

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL
Kansas City, Missouri

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BSDS, Inc.
d/b/a Brookside Charter School
Kansas City, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the BSDS, Inc. d/b/a Brookside Charter School (a nonprofit organization) (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of BSDS, Inc. as of June 30, 2022, and 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Correction of Error

As discussed in Note 12 to the financial statements, the previously issued financial statements have been restated for the correction of an error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Board of Directors
BSDS, Inc. d/b/a Brookside Charter School
Kansas City, Missouri

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Board of Directors
BSDS, Inc. d/b/a Brookside Charter School
Kansas City, Missouri

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information and 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*, as listed in the table of contents from pages 19-24 are presented for purposes of additional analysis and are 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 supplementary schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 19 2022, 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.

Marr and Company

Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
December 19, 2022

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Cash and cash equivalents	\$ 5,024,715
State formula receivable	283,526
Federal grant receivable	224,295
Other receivable	60,026
Prepaid expenses	32,166
Capital assets, net of accumulated depreciation	<u>9,927,833</u>
 Total Assets	 \$ <u>15,552,561</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 72,180
Payroll withholdings	27,235
Accrued expenses	207,190
Financed equipment purchase	42,587
Long-term note payable	<u>5,194,499</u>
Total Liabilities	5,542,691
 Net Assets:	
Without donor restrictions	<u>10,009,870</u>
Total Net Assets	<u>10,009,870</u>
 Total Liabilities and Net Assets	 \$ <u>15,552,561</u>

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

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT, REVENUE & OTHER INCOME:</u>			
Contributions and donations	\$ 758,744	\$ 0	\$ 758,744
State aid receipts	6,640,089	0	6,640,089
Federal grants and contracts	3,539,146	0	3,539,146
Sales tax (Proposition C)	996,021	0	996,021
Interest income	5,357	0	5,357
Student activities	6,913	0	6,913
Gain on forgiveness of PPP loan	1,156,000	0	1,156,000
Other income	<u>871,528</u>	<u>0</u>	<u>871,528</u>
Total Support, Revenue & Other Income	13,973,798	0	13,973,798
<u>EXPENSES:</u>			
Program services	8,771,341	0	8,771,341
Supporting activities:			
General and administrative	2,754,955	0	2,754,955
Fundraising	<u>17,538</u>	<u>0</u>	<u>17,538</u>
Total Supporting activities	<u>2,772,493</u>	<u>0</u>	<u>2,772,493</u>
Total Expenses	<u>11,543,834</u>	<u>0</u>	<u>11,543,834</u>
Net assets released from restrictions	<u>5,099</u>	<u>(5,099)</u>	<u>0</u>
Change in Net Assets	2,435,063	(5,099)	2,429,964
Net Assets, Beginning of Year	7,454,480	5,099	7,459,579
Restatement (Note 12)	<u>120,327</u>	<u>0</u>	<u>120,327</u>
Net Assets, Beginning of Year (restated)	<u>7,574,807</u>	<u>5,099</u>	<u>7,579,906</u>
Net Assets, End of Year	\$ <u>10,009,870</u>	\$ <u>0</u>	\$ <u>10,009,870</u>

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

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Supporting Activities			Total Supporting Activities	Total
	Program Services	General & Administrative	Fundraising		
Salaries and wages	\$ 5,294,383	\$ 1,213,876	\$ 0	\$ 1,213,876	\$ 6,508,259
Retirement	566,677	123,388	0	123,388	690,065
Payroll taxes	386,723	86,662	0	86,662	473,385
Employee insurance	480,333	122,121	0	122,121	602,454
Other employee benefits	3,900	54,039	0	54,039	57,939
Professional and technical services	366,287	477,828	0	477,828	844,115
Property services	298,154	35,077	17,538	52,615	350,769
Transportation services (contracted)	164,504	684	0	684	165,188
Insurance	51,625	19,967	0	19,967	71,592
Communication and memberships	111,062	41,313	0	41,313	152,375
Other purchased services	95,474	200	0	200	95,674
General supplies	278,047	292,241	0	292,241	570,288
Warehouse and food service	238,703	0	0	0	238,703
Utilities, energy service	116,375	0	0	0	116,375
Capital outlay	1,620	0	0	0	1,620
Depreciation	110,108	287,559	0	287,559	397,667
Debt interest and fees	<u>207,366</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>207,366</u>
Total Expenses	<u>\$ 8,771,341</u>	<u>\$ 2,754,955</u>	<u>\$ 17,538</u>	<u>\$ 2,772,493</u>	<u>\$ 11,543,834</u>

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

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Change in net assets	\$ 2,429,964
Adjustments to reconcile change in net assets to net cash flows from operating activities –	
Depreciation	397,667
Gain on forgiveness of PPP loan	(1,156,000)
Amortization of loan fees	9,064
(Increase)/decrease in assets:	
State Formula receivable	(97,104)
Federal grants receivable	(224,295)
Other receivables	(48,190)
Prepaid expenses	730
Increase/(decrease) in liabilities:	
Accounts payable	(68,393)
Payroll withholdings	(41,408)
Accrued expenses	(384)
Deferred revenue	<u>(115,000)</u>
Net cash flows from operating activities	1,086,651
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Purchase of capital assets	<u>(85,472)</u>
Net cash flows from investing activities	(85,472)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Principal payments on financed equipment payable	(13,298)
Principal payments on long-term debt note payable	<u>(110,290)</u>
Net cash flows from financing activities	<u>(123,588)</u>
Net increase in cash and cash equivalents	877,591
Cash and cash equivalents, beginning of year	<u>4,147,124</u>
Cash and cash equivalents, end of year	\$ <u>5,024,715</u>
<u>SUPPLEMENTAL DISCLOSURE:</u>	
Cash paid for interest	\$ <u>199,921</u>

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

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1: ORGANIZATION

BSDS, Inc. d/b/a Brookside Charter School (“School”) is a not-for-profit public benefit corporation incorporated as BSDS, Inc. in June 1999 and organized under Chapter 355, RSMo and governed by Senate Bill No. 781 of the 89th General Assembly of the Missouri legislature. BSDS, Inc. is a not-for-profit corporation whose purpose is to operate elementary and preschool public charter schools in the State of Missouri. The first school year operating as a charter school was 2002-2003. The School is exempt from most Missouri laws and statutes governing educational institutions. The aforementioned Senate Bill No. 781 governs it. The School is sponsored by Missouri Charter Public School Commission with a charter school agreement effective November 1, 2018 for five school years beginning July 1, 2018 and ending June 30, 2023. The mission of the School is to believe in their students and be committed to providing them with unlimited opportunities.

The 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.

Leader in Me School’s 7 Habits:

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

Approximately 70-80% of the School’s funding is provided from State and Federal funds received from the Missouri Department of Elementary and Secondary Education. Other support is provided through contributions and grant awards.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the School defines its cash and equivalents to include cash in demand deposits and considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Concentration of Credit and Market Risk

Financial instruments that potentially expose the School to concentrations of credit and market risk consist primarily of cash and cash equivalents. As of June 30, 2022, the School held \$4,652,742 in Country Club Bank Federated Treasury Obligation money market funds secured by repurchase agreements, and \$70,248 in excess of federally insured limits. The money market funds are deemed to be held to maturity and are reported at amortized cost. The School has not experienced any losses on such deposit accounts at the financial institution and believes it is not exposed to any significant credit risk on cash.

E. State Formula Receivable and Liability Advance

Basic formula funding from Missouri Department of Elementary and Secondary Education (“DESE”) received during the fiscal year is based on the reported average daily attendance (“ADA”) and weighted ADA. Following the completion of the school year, the School submits the final weighted ADA amounts to DESE, and the calculated total funding is compared to the aggregate amount received. A receivable or liability is reported on the statement of financial position depending on the calculation as of June 30th. As of June 30, 2022, the liability balance was \$0.

F. Accounts Receivable

Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The amount considered uncollectible as of June 30, 2022 was \$0.

G. Capital Assets

All property and equipment are recorded at cost if purchased and fair value if donated. Repairs and related maintenance are charged to operations as incurred. The School has capitalized assets with a dollar amount above \$1,000 and a useful life greater than three years. Depreciation is calculated over the estimated useful lives of the respective assets on a straight-line basis.

	<u>Years</u>
Building and improvements	10-40
Furniture and equipment	5-10
Computers and technology	5

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

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 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).

I. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other purpose specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. The School reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions or law. These net assets may be used at the discretion of the School’s management and the School’s Board of Directors.

J. Revenue and Revenue Recognition

The School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the School’s revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. The School has only one program service, which is the operation of a charter school. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited and, in some cases, to one or more functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include technical services, property services, and depreciation. Property services and depreciation are allocated based on estimated square footage, and technical services are allocated based on estimated project and purpose usage.

L. Income Taxes

BSDS, Inc. is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has been classified as a publicly-supported entity, which is not a private foundation under Section 509(a) of the Code. The School has adopted the provisions of the FASB ASC 740-10 as it might apply to their financial transactions. The School's policy is to record a liability for any tax provision that is beneficial to the School, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2022, and accordingly, no liability has been accrued.

M. Subsequent Events

The School has evaluated subsequent events through December 19, 2022, the date which the financial statements were available to be issued.

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3: LIQUIDITY RESOURCE MANAGEMENT

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

As of June 30, 2022, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 5,024,715
State Formula receivable	283,526
Federal grants receivable	224,295
Other receivable	<u>60,026</u>
Net financial assets	\$ <u>5,592,562</u>

NOTE 4: CAPITAL ASSETS

Capital assets as of June 30, 2022 consisted of the following:

Land	\$ 442,145
Building and improvements	13,169,029
Furniture and equipment	<u>848,178</u>
Gross capital assets	14,459,352
Accumulated depreciation	<u>(4,531,519)</u>
Total Capital Assets, net	\$ <u>9,927,833</u>

Depreciation expense for the year ended June 30, 2022 was \$397,667, which was allocated to the related functions:

Program services	\$ 110,108
General and administrative	<u>287,559</u>
	\$ <u>397,667</u>

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5: FINANCED EQUIPMENT PURCHASE

The School financed the purchase of camera and intercom equipment from K12itc, which required a one-time payment of \$17,693 in July 2020 and then monthly payments of \$1,243 during a 59-month term beginning in August 2020 until June 2025. The calculated imputed interest rate charged on the purchase is 3.25%. The unpaid principal balance as of June 30, 2022 was \$42,587. For the year ended June 30, 2022, the interest expense was \$1,619. The equipment is amortized over the estimated productive lives. Amortization of the equipment under the finance purchase obligation is included in depreciation expense for the year ended June 30, 2022.

The financed equipment consisted of the following as of June 30, 2022:

Camera and intercom equipment	\$ 85,396
Less accumulated depreciation	<u>(17,079)</u>
	\$ <u>68,317</u>

Future financing payments under the agreement as of June 30, 2022, was as follows:

Year 2023	\$ 14,918
Year 2024	14,918
Year 2025	14,918
Less amount representing interest	<u>(2,167)</u>
Present value of net financing payments	\$ <u>42,587</u>

NOTE 6: PAYCHECK PROTECTION PROGRAM LOAN

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The School signed a note payable with the U.S. Small Business Administration (“SBA”) on April 10, 2020 for \$1,156,000 with a maturity date of April 10, 2022, the first payment deferred for six months, and annual interest rate of 1.0%. This note was available through the Paycheck Protection Program (the “PPP”) as a part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) that offered cash-flow assistance to nonprofit and small business employers through guaranteed loans for certain eligible expenses incurred. The PPP loan did not require collateral or personal guarantees and offered the ability to have a substantial portion of the principal amount forgiven when the School used the proceeds on eligible costs. The School filed for loan forgiveness and received the official legal release and forgiveness from the SBA on October 12, 2021. The School reported the loan as a note payable in the 2021 financial statements and recognized the income as a gain on the debt forgiveness during the year ended June 30, 2022, when the loan was officially forgiven.

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7: NOTES PAYABLE

On June 30, 2020, the School signed a loan agreement with Equitable Facilities Fund (“EFF”) for \$5,655,705 with a fixed interest rate of 3.60%. The note is secured by a deed of trust and mortgage on the building. Beginning in August 1, 2020, the note requires 360 monthly principal and interest payments of \$25,716 until maturity in July 2050. The note can be prepaid in whole or in part on any date on or after June 30, 2030 without penalty. As required by the loan agreement, the School’s payments received from DESE, the State of Missouri, Kansas City Public School District or any other school district, or the School’s charter sponsor must be sent through the assigned Master Trustee, UMB Bank. UMB Bank withholds the monthly debt service payment and remits to the lender in advance of the required payment due date. The remaining payments received by UMB Bank are remitted to the School immediately. As of June 30, 2022, the outstanding balance was \$5,448,304. Interest paid for the year ended June 30, 2022 was \$198,301.

The School has two significant loan covenants that must be calculated to determine compliance: debt service coverage ratio (must exceed 1.10) and the liquidity of days cash on hand (must exceed 55 days).

The debt service coverage ratio as of June 30, 2022 is calculated as follows:

Change in net assets (i.e. net income)	\$ 2,429,964
Add back principal paid in FY 2022	<u>110,290</u>
	\$ 2,540,254
Principal and interest payments in FY 2022	/ \$ 308,592
Debt service coverage ratio	= <u>8.23</u>

The School’s liquidity of days cash on hand as of June 30, 2022 is calculated as follows:

Total cash on hand	\$ 5,024,715
Divided by total expenses (less depreciation and interest expense)	/ <u>\$10,947,866</u>
	0.4590
Multiplied by one year	<u>x 365</u>
Days cash on hand	= <u>167.52</u>

The total cost incurred by the School for the debt refinancing was \$271,933 and the amortization of the costs over the 30 year note repayment period is reported as interest expense in the statement of activities, which totaled \$9,064 for the year ended June 30, 2022. The outstanding debt obligation is reduced by the unamortized debt issuance costs, which totaled \$253,805 as of June 30, 2022. The carrying amount of the liability reported in the statement of financial position as of June 30, 2022 was \$5,194,499. The future scheduled principal payments on the note are as follows:

<u>Year ending June 30,</u>	
2023	\$ 105,263
2024	109,447
2025	113,785
2026	118,281
2027	122,942
Thereafter	<u>4,624,781</u>
Total	\$ <u>5,194,499</u>

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8: OPERATING LEASES

Copier Equipment

Effective June 2018, the School signed a non-cancelable 52-month lease agreement for copier equipment and maintenance. The lease required monthly payments of \$2,730 through September 2022. Effective May 2021, the School signed a non-cancelable 48-month lease agreement for copier equipment and maintenance. The lease requires monthly payments of \$1,636 through April 2025. Lease expense for the year ended June 30, 2022 was \$47,014.

Subsequent to year-end and effective September 2022, the School signed a non-cancelable 48-month lease agreement for copier equipment and maintenance. The lease requires monthly payments of \$1,845 through August 2026. Future minimum operating lease payments (assuming non-cancellation) are as follows:

<u>Year ending June 30,</u>	
2023	\$ 45,954
2024	41,778
2025	38,506
2026	22,145
2027	<u>3,691</u>
Total	\$ <u>152,074</u>

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from restrictions for the following purposes during the year ended June 30, 2022:

SAKC Marketing	\$ 3,880
Library resources	793
Other	<u>426</u>
Total released	\$ <u>5,099</u>

NOTE 10: RETIREMENT PLAN

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

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10: RETIREMENT PLAN (continued)

Benefits Provided

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

Contributions

Employers are required to match the contributions made by members. The contribution rate is set each year by the KCPSRS Board of Trustees within the contribution restrictions set in Section 169.350.4 and 169.291.16 RSMo. The rate may be changed in increments not to exceed 0.5% of pay each year. Effective January 1, 2020, members of Plan B and C contributed at 12.0% of annual compensation. The School's contributions to KCPSRS were \$690,065 for the year ended June 30, 2022.

NOTE 11: RISK MANAGEMENT

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 12: RESTATEMENT AND CORRECTION OF ERROR

Net assets without donor restrictions as of June 30, 2021 have been adjusted for the following items not properly recognized in error in prior years:

<u>Items reported in error</u>	<u>Adjusted</u>
Overstatement of accounts payable liabilities	\$ 102,385
July 2021 loan payment of principal and interest recorded in June 2021 was an understatement of prepaid loan payment and overstatement of principal and interest for the year ended June 30, 2021 (see Note 7)	16,676
Understatement of assets to properly capitalize financed equipment purchase and related liability and to reflect payments made in FY 2021 (see Note 5)	(7,522)
Understatement of amortization of loan fees due to having been previously reported as capital assets and improperly depreciated over 40 years (see Note 7)	(2,266)
Overstatement of accumulated depreciation for portion reported as land	<u>11,054</u>
Total restatement	\$ <u>120,327</u>

The correction has no effect on the results of the current year's activities; however, the cumulative effect increases the net assets without donor restrictions as of June 30, 2021 by \$120,327. The ending net assets without donor restriction balance has been restated to correct this error.

SUPPLEMENTARY INFORMATION

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

BALANCE SHEET – BY FUND

June 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,943,807	\$ 79,665	\$ 1,243	\$ 5,024,715
State Formula receivable	283,526	0	0	283,526
Federal grant receivable	224,295	0	0	224,295
Other receivable	60,026	0	0	60,026
Prepaid expenses	<u>6,450</u>	<u>0</u>	<u>25,716</u>	<u>32,166</u>
Total Assets	\$ <u>5,518,104</u>	\$ <u>79,665</u>	\$ <u>26,959</u>	\$ <u>5,624,728</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 71,180	\$ 0	\$ 0	\$ 71,180
Payroll withholdings	27,235	0	0	27,235
Accrued expenses	<u>126,282</u>	<u>79,665</u>	<u>1,243</u>	<u>207,190</u>
Total Liabilities	224,697	79,665	1,243	305,605
Fund Balances:				
Unassigned	<u>5,293,407</u>	<u>0</u>	<u>25,716</u>	<u>5,319,123</u>
Total fund balances	<u>5,293,407</u>	<u>0</u>	<u>25,716</u>	<u>5,319,123</u>
Total Liabilities and fund balances	\$ <u>5,518,104</u>	\$ <u>79,665</u>	\$ <u>26,959</u>	\$ <u>5,624,728</u>
Total fund balances				\$ 5,319,123
Total property and equipment, net on the Statement of Financial Position				9,927,833
Total financed equipment purchase on the Statement of Financial Position				(42,587)
Total note payable liability on the Statement of Financial Position				<u>(5,194,499)</u>
Total net assets on the Statement of Financial Position				\$ <u>10,009,870</u>

Note: The supplementary 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 (ASBR).

See Independent Auditor's Report

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES – BY FUND**

For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
REVENUE:				
Local	\$ 3,168,889	\$ 373,507	\$ 252,167	\$ 3,794,563
State	2,331,320	4,151,955	156,814	6,640,089
Federal	<u>2,653,291</u>	<u>885,855</u>	<u>0</u>	<u>3,539,146</u>
Total Revenue	8,153,500	5,411,317	408,981	13,973,798
EXPENDITURES:				
Instruction	1,683,110	4,497,198	0	6,180,308
Support services - Students	468,853	0	0	468,853
Support services – Instructional Staff	120,345	149,814	0	270,159
Support services – General Administration	1,264,588	303,601	16,118	1,584,307
Support services – Building Level Admin	0	460,704	0	460,704
Business Support Services	125,252	0	0	125,252
Business Support – Fiscal Services	111,406	0	0	111,406
Operation and Maintenance Plant Services	921,527	0	0	921,527
Student Transportation	164,129	0	0	164,129
Food Services	477,363	0	0	477,363
Support Services – Central Office	22,523	0	0	22,523
Community Services	166,769	0	0	166,769
Capital Outlay	0	0	84,271	84,271
Debt - Principal & Interest	<u>0</u>	<u>0</u>	<u>308,592</u>	<u>308,592</u>
Total Expenditures	<u>5,525,865</u>	<u>5,411,317</u>	<u>408,981</u>	<u>11,346,163</u>
Net Changes in Fund Balance	2,627,635	0	0	2,627,635
Fund Balance - June 30, 2021	2,563,387	0	0	2,563,387
Restatement (Note 12)	<u>102,385</u>	<u>0</u>	<u>25,716</u>	<u>128,101</u>
Fund Balance - June 30, 2021 (restated)	<u>2,665,772</u>	<u>0</u>	<u>25,716</u>	<u>2,691,488</u>
Fund Balance - June 30, 2022	<u>\$ 5,293,407</u>	<u>\$ 0</u>	<u>\$ 25,716</u>	<u>\$ 5,319,123</u>
Net changes in fund balance				\$ 2,627,635
Changes in:				
Capital assets – purchases				85,472
Capital assets – depreciation				(397,667)
Principal payments on financed equipment payable				13,298
Principal payments on long-term debt note payable				110,290
Amortization of debt issuance fees				<u>(9,064)</u>
Change in net assets on the Statement of Activities				<u>\$ 2,429,964</u>

Note: The supplementary 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 (ASBR).

See Independent Auditor's Report

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF REVENUE COLLECTED BY SOURCE – BY FUND
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
<u>LOCAL:</u>				
Sales tax (Proposition C)	\$ 622,514	\$ 373,507	\$ 0	\$ 996,021
Interest income	5,357	0	0	5,357
Student activity income	6,913	0	0	6,913
Contributions and donations	758,744	0	0	758,744
Gain on forgiveness of PPP loan	1,156,000	0	0	1,156,000
Other	<u>619,361</u>	<u>0</u>	<u>252,167</u>	<u>871,528</u>
Total Local	3,168,889	373,507	252,167	3,794,563
<u>STATE</u>				
Basic formula	2,150,401	4,151,955	0	6,302,356
Transportation	14,223	0	0	14,223
Classroom trust fund	145,764	0	156,814	302,578
Food services	2,726	0	0	2,726
Other	<u>18,206</u>	<u>0</u>	<u>0</u>	<u>18,206</u>
Total State	2,331,320	4,151,955	156,814	6,640,089
<u>FEDERAL</u>				
Medicaid	176,199	0	0	176,199
CARES and CRRSA Act grants	941,749	885,855	0	1,827,604
IDEA special education	223,072	0	0	223,072
Food services	556,620	0	0	556,620
ESEA Title I.A	370,190	0	0	370,190
ESEA Title II.A	35,327	0	0	35,327
ESEA Title IV.A	25,301	0	0	25,301
FEMA grants	235,039	0	0	235,039
Other	<u>89,794</u>	<u>0</u>	<u>0</u>	<u>89,794</u>
Total Federal	<u>2,653,291</u>	<u>885,855</u>	<u>0</u>	<u>3,539,146</u>
Total All Sources	\$ <u>8,153,500</u>	\$ <u>5,411,317</u>	\$ <u>408,981</u>	\$ <u>13,973,798</u>

Note: The supplementary 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 (ASBR).

See Independent Auditor's Report

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF EXPENDITURES PAID BY OBJECT – BY FUND
For the Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Totals
Salaries and wages	\$ 2,283,226	\$ 4,225,034	\$ 0	\$ 6,508,260
Retirement	222,705	467,360	0	690,065
Payroll taxes	167,301	306,084	0	473,385
Employee insurance	192,915	409,539	0	602,454
Other employee benefits	54,639	3,300	0	57,939
Professional and technical services	844,115	0	0	844,115
Property services	350,769	0	0	350,769
Transportation services (contracted)	165,188	0	0	165,188
Insurance	71,592	0	0	71,592
Communication and memberships	152,375	0	0	152,375
Other purchased services	95,674	0	0	95,674
General supplies	570,288	0	0	570,288
Warehouse and food service	238,703	0	0	238,703
Utilities, energy service	116,375	0	0	116,375
Capital outlay	0	0	100,389	100,389
Debt principal and interest	<u>0</u>	<u>0</u>	<u>308,592</u>	<u>308,592</u>
Total Expenditures	<u>\$ 5,525,865</u>	<u>\$ 5,411,317</u>	<u>\$ 408,981</u>	11,346,163
Changes in:				
Capital assets – purchases				(85,472)
Capital assets – depreciation				397,667
Principal payments on financed equipment purchase				(13,298)
Amortization of debt issuance fees				9,064
Principal payments on long-term note payable				<u>(110,290)</u>
Total expenses on the Statement of Activities				<u>\$ 11,543,834</u>

Note: The supplementary 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 (ASBR).

See Independent Auditor's Report

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Number	FAIN Number	Pass- Through Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Pass-through Missouri Dept of Elementary & Secondary Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	20210N109943	048-916	\$ 22,446
	10.553	20221N119943	048-916	108,202
National School Lunch Program (NSLP)	10.555	20210N109943	048-916	57,384
	10.555	20221N119943	048-916	351,243
COVID-19 – Child Nutrition Emergency Operational Cost	10.555	2021H170343	048-916	<u>34,682</u>
Total Child Nutrition Cluster				573,957
National Fresh Fruits and Veggie Program	10.582	2021IL160343	048-916	3,217
	10.582	2022IL160343	048-916	<u>18,597</u>
Total U.S. Department of Agriculture				<u>595,771</u>
<u>Federal Communications Commission</u>				
COVID-19 – Emergency Connectivity Fund Program	32.009		Direct	<u>89,794</u>
Total Federal Communications Commission				<u>89,794</u>
<u>U.S. Department of Education</u>				
<i>Pass-through Missouri Dept of Elementary & Secondary Education:</i>				
Title I, Part A – Grants to LEAs	84.010A	S010A190025	048-916	67,344
	84.010A	S010A200025	048-916	168,400
	84.010A	S010A210025	048-916	133,946
Title II, Part A – Supporting Effective Instruction	84.367A	S367A200024	048-916	26,362
	84.367A	S367A210024	048-916	8,965
Title IV, Part A – Student Support and Academic Enrichment	84.424A	S42A200026	048-916	21,185
	84.424A	S424A210026	048-916	4,116
COVID-19 – Education Stabilization Fund (ESF) CARES Act: Transportation Supplement	84.425C	S425C200016	048-916	1,266
COVID-19 – ESF CARES Act - ESSER I: Teacher Retention	84.425D	S425D210021	048-916	5,150
COVID-19 – ESF CRRSA Act - ESSER II	84.425D	S425D210021	048-916	1,203,152
COVID-19 – ESF ARP Act - ESSER III	84.425U	S425U210021	048-916	623,185
Special Education Cluster (IDEA):				
IDEA, Part B - Special Education	84.027A	H027A200040	048-916	156,798
	84.027A	H027A210040	048-916	61,921
Early Childhood Special Education	84.173A	H173A210103	048-916	<u>2,511</u>
Total Special Education Cluster				<u>221,230</u>
Total U.S. Department of Education				<u>2,484,301</u>
<u>U.S. Department of Homeland Security</u>				
<i>Pass-through Missouri State Emergency Management Agency (SEMA):</i>				
Hazard Mitigation Grant (HMGP)	97.039	4490 FMD	048-916	<u>235,039</u>
Total U.S. Department of Homeland Security				<u>235,039</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 3,404,905</u>

See Accompanying Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of BSDS, Inc. d/b/a Brookside Charter School (“School”) under programs of the federal government for the year ended June 30, 2022. 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 the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Schedule presents both Type A and Type B federal assistance programs administered by the School. The Uniform Guidance establishes the formula for determining the level of expenditures of disbursements to be used in defining Type A and Type B federal financial assistance programs. For the School, Type A programs are those which exceed \$750,000 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in Uniform Guidance.

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

NOTE 3: SUBRECIPIENTS

The School did not provide funds to subrecipients in the current fiscal year.

INTERNAL CONTROL AND COMPLIANCE



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

Board of Directors
BSDS, Inc.
d/b/a Brookside Charter School
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 BSDS, Inc. d/b/a Brookside Charter School (“School”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related 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 19, 2022.

Report on 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) as a basis for designing 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 entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
BSDS, Inc.
Kansas City, Missouri

Report on 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 financial statements. 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.



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
December 19, 2022



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

Board of Directors
BSDS, Inc.
d/b/a Brookside Charter School
Kansas City, Missouri

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the BSDS, Inc. d/b/a Brookside Charter School's ("School") (a nonprofit organization) 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Board of Directors
BSDS, Inc.
Kansas City, Missouri

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
December 19, 2022

BSDS, INC
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

- 1) The type of report issued on the basic financial statements. Unmodified opinion
- 2) Internal Control over Financial Reporting:
 - a) Significant deficiencies were disclosed. None
 - b) Material weaknesses were disclosed. None
- 3) Noncompliance, which is material to the basic financial statements, was disclosed. None

Federal Awards:

- 1) Internal Control over Major Programs:
 - a) Significant deficiencies were disclosed. None
 - b) Material weaknesses were disclosed. None
- 2) The type of report issued on compliance for major programs. Unmodified opinion
- 3) Any audit findings which are required to be reported under Section 200.516(a) of the Uniform Guidance? None
- 4) The School's major federal program(s):

<u>Assistance Listing Number(s)</u>	<u>Federal Program or Cluster</u>
84.425C, 84.425D, 84.425U	Education Stabilization Fund (ESF)
- 5) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- 6) Auditee qualified as a low-risk auditee specified in Section 200.520 of the Uniform Guidance?
X Yes No

SECTION II: FINANCIAL STATEMENT FINDINGS

No financial statement findings were reported.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings and questioned costs were reported.

SECTION IV: RESOLUTIONS OF PRIOR YEAR AUDIT FINDINGS

No audit findings were noted from the prior year.



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

Board of Directors
BSDS, Inc.
d/b/a Brookside Charter School
Kansas City, Missouri

We have examined management of BSDS, Inc.'s d/b/a Brookside Charter School (the "School") assertion that the School complied with the requirements of Missouri laws and regulations regarding accurate disclosure of 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, 2022. BSDS, Inc.'s management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the School's compliance with specified requirements. We noted one instance of noncompliance in the schedule of state findings (MO22-01).

In our opinion, management's assertion that BSDS, Inc. d/b/a Brookside Charter School complied with the aforementioned requirements included in the Schedule of Selected Statistics for the year ended June 30, 2022, is fairly stated, in all material respects.

Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
December 19, 2022

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF SELECTED STATISTICS
 For the Year Ended June 30, 2022

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
3950	PK	05	n/a	6.9167	165	1,141.7241
6950	06	08	n/a	6.9167	165	1,141.7241

2. ATTENDANCE HOURS

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

School Code	Grade Level	Full-Time Hours	Part-Time Hours	Remedial Hours	Other Hours	Summer School Hours	Total Hours
3950	PK	12,452.7999	0.0000	0.0000	0.0000	0.0000	12,452.7999
3950	K	85,816.7270	0.0000	0.0000	0.0000	2,143.1500	87,959.8770
3950	1	74,633.6622	0.0000	0.0000	0.0000	4,544.2501	79,177.9123
3950	2	85,844.1645	0.0000	0.0000	0.0000	4,032.4336	89,876.5981
3950	3	91,825.4050	0.0000	0.0000	0.0000	2,714.9000	94,540.3050
3950	4	93,499.3120	0.0000	0.0000	0.0000	2,003.4000	95,502.7120
3950	5	82,647.2432	0.0000	0.0000	0.0000	2,420.0500	85,067.2932
6950	6	72,489.3722	0.0000	0.0000	0.0000	1,488.8000	73,978.1722
6950	7	71,273.8651	0.0000	0.0000	0.0000	2,200.8000	73,474.6651
6950	8	69,779.9988	0.0000	0.0000	0.0000	1,356.6000	71,136.5988
Grand Total		<u>740,262.5499</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>22,904.3837</u>	<u>763,166.9336</u>

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF SELECTED STATISTICS
 For the Year Ended June 30, 2022

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
3950	PK	14.00	0.00	0.00	14.00
3950	K	84.00	0.00	0.00	84.00
3950	1	76.00	0.00	0.00	76.00
3950	2	88.00	0.00	0.00	88.00
3950	3	90.00	0.00	0.00	90.00
3950	4	90.00	0.00	0.00	90.00
3950	5	84.00	0.00	0.00	84.00
6950	6	69.00	0.00	0.00	69.00
6950	7	66.00	0.00	0.00	66.00
6950	8	68.00	0.00	0.00	68.00
Grand Total		<u>729.00</u>	<u>0.00</u>	<u>0.00</u>	<u>729.00</u>

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
3950	204.00	0.00	0.00	0.00	204.00
6950	491.00	0.00	0.00	0.00	491.00
Grand Total	<u>695.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>695.00</u>

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF SELECTED STATISTICS
 For the Year Ended June 30, 2022

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 charter school maintained a calendar in accordance with 160.041, 171.029, 171.031, and 171.033, RSMo and all attendance hours were reported.	True
5.2	The charter school maintained complete and accurate attendance records allowing for the accurate calculation of Average Daily Attendance, which includes the reporting of calendar and attendance hours, for all students in accordance with all applicable state rules and regulations. Sampling of records included those students receiving instruction in the following categories:	True
	Academic Programs Off-Campus	N/A
	Career Exploration Program – Off Campus	N/A
	Cooperative Occupational Education (COE) or Supervised Occupational Experience Program	N/A
	Dual enrollment	N/A
	Homebound instruction	N/A
	Missouri Options	N/A
	Prekindergarten eligible to be claimed for state aid	N/A
	Remediation	N/A
	Sheltered Workshop participation	N/A
	Students participating in the school flex program	N/A
	Traditional instruction (full and part-time students)	True
	Virtual instruction (MOCAP or other option)	N/A
	Work Experience for Students with Disabilities	N/A
5.3	The charter school maintained complete and accurate attendance records allowing for the accurate calculation of September Membership for all students in accordance with all applicable state rules and regulations.	True
5.4	The charter school maintained complete and accurate attendance and other applicable records allowing for the accurate reporting of the State FTE count for Free and Reduced Lunch for all students in accordance with all applicable state rules and regulations.	True
5.5	As required by Section 162.401, RSMo, a bond was purchased for the charter school’s treasurer in the total amount of:	\$1,000,000
5.6	The charter school’s deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo., and the Missouri Accounting Manual.	False

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF SELECTED STATISTICS
 For the Year Ended June 30, 2022

5. FINANCE (CONTINUED)

Section	Question	Answer
5.7	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
5.8	Salaries reported for educators in the October MOSIS Educator Core and Educator School files are supported by complete and accurate payroll and contract records.	True
5.9	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.)	N/A
5.10	The charter school published a summary of the prior year’s audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	True
5.11	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
5.12	The amount spent for approved professional development committee plan activities was:	\$N/A
5.13	The charter school has posted, at least quarterly, a searchable expenditure and revenue document or database detailing actual income, expenditures, and disbursement for the current calendar or fiscal year on the district or school website or other form of social media as required by Section 160.066, RSMo.	True

Notes:	The School has insurance coverage for employee theft instead of purchased surety bond (Section 5.5)
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All above “False” answers **must** be supported by a finding or management letter comment.

Finding:	MO22-01
Management Letter Comment:	None noted

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF SELECTED STATISTICS
 For the Year Ended June 30, 2022

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
6.1	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	True
6.2	The charter school’s pupil transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.	True
6.3	Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	True
	Eligible ADT	<u>46.50</u>
	Ineligible ADT	<u>0.00</u>
6.4	The charter school’s transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.	True
6.5	Actual odometer records show the total charter-operated and contracted mileage for the year was:	<u>27,343</u>
6.6	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:	True
	Eligible Miles	<u>25,180</u>
	Ineligible Miles (Non-Route/Disapproved)	<u>2,163</u>
6.7	Number of days the district/charter school operated the school transportation system during the regular school year:	<u>163</u>

Notes:	none
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All above “False” answers **must** be supported by a finding or management letter comment.

Finding:	None noted
Management Letter Comment:	None noted

BSDS, INC.
d/b/a BROOKSIDE CHARTER SCHOOL

SCHEDULE OF STATE FINDINGS
For the Year Ended June 30, 2022

Prior year

The following audit findings related to state compliance for the year ended June 30, 2021 were to be resolved in the current year:

1. Finance: Secure Deposits

The School's deposits that exceeded the FDIC limit of \$250,000 were not secured during the year in accordance with the Missouri Financial Accounting Manual as required by the Revised Statutes of Missouri Sections 110.010 and 110.020.

Resolved in the current year: Not resolved. See Finding MO22-01 below.

Current year

Finding MO22-01 – Finance: Secure Deposits

During our audit, we noted the School's deposits that exceeded the FDIC limit of \$250,000 were not secured in accordance with the Missouri Financial Accounting Manual as required by the Revised Statutes of Missouri Sections 110.010 and 110.020.

Auditee's Response:

We acknowledge the audit finding as stated above. The School began the process to properly secure its deposits in fiscal year 2023 and is finalizing the account management to ensure the funds are secured in fiscal year 2023.