

University Academy
Kansas City, Missouri

FINANCIAL STATEMENTS
TOGETHER WITH AUDITORS' REPORT
Year Ended June 30, 2018

KPM
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
University Academy
Kansas City, Missouri

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

To the Board of Directors
University Academy
Kansas City, Missouri

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of University Academy, as of June 30, 2018, and the results of its operations and its cash flows – modified cash basis for the year then ended in conformity with the basis of accounting described in Note B.

Basis of Accounting

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The data contained under Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
University Academy
Kansas City, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, on our consideration of University Academy'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University Academy's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 1, 2018

UNIVERSITY ACADEMY
STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS
JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$	561,140
Investments		<u>2,548,542</u>
TOTAL ASSETS	\$	<u><u>3,109,682</u></u>

NET ASSETS

Unrestricted	\$	3,108,723
Temporarily restricted		<u>959</u>
TOTAL NET ASSETS	\$	<u><u>3,109,682</u></u>

See accompanying notes

UNIVERSITY ACADEMY
STATEMENT OF CHANGES IN NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT, RECEIPTS AND RECLASSIFICATIONS			
Local	\$ 1,590,188	\$ 197,376	\$ 1,787,564
State	10,495,322	-	10,495,322
Federal	1,310,767	-	1,310,767
Net assets released from restrictions	256,412	(256,412)	-
TOTAL SUPPORT, RECEIPTS AND RECLASSIFICATIONS	13,652,689	(59,036)	13,593,653
DISBURSEMENTS			
Instruction	6,058,688	-	6,058,688
Student services	640,904	-	640,904
Instructional staff support	156,182	-	156,182
Building level administration	952,659	-	952,659
General administration and central services	1,833,091	-	1,833,091
Operation of plant	2,472,374	-	2,472,374
Transportation	916,753	-	916,753
Food services	714,892	-	714,892
Community services	99,207	-	99,207
TOTAL DISBURSEMENTS	13,844,750	-	13,844,750
CHANGE IN NET ASSETS	(192,061)	(59,036)	(251,097)
NET ASSETS, beginning of year	3,300,784	59,995	3,360,779
NET ASSETS, end of year	<u>\$ 3,108,723</u>	<u>\$ 959</u>	<u>\$ 3,109,682</u>

See accompanying notes

UNIVERSITY ACADEMY
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	<u>\$ (251,097)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(251,097)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(42,319)
Earnings on investments	<u>22,853</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(19,466)</u>
NET DECREASE IN CASH	(270,563)
CASH AND CASH EQUIVALENTS, beginning of year	<u>831,703</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 561,140</u></u>

See accompanying notes

UNIVERSITY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Support Services	
	Charter School	Management and General	Total
Salaries	\$ 7,070,394	\$ 476,509	\$ 7,546,903
Employee Benefits	1,659,484	111,281	1,770,765
Purchased Services	3,206,964	168,830	3,375,794
Supplies	983,270	18,479	1,001,749
Capital Outlay	149,539	-	149,539
TOTAL FUNCTIONAL EXPENSES	\$ 13,069,651	\$ 775,099	\$ 13,844,750

See accompanying notes

UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – ORGANIZATION

University Academy (the Academy) is a Missouri not-for-profit corporation. The purpose of the Academy is to operate a Charter School established within the boundaries of the Kansas City, Missouri School District. The Academy is legally separate from the Kansas City, Missouri School District and is not financially accountable to it.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation: The financial statements are presented in accordance with ASC 958-205. Under ASC 958-205, the Academy is required to report information regarding its assets and net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Academy does not have any permanently restricted net assets as of June 30, 2018.

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

Cash and Cash Equivalents: The Academy considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Property and Equipment: Property and equipment are recorded as expenses at the time the goods are purchased.

Compensated Absences: Vacation time, personal business days, and sick leave are considered as expenses in the year paid. Such amounts unused that are vested in the employee are payable upon termination at varying rates depending on length of service.

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

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

Income Taxes: The Academy is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2).

UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Academy complies with the provisions of FASB ASC 740-10-25. Under FIN 48, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on the Academy's financial statements. The Academy does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2018, there were no interest or penalties recorded in its financial statements.

Fair Value:

The FASB Fair Value Measurement Standard (ASC 820-10) clarifies the definition of fair value reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Fair values can be determined using a fair value hierarchy consisting of three levels ranging from the most objective determination of fair value to the most subjective. The levels vary depending on the objectivity of the information used in valuation techniques to determine fair value. These levels are classified as follows:

- a. *Level 1 inputs* are quoted prices in active markets for identical assets or liabilities.
- b. *Level 2 inputs* generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. *Level 3 inputs* are the most subjective, are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018, net assets are temporarily restricted for the following:

Student eyeglasses	<u>\$</u> <u>959</u>
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UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE D – CASH AND CASH EQUIVALENTS

The Academy maintains cash and cash equivalents at various financial institutions. At June 30, 2018, the cash held with UMB Bank N.A. in the checking account was fully insured by FDIC. However, the Academy had \$901,000 in a sweep account that was not covered by FDIC, however, the bank has issued other securities as collateral, which fully covers the balance.

NOTE E – INVESTMENTS

The Academy categorizes its investments in accordance with the fair value hierarchy as noted in Note B. Investments of the Academy at June 30, 2018, are as follows:

	Investments Not Subject to Fair Value	Fair Value Level 2	Total
Government and agency bonds	\$ -	\$ 498,198	\$ 498,198
Corporate bonds	-	1,599,883	1,599,883
Money market funds	450,461	-	450,461
Total Investments	\$ 450,461	\$ 2,098,081	\$ 2,548,542

NOTE F – RETIREMENT PLAN

The Academy 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. 11th St., Kansas City, Missouri, 64106, or by calling 1-816-472-5800.

The Retirement System members are required to contribute 8% of their annual covered salary and the school is required to contribute a matching amount. The contribution requirements of members and the school are established, and may be amended, by the Board of Trustees. The Academy's contributions to the system for the year ended June 30, 2018, were \$603,005, equal to the required contributions.

UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – OPERATING LEASE

The Academy leases its facilities from the University Academy Supporting Foundation, a related party. As part of the lease agreement, the Academy pays a base rent of \$53,750 each month plus operating expenses of the leased facility, including all costs associated with the use, maintenance, financing, or repair of the property and all utilities, insurance, periodic capital replacement reserve amounts and management fees. The amount the Academy recognized in rent expense for the fiscal year ended June 30, 2018, was \$645,000. On July 31, 2017, the Academy extended the lease agreement through July 31, 2020. Future base rent commitments for this lease are as follows:

Year Ending June 30,	Payment
2019	\$ 645,000
2020	645,000
	\$ 1,290,000

NOTE H – CLAIMS AND ADJUSTMENTS

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

NOTE I – FUNCTIONAL EXPENSES

The Academy has only one program of service, which is the operation of a charter school district. For the year ended June 30, 2018, program service expenses were \$13,069,651 and management expenses were \$775,099.

NOTE J – OPEN TAX YEARS

The Academy's informational and tax returns are subject to examination by taxing authorities for a period of 3 years from the date they are filed. As of June 30, 2018, the following tax years are subject to examination:

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

UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE K – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from donor restriction by incurring expenses satisfying the restricted purpose or time restrictions specified by donors. There were \$256,412 in net assets released from donor restrictions during the year ended June 30, 2018.

NOTE L – CAPITAL LEASE

On June 29, 2018, the Academy entered into a capital lease with Max Ford, LLC for a 2017 transit van. The amount financed is \$37,695, with an interest rate of 6.99% over 72 months. Principal and interest payments are due monthly.

The following is a schedule of the future minimum lease payments under the lease (assuming non-cancellation):

Year Ending June 30,	Van Lease
2019	\$ 7,088
2020	7,732
2021	7,732
2022	7,732
2023	7,732
2024	7,732
2025	478
TOTAL MINIMUM LEASE PAYMENTS	46,226
LESS AMOUNT REPRESENTING INTEREST	(8,531)
NET LEASE PAYMENTS	\$ 37,695

The following represents the changes in the net lease payments for the year ended June, 30 2018:

Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
\$ -	\$ 37,695	\$ -	\$ 37,695

NOTE M – SUBSEQUENT EVENTS

On July 16, 2018, the Academy entered into a capital lease for a van from Max Ford, LLC, in the amount of \$40,086 with monthly payments of \$685 beginning August 30, 2018.

Management has evaluated subsequent events through November 1, 2018, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**UNIVERSITY ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES – MODIFIED
CASH BASIS – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 215,546	\$ 195,594	\$ 150,000	\$ 561,140
Investments	2,548,542	-	-	2,548,542
TOTAL ASSETS	<u>\$ 2,764,088</u>	<u>\$ 195,594</u>	<u>\$ 150,000</u>	<u>\$ 3,109,682</u>
FUND BALANCES				
Donor restricted	\$ 959	\$ -	\$ -	\$ 959
Restricted for certified salaries	-	195,594	-	195,594
Assigned for capital expenditures	-	-	150,000	150,000
Unassigned	2,763,129	-	-	2,763,129
TOTAL FUND BALANCES	<u>\$ 2,764,088</u>	<u>\$ 195,594</u>	<u>\$ 150,000</u>	<u>\$ 3,109,682</u>

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

UNIVERSITY ACADEMY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
RECEIPTS				
Local	\$ 899,848	\$ 887,716	\$ -	\$ 1,787,564
State	4,484,982	6,010,340	-	10,495,322
Federal	1,310,767	-	-	1,310,767
TOTAL RECEIPTS	6,695,597	6,898,056	-	13,593,653
DISBURSEMENTS				
Instruction	724,209	5,330,897	3,582	6,058,688
Student services	255,889	385,015	-	640,904
Instructional staff support	26,415	129,767	-	156,182
Building level administration	217,414	735,245	-	952,659
General administration and central services	1,495,520	298,434	39,137	1,833,091
Operation of plant	2,364,029	1,525	106,820	2,472,374
Pupil transportation	916,753	-	-	916,753
Food services	714,892	-	-	714,892
Community services	82,055	17,152	-	99,207
TOTAL DISBURSEMENTS	6,797,176	6,898,035	149,539	13,844,750
RECEIPTS OVER (UNDER) DISBURSEMENTS	(101,579)	21	(149,539)	(251,097)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(140,146)	-	140,146	-
NET CHANGE IN FUND BALANCE	(241,725)	21	(9,393)	(251,097)
FUND BALANCE, beginning	3,005,813	195,573	159,393	3,360,779
FUND BALANCE, ending	\$ 2,764,088	\$ 195,594	\$ 150,000	\$ 3,109,682

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

**UNIVERSITY ACADEMY
SCHEDULE OF RECEIPTS COLLECTED BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
LOCAL				
School district trust fund (Prop C)	\$ 295,718	\$ 887,716	\$ -	\$ 1,183,434
Earnings on investments	22,853	-	-	22,853
Food service - programs	60,378	-	-	60,378
Student activities	131,240	-	-	131,240
Community services	132,224	-	-	132,224
Rentals	9,293	-	-	9,293
Gifts	226,752	-	-	226,752
Prior period adjustment	3,765	-	-	3,765
Other	17,625	-	-	17,625
TOTAL LOCAL	899,848	887,716	-	1,787,564
STATE				
Basic formula	4,353,875	5,555,308	-	9,909,183
Transportation	111,710	-	-	111,710
Basic formula - classroom trust fund	-	455,032	-	455,032
Food service	4,469	-	-	4,469
Other state revenue	14,928	-	-	14,928
TOTAL STATE	4,484,982	6,010,340	-	10,495,322
FEDERAL				
Medicaid	29,616	-	-	29,616
IDEA grants	7,270	-	-	7,270
Non -IDEA special education grants	1,635	-	-	1,635
IDEA entitlement funds, part B IDEA	142,608	-	-	142,608
School lunch program	339,901	-	-	339,901
School breakfast program	160,980	-	-	160,980
Title I	501,849	-	-	501,849
Title IV.A Student Support and Academic Enrichment	10,410	-	-	10,410
Title II.A	57,958	-	-	57,958
Dept. of Health food service program	57,720	-	-	57,720
Other federal revenue	820	-	-	820
TOTAL FEDERAL	1,310,767	-	-	1,310,767
TOTAL RECEIPTS	\$ 6,695,597	\$ 6,898,056	\$ -	\$ 13,593,653

**UNIVERSITY ACADEMY
SCHEDULE OF DISBURSEMENTS PAID BY OBJECT
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Salaries	\$ 1,961,052	\$ 5,585,851	\$ -	\$ 7,546,903
Employee benefits	458,581	1,312,184	-	1,770,765
Purchased services	3,375,794	-	-	3,375,794
Supplies	1,001,749	-	-	1,001,749
Capital outlay	-	-	149,539	149,539
	<u>\$ 6,797,176</u>	<u>\$ 6,898,035</u>	<u>\$ 149,539</u>	<u>\$ 13,844,750</u>

**UNIVERSITY ACADEMY 048-901
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2018**

1. CALENDAR

A. Standard Day Length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time was 6.5000 for Grades K – 5 and 7.0000 for Grades 6 – 12.

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

Lower School - Grades K-5	1,114.50
Middle School - Grades 6-8	1,199.32
Upper School - Grades 9-12	1,199.32

C. The number of days classes were in session and pupils were under the direction of teachers during the year was 173 days.

2. AVERAGE DAILY ATTENDANCE

Average daily attendance:

Lower School - Grades K-5	609.97
Middle School - Grades 6-8	203.41
Upper School - Grades 9-12	224.19
Summer School	79.89

Total Average Daily Attendance	1,117.46
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3. SEPTEMBER MEMBERSHIP

September Resident Membership	1,101.00
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4. FREE AND REDUCED PRICE LUNCH FTE COUNT

Free and Reduced Price Eligible Students:

Free	733.00
Reduced	94.00
Total	827.00

**UNIVERSITY ACADEMY 048-901
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2018**

5. FINANCE

- A. A bond is not required by Section 162.401, RSMo, since the School is organized under the charter school laws of Missouri.
- B. The Academy's deposits are not required to be secured during the year pursuant to Section 110.010 and 110.020, RSMo.
- C. The Academy does not have a Debt Service Fund.
- D. Salaries reported for educators in the October Core Data Cycle are supported by payroll/contract records.
- E. The Academy made a \$162,326 or 7% x SAT x WADA transfer that was not in excess of the adjusted expenditure calculation. The transfer was approved by the Board of Directors.
- F. The Academy is not required to publish a summary of the 2016-2017 audit report pursuant to Section 165.121, RSMo.
- G. The Academy is not required to have a professional development committee plan adopted by the Board identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.
- H. The Academy spent \$10,718 in professional development activities in the current year.

There were no findings noted above.

6. TRANSPORTATION

- A. The allowable costs for school transportation substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.
- B. The Academy's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported.
- C. Based on the ridership records, the average number of students (non-disabled K-12, career education, and K-12 students with disabilities) transported on a regular basis (ADT) eligible for state transportation aid was 561.5 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 0.
- D. The Academy's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.
- E. Based on the actual odometer records, the total mileage for the year was 180,290. Of this total, the eligible non-disabled student route miles were 154,324 and the ineligible non-route and disapproved miles (combined) were 25,966.
- F. The Academy operated the school transportation system for 174 days during the school year.

There were no findings noted above.

UNIVERSITY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Passed-through to Subrecipients	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Missouri Department of Elementary and Secondary Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	20177N109943	\$ -	\$ 32,523
		20188N109943	-	128,457
			-	160,980
National School Lunch Program - Cash	10.555	20177N109943	-	64,712
		20188N109943	-	275,189
- Commodities		048-901	-	23,828
			-	363,729
Missouri Department of Health and Senior Services				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	ERS0462522S	-	57,721
Total Child Nutrition Cluster			-	582,430
TOTAL U.S. DEPARTMENT OF AGRICULTURE				582,430
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Missouri Department of Elementary and Secondary Education				
Title I Grants to Local Education Agencies	84.010	S010A160025	-	210,010
		S010A170025	-	289,116
			-	499,126
Supporting Effective Instruction State Grants	84.367	S367A160024	-	33,255
		S367A170024	-	24,808
			-	58,063
Special Education - State Personnel Development	84.323	H323A120018	-	1,635
			-	1,635
Grants for State Assessments and Related Activities	84.369	S369A150026	-	400
		S369A160026	-	420
			-	820
Student Support and Academic Enrichment Program	84.424	S424A170026	-	10,435
Special Education Cluster				
Special Education Grants to States	84.027	H027A150040	-	79
		H027A160040	-	78,220
		H027A170040	-	71,528
Total Special Education Cluster			-	149,827
TOTAL U.S. DEPARTMENT OF EDUCATION				719,906
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,302,336

UNIVERSITY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described in Note B of the Academy's financial statements.
2. Commodities received and expended are valued by the Food Service Section of the Department of Elementary and Secondary Education.
3. The Academy did not provide funds to subrecipients in the current year.
4. The Academy elected not to use the 10% de minimis indirect cost rate.

INTERNAL CONTROL AND COMPLIANCE



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

Board of Directors
University Academy
Kansas City, Missouri

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

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

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

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 1, 2018

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**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
University Academy
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 the governmental activities and each major fund of University Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise University Academy's basic financial statements and have issued our report thereon dated November 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered University 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
University Academy
Kansas City, Missouri

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University 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 Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 1, 2018



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

To the Board of Directors
University Academy
Kansas City, Missouri

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for University Academy's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal 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 University Academy'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 the major federal program. However, our audit does not provide a legal determination on University Academy's compliance.

To the Board of Directors
University Academy
Kansas City, Missouri

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 1, 2018

UNIVERSITY ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2018

Section I – Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

CFDA Number(s)
 10.553, 10.555 & 10.559

Name of Federal Program or Cluster
 Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

UNIVERSITY ACADEMY
SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2018

There were no prior year audit findings.