION 163.161, RSMO)**

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

Section	Question	Answer
<b>6.1</b>	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	<b>True</b>
<b>6.2</b>	The district's/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.	<b>True</b>
<b>6.3</b>	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:	<b>True</b>
	Eligible ADT	<b>4.0</b>
	Ineligible ADT	<b>0.0</b>
<b>6.4</b>	The district's/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.	<b>True</b>
<b>6.5</b>	Actual odometer records show the total district/charter-operated and contracted mileage for the year was:	<b>9,605</b>
<b>6.6</b>	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:	
	Eligible Miles	<b>5,965</b>
	Ineligible Miles (Non-Route/Disapproved)	<b>3,640</b>
<b>6.7</b>	<b>Number of days the district/charter school operated the school transportation system during the regular school year:</b>	<b>176</b>

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**SCHEDULE OF STATE FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**I. Chapter 67 RSMO (Budget Statute)**

Chapter 67 RSMo requires that each political subdivision of the State of Missouri adopts an annual budget, itemized by fund. It further requires that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

There were no state budget findings.

**II. Other Findings**

1. A portion of the School's deposits were not secured during the year as required by Sections 110.010 and 110.020, RSMo.

## **FEDERAL COMPLIANCE SECTION**





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**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***

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
BSDS, Inc.

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 BSDS, Inc. ("School") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2019.

***Internal Control Over Financial Reporting***

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

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 School'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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Daniel Jones & Associates".

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ARNOLD, MISSOURI

December 12, 2019



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
BSDS, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited BSDS, Inc.'s ("School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs 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 Awards* (Uniform Guidance). Those standards and the 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 the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of the School 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 School'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 a 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 of a federal program 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.

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.



Daniel Jones & Associates, P.C.  
Certified Public Accountants  
Arnold, Missouri

December 12, 2019

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2019**

**Cash Federal Expenditures**

<u>Federal Grantor</u> <u>Pass-through Grantor</u> <u>Program Title</u>	<u>Programs</u> <u>CFDA</u> <u>Number</u>	<u>Pass Through</u> <u>Entity Identifying</u> <u>Number</u>	<u>Total Federal</u> <u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed-through Missouri			
Department of Elementary and Secondary Education			
Individuals With Disabilities IDEA	84.027	048-916	101,792
Title I	84.01	048-916	419,613
Title IIA, EASA, Teacher and Principal Quality	84.367	048-916	38,396
Title IV A	84.424	048-916	<u>23,348</u>
<u>Total U.S. Department of Education</u>			<u>583,149</u>
<u>U.S. Department of Agriculture</u>			
Passed-through Missouri			
Department of Elementary and Secondary Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	048-916	115,400
National School Lunch Program - Commodities	10.555	048-916	-
National School Snack Program	10.555	048-916	1,833
National School Lunch Program	10.555	048-916	<u>274,989</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>392,222</u>
Total Federal Expenditures			<u>\$ 975,371</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of BSDS, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this 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 BSDS, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of BSDS, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported in accordance with Generally Accepted Accounting Principles. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - RELATIONSHIP TO ACCOMPANYING FINANCIAL STATEMENTS

Federal awards are reported in the School’s accompanying financial statements as follows:

<u>Federal Sources</u>	
General Fund	\$1,117,530
Special Revenue Fund	-
Capital Projects Fund	-
Total	\$1,117,530

NOTE 5 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

NOTE 6 –MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 7 – NON-CASH PROGRAMS

The commodities received, which are non-cash revenues, are valued using prices provided by the United States Department of Agriculture.

NOTE 8 – SUBRECIPIENTS

The School provided no federal awards to subrecipients during the year ended June 30, 2019.

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**COMBINED SCHEDULE OF FINDINGS**  
**AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**I. SUMMARY OF AUDITOR'S RESULTS**

A. Financial Statements

1. Type of auditor's report issued: Unmodified accrual basis
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? \_\_\_ Yes  X  No
  - b. Significant deficiency(ies) identified? \_\_\_ Yes  X  None Reported
3. Noncompliance material to financial statements noted? \_\_\_ Yes  X  No

B. Federal Awards

1. Internal control over major federal programs:
  - a. Material weakness(es) identified? \_\_\_ Yes  X  No
  - b. Significant deficiency(ies) identified? \_\_\_ Yes  X  None Reported
2. Type of auditor's report issued on compliance for major federal programs:  
Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? \_\_\_ Yes  X  No

4. Identification of major federal programs:
 

CFDA Number(s):	Name of Federal Program or Cluster:
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>

5. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
6. Auditee qualified as low-risk auditee?  X  Yes \_\_\_ No

**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**II. FINANCIAL STATEMENT FINDINGS**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to the financial statements for the year ended June 30, 2019.

**III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2019.



**BSDS, INC.**  
**d/b/a BROOKSIDE CHARTER SCHOOL**  
**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**I. FINANCIAL STATEMENT FINDINGS – PRIOR YEAR**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to the financial statements for the year ended June 30, 2018.

**II. FEDERAL AWARD FINDINGS – PRIOR YEAR**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2018.