

Kansas City Girls Preparatory Academy

Audited Financial Statements

For the Year Ended June 30, 2019

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Independent Auditors' Report

To the Board of Directors
Kansas City Girls Preparatory Academy
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Kansas City Girls Preparatory Academy (a non-profit organization), which comprise the cash basis statement of financial position as of June 30, 2019, and the related statements of changes in net assets, cash flows, and statement of functional expenses – 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 cash basis of accounting described in Note 2; this includes determining that the 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.

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 Kansas City Girls Preparatory 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 School'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 cash basis financial position of Kansas City Girls Preparatory Academy, as of June 30, 2019, and the results of its operations and its cash flows – cash basis for the year then ended in conformity with the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of Kansas City Girls Preparatory 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 Kansas City Girls Preparatory Academy's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC
Springfield, Missouri
December 12, 2019

Kansas City Girls Preparatory Academy

Statement of Financial Position – Cash Basis

June 30, 2019

Assets

Cash and cash equivalents	\$ 2,892,525
Total Assets	<u><u>\$ 2,892,525</u></u>

Net Assets

Without donor restrictions	\$ 2,028,812
With donor restrictions	863,713
Total Net Assets	<u><u>\$ 2,892,525</u></u>

See accompanying notes to the financial statements.

Kansas City Girls Preparatory Academy

Statement of Changes in Net Assets – Cash Basis

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Receipts, and Reclassifications			
Contributions and non-governmental grants	\$ 1,696,701	\$ 1,041,000	\$ 2,737,701
Governmental grants and contracts	120,979	-	120,979
Loan proceeds	2,025,800	-	2,025,800
Interest	8,588	-	8,588
Miscellaneous	499	-	499
Net assets released from restrictions	<u>277,287</u>	<u>(277,287)</u>	<u>-</u>
Total Support, Receipts, and Reclassifications	4,129,854	763,713	4,893,567
Disbursements			
Program			
Instruction	23,355	-	23,355
Student services	11,550	-	11,550
Instructional staff support	61,200	-	61,200
Building level administration	84,001	-	84,001
General administration and central services	234,658	-	234,658
Operation of plant	24,621	-	24,621
Community services	33,433	-	33,433
Facilities acquisition and construction	2,580,195	-	2,580,195
Debt service	51,653	-	51,653
Management and general			
General administration and central services	<u>214,505</u>	<u>-</u>	<u>214,505</u>
Total Disbursements	<u>3,319,171</u>	<u>-</u>	<u>3,319,171</u>
<i>Change in Net Assets</i>	810,683	763,713	1,574,396
Net Assets, beginning of year	<u>1,218,129</u>	<u>100,000</u>	<u>1,318,129</u>
Net Assets, end of year	<u>\$ 2,028,812</u>	<u>\$ 863,713</u>	<u>\$ 2,892,525</u>

See accompanying notes to the financial statements.

Kansas City Girls Preparatory Academy

Statement of Cash Flows – Cash Basis

Year Ended June 30, 2019

Cash Flows from Operating Activities

Change in net assets	\$ 1,574,396
Net Cash Provided by Operating Activities	<u>1,574,396</u>

<i>Net Increase in Cash</i>	1,574,396
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Cash and Cash Equivalents, beginning of year	<u>1,318,129</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 2,892,525</u></u>

See accompanying notes to the financial statements.

Kansas City Girls Preparatory Academy

Statement of Functional Expenses – Cash Basis

Year Ended June 30, 2019

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Charter School</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 188,987	\$ 78,915	\$ 267,902
Employee benefits	24,473	8,321	32,794
Purchased services	205,879	114,679	320,558
Supplies	53,479	12,590	66,069
Capital outlay	2,580,195	-	2,580,195
Debt service	51,653	-	51,653
Total Functional Expenses	<u>\$ 3,104,666</u>	<u>\$ 214,505</u>	<u>\$ 3,319,171</u>

See accompanying notes to the financial statements.

Kansas City Girls Preparatory Academy

Notes to Financial Statements

June 30, 2019

1. Organization

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

2. Summary of Significant Accounting Policies

Accounting Standard Adoption

The School adopted ASU No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. Under this standard, all not-for-profit entities are required to:

- Present on the face of the statement of financial position amounts for two classes of net assets.
- Present on the face of the statement of activities the amount of the change in each of the two net asset classes.
- Present on the face of the statement of cash flows the net amount for operating cash flows.
- Present amounts of expense by both their natural classification and functional classification, either on the face of the statement of activities, a separate statement, or in the notes to the financial statements.
- Report investment return net of external and direct internal investment expenses.

Provide disclosure in the notes to the financial statements the following: Amounts and purposes of governing board designated net assets; Composition of net assets with donor restrictions; Quantitative and qualitative information regarding the liquidity of the Academy; Methods used to allocate cost among program and support functions.

The School adopted this standard as of June 30, 2019. As a result of this adoption, the School's financial statements include applicable presentations and disclosures, but no change to the School's total net assets and changes in net assets. Net assets presented in the prior year as temporarily restricted are now presented as with donor restrictions.

Basis of Accounting

The School has elected to present its financial statements on the cash basis of accounting. The 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 cash basis of accounting, receipts and disbursements and the related assets are recorded when they result from cash transactions.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the School. These net assets may be used at the discretion of the School's management and the board of directors.

Kansas City Girls Preparatory Academy

Notes to Financial Statements

June 30, 2019

Net assets with donor restrictions: net assets subject to donor-imposed stipulations that can be fulfilled by actions of the School pursuant to those stipulations, that expire by the passage of time, or that include funds of perpetual donation.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The School 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.

Estimates

The preparation of financial statements in conformity with the 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 School 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).

The School complies with the provisions of FASB ASC 740-10-25. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the School's financial statements. The School 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, 2019, there were no interest or penalties recorded in its financial statements.

Revenue and Other Support

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Kansas City Girls Preparatory Academy

Notes to Financial Statements

June 30, 2019

Functional Allocation of Expenses

The cost of providing the program and supporting services have been summarized on the statement of activities on a functional basis. Most expenses can be directly allocated to the program or supporting functions. Certain categories of expenses are attributed to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied and determined by management.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits	Time and effort
Purchased services	Direct costs
Supplies	Direct costs
Capital outlay	Direct costs
Debt service	Direct costs

3. Cash & Cash Equivalents

At June 30, 2019, the cash held with UMB was not fully insured by FDIC. The scenario creates a concentration of credit risk.

4. Claims & Adjustments

The School 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, 2019, significant amounts of grant disbursements have not been audited by grantor governments, but the School believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

5. Functional Expenses

The School has only one program of service, which is the operation of a charter school district. For the year ended June 30, 2019, \$214,505 of the expenses were considered management expense and \$3,104,666 in expenses were considered program costs associated with preparing the School for education.

6. Open Tax Years

The School'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, 2019, the following tax years are subject to examination:

<u>Jurisdiction</u>	<u>Open Years for Filed Returns</u>	<u>Return to be filed in 2019</u>
Federal	2017	2018
Missouri	2017	2018

Kansas City Girls Preparatory Academy

Notes to Financial Statements

June 30, 2019

7. Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes at June 30, 2019:

Specific Purpose:	
Non-Capital Expenses	\$ 314,326
Capital Projects	244,805
Professional Development	179,267
STEAM	70,000
Technology	55,315
Total Restricted	<u>\$ 863,713</u>

8. 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 \$277,287 in net assets released from donor restrictions during the year ended June 30, 2019 due to meeting the purpose of restriction.

9. Liquidity & Availability

Financial assets available for general expenditures, that is, without donor restrictions or other restrictions limiting their use, within one year of the statement of financial date, comprise of the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,892,525
Total financial assets	<u>2,892,525</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	<u>863,713</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,028,812</u>

Kansas City Girls Preparatory Academy

Notes to Financial Statements

June 30, 2019

10. Building Loan Payable

During the current year, the District entered into a loan agreement with Central Bank of Kansas City for \$2,025,800 with 4.5% interest. The proceeds of the loan were used to purchase a building for the School.

Debt service requirements are:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 14,748	\$ 91,385	\$ 106,133
2021	91,121	89,871	180,992
2022	95,366	85,626	180,992
2023	99,809	81,183	180,992
2024	104,250	76,742	180,992
2025-2029	599,787	305,173	904,960
2030-2034	753,221	151,739	904,960
2035-2036	267,498	9,991	277,489
	<u>\$ 2,025,800</u>	<u>\$ 891,710</u>	<u>\$ 2,917,510</u>

The following is a summary of loan transactions for the year ended June 30, 2019:

Loan Payable, July 1, 2018	\$ -
Loan additions	2,025,800
Principal payments	-
Loan Payable, June 30, 2019	<u><u>\$ 2,025,800</u></u>

11. Subsequent Events

- Subsequent to June 30, 2019, a Foundation was established for Kansas City Girls Preparatory Academy.
- On September 18, 2019, ownership of the building, and the associated building loan payable to Central Bank of Kansas City, was transferred to the Kansas City Girls Preparatory Academy Foundation.

Internal Control and Compliance



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
Kansas City Girls Preparatory 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 Kansas City Girls Preparatory Academy as of and for the year ended June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Kansas City Girls Preparatory Academy's basic financial statements and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kansas City Girls Preparatory 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 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 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 Kansas City Girls Preparatory 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
December 12, 2019



Board of Directors
Kansas City Girls Preparatory Academy
Kansas City, Missouri

In planning and performing our audit of the basic financial statements of Kansas City Girls Preparatory Academy, for the year ended June 30, 2019, we considered the School's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

In addition to the 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*, we became aware of some additional matters to bring to your attention. The following paragraphs summarize our comments and recommendations regarding these matters. This letter does not affect our report dated December 12, 2019, on the financial statements of Kansas City Girls Preparatory Academy.

1. Cybersecurity

Cybersecurity threats are increasing and government entities of all sizes are at risk for a breach of their information systems. With this increase in risk, entities should be continually evaluating risk and taking steps necessary to ensure the security of information systems. Steps include identifying critical information systems, training employees to properly identify threats received in emails or by other means, and adopting internal communication methods other than email.

It is important that entities develop a recovery plan outlining procedures that personnel should follow once a cybersecurity breach is discovered. Additionally, entities should be aware of any insurance in place to help protect them from liabilities that can occur as the result of a breach.

We Recommend:

The School evaluate its cybersecurity risks and take the necessary steps to reduce the risk of cybersecurity threats to their information systems. This evaluation should be performed frequently as technology and information systems are continually changing.

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2. Bank Reconciliation Review

In our prior audit we noted the bookkeeper currently has access to all phases of certain transactions and prepares the bank reconciliations.

We Commend:

The School's use of a third-party accountant to receive and review the bank statements and cancelled checks as well as preparing the bank statement reconciliation. We further commend the Superintendent or other authorized individual for reviewing the reconciliations after they are prepared.

3. Periodic Internal Control Review

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

We Recommend:

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

We appreciate this opportunity to serve as Kansas City Girls Preparatory Academy's independent auditor and the courtesies and assistance extended to us by the School's employees.

Respectfully submitted,

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC
Springfield, Missouri
December 12, 2019



Board of Directors
Kansas City Girls Preparatory Academy
Kansas City, Missouri

We have audited the financial statements of Kansas City Girls Preparatory Academy for the period ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We communicated such information in our letter to you dated April 12, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kansas City Girls Preparatory Academy are described in Note 2 to the financial statements. The School implemented the requirements of ASU No. 2016-14: *Presentation of Financial Statements for Non-for-Profit Entities* during 2018-2019. We noted no transactions entered into by the School for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no misstatements regarding assets or net assets.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 12, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Kansas City Girls Preparatory Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 12, 2019