

Gateway Science Academy of St. Louis

Financial Statements Together with Auditors' Report
for the Year Ended June 30, 2019

KPM
CPAS & ADVISORS

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Independent Auditors' Report

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Science Academy of Saint Louis (a non-profit organization), which comprise the modified cash basis statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses – modified cash basis for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of Gateway Science Academy of Saint Louis, as of June 30, 2019, and the results of its operations and its cash flows – modified cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of Gateway Science Academy of Saint Louis' 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 Gateway Science Academy of Saint Louis' internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 27, 2019

Gateway Science Academy of St. Louis

Statement of Financial Position – Modified Cash Basis

June 30, 2019

Assets

Current Assets

Cash and cash equivalents \$ 3,446,928

Property and Equipment

Non-depreciable

Construction in progress 440,842

Depreciable

Capital assets, net 3,985,072

Total Assets 7,872,842

Liabilities

Current Liabilities

Accrued payroll taxes 322,620

Current portion of notes payable 330,000

Total Current Liabilities 652,620

Long-Term Liabilities

Notes payable, less current portion 2,722,500

Total Liabilities 3,375,120

Net Assets

Without donor restrictions \$ 4,497,722

See accompanying notes to financial statements

Gateway Science Academy of St. Louis

Statement of Activities – Modified Cash Basis

Year Ended June 30, 2019

	Without Donor Restrictions
Support & Revenue	
Local	\$ 2,047,586
State	13,898,481
Federal	1,215,444
Total Support and Revenues	<u>17,161,511</u>
Expenses	
Instruction	9,978,320
Student services	472,670
Instructional staff support	480,375
Building level administration	1,113,977
General administration and central services	632,095
Operation of plant	1,398,372
Food service	744,360
Community service	102,945
Interest	183,724
Depreciation	891,921
Total Expenses	<u>15,998,759</u>
<i>Increase in Net Assets</i>	1,162,752
Net Assets, beginning of year	3,334,970
Net Assets, end of year	<u><u>\$ 4,497,722</u></u>

See accompanying notes to financial statements

Gateway Science Academy of St. Louis

Statement of Cash Flows – Modified Cash Basis

Year Ended June 30, 2019

Cash Flows from Operating Activities	
Increase in net assets	\$ 1,162,752
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	891,921
Changes in:	
Accrued expenses	<u>229,957</u>
Net Cash Provided by Operating Activities	<u>2,284,630</u>
 Cash Flows from Investing Activities	
Acquisition of property and equipment	<u>(644,764)</u>
Net Cash (Used) by Investing Activities	<u>(644,764)</u>
 Cash Flows from Financing Activities	
Note proceeds	3,300,000
Principal payments on notes payable	<u>(3,668,255)</u>
Net Cash (Used) by Financing Activities	<u>(368,255)</u>
 <i>Net Increase in Cash</i>	1,271,611
 Cash and Cash Equivalents, Beginning of year	<u>2,175,317</u>
Cash and Cash Equivalents, End of year	<u><u>\$ 3,446,928</u></u>
 Supplemental Disclosure of Cash Flow Information	
Interest paid	<u><u>\$ 183,724</u></u>

See accompanying notes to financial statements

Gateway Science Academy of St. Louis

Statement of Functional Expenses – Modified Cash Basis

Year Ended June 30, 2019

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Charter School</u>	<u>Management & General</u>	<u>Total</u>
Salaries	\$ 7,296,828	\$ 106,781	\$ 7,403,609
Employee Benefits	2,217,971	332,851	2,550,822
Purchased Services	2,886,126	907,093	3,793,219
Supplies	1,081,598	93,866	1,175,464
Depreciation	802,729	89,192	891,921
Interest and fees	183,724	-	183,724
Total Functional Expenses	<u>\$ 14,468,976</u>	<u>\$ 1,529,783</u>	<u>\$ 15,998,759</u>

See accompanying notes to financial statements

Gateway Science Academy of St. Louis

Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies

Gateway Science Academy of Saint Louis (the “Academy”) is a Missouri not-for-profit corporation. The purpose of the Academy is to operate a Charter School established within the boundaries of the Saint Louis, Missouri School District. The Academy is legally separate from the Saint Louis, Missouri School District and is not financially accountable to it.

Accounting Standard Adoption

The Academy 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 statements of financial position amounts for two classes of net assets.
- Present on the face of the statements of activities the amount of change in each of the two net classes.
- Present on the face of the statements of cash flows the net amount of 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 of the financial statements.
- Report investment return net of external and direct internal investment expenses.

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

The Academy adopted this standard as of June 30, 2019. As a result of adoption, the Academy’s financial statements include applicable presentations and disclosures, but no change to the Academy’s total net assets and changes in net assets.

Basis of Accounting

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

Basis of Presentation

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

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 Academy. These net assets may be used at the discretion of the Academy’s management and the board of directors.

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

Gateway Science Academy of St. Louis

Notes to Financial Statements

June 30, 2019

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

Property and Equipment

Depreciation of property and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. These assets have been recorded at historical cost. It is the policy of the Academy to capitalize expenditures for equipment, furniture and fixtures in excess of \$1,000 per item.

Compensated Absences

Vacation time, personal business days, and sick leave are considered as expenses in the year paid.

Recognition of Donor Restrictions

Contributions are recognized when they are unconditionally received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction support that increases those net asset. If a restriction is fulfilled in the same time period in which the contribution is received, the Academy reports the support as without donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Academy defines its cash and equivalents to include only cash in demand deposits.

Revenue and Other Support

The Academy 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 restrictions end 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.

Expense Allocation

The cost of providing the program and support services have been summarized on the statements 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.

Gateway Science Academy of St. Louis

Notes to Financial Statements

June 30, 2019

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	Time and effort
Supplies	Time and effort
Depreciation	Direct
Interest and fees	Direct

Income Taxes

On June 11, 2012, the Academy was notified by the Internal Revenue Service (IRS) that their exempt status had been revoked due to the failure to file IRS Form 990s for three years. The revocation was retroactive to November 15, 2011. On June 25, 2012, the Academy submitted a request for retroactive reinstatement of exempt status and was granted reinstatement as of that date. As of November 27, 2019, the Academy has not received IRS approval of the retroactive portion of the reinstatement request. Effective June 26, 2012, the Academy was exempted 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)(1).

Accounting for Uncertainty in Income Taxes

The Academy adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income taxes* ["FIN 48"]) on July 1, 2013. Under 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 ASC 740-10-25 had no impact on the Academy's financial statements. The Academy does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of June 30, 2019, as a result of the adoption of ASC 740-10-25.

If the Academy does not receive approval of its request for retroactive reinstatement, it will be responsible for taxes at the normal corporate rates. At the due date for filing a corporate tax return for a June 30, 2012, year end, the Academy chose to not file a Form 1120 return as a for-profit corporation and pay estimated taxes and no extension request was filed. The Academy has not been notified officially regarding retroactive reinstatement as of November 27, 2019. The Academy has continued efforts to engage with the Internal Revenue Service in an effort to bring closure to this matter.

Subsequent Events

Management has evaluated subsequent events through November 27, 2019, the date the financial statements were available to be issued.

Gateway Science Academy of St. Louis

Notes to Financial Statements

June 30, 2019

2. Retirement Plan

The Academy contributes to The Public School Retirement System of the School District of Saint Louis, Missouri a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the Saint Louis, Missouri Public School District, the Saint Louis Public Library, and the Public School Retirement System. The Retirement System provides service and disability retirement benefits to full-time employees and optional benefits to members' beneficiaries. Positions covered by The Retirement System are also covered by Social Security. The Retirement System is administered by a twelve member Board of Trustees. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of the School District of Saint Louis, Missouri, 3641 Olive Street, Suite 300, Saint Louis, Missouri, 63108, or by calling 1-314-534-7444.

The Retirement System members are required to contribute 6.00% of their annual covered salary for members with start dates prior to 12/31/2017 and 9.00% for members with start dates on or after 1/1/2018 and the Academy is required to contribute an amount of 16.0%. After 01/01/2019, the Academy is required to contribute 15.5%. The contribution requirements of members and the school are established, and may be amended, by the Board of Trustees. The Academy's contributions to the system for the year ended June 30, 2019, were \$1,586,733, equal to the required contributions.

3. Operating Leases

On June 1, 2010, the Academy entered into a five-year lease with the St. Louis City Catholic Church Real Estate Corporation, a Missouri nonprofit corporation. As part of the original lease agreement, the Academy paid a base rent of \$11,000 to \$13,000 each month plus operating expenses of the leased facility, including all costs associated with the use, maintenance, financing, or repair of the property and all utilities, insurance, periodic capital replacement reserve amounts and management fees through July 31, 2019. A renewal option for August 1, 2019 through June 30, 2030 was exercised on August 1, 2019. The renewal set rates varying from \$12,500 to \$17,500 per month. The amount the Academy recognized in rent expense for the fiscal year ended June 30, 2019, was \$132,000.

On May 14, 2013, the Academy entered into a fifteen-year lease with 6651 Gravois, LLC, and New Plan Learning, Inc. As part of the lease agreement, the Academy pays a base rent each month plus tax, insurance, and operating expenses of the leased facility, including all costs associated with the use, maintenance, financing, or repair of the property and all utilities, insurance, periodic capital replacement reserve amounts and management fees. There is a renewal option for two successive extension periods of five additional years each. The first period base rent is \$32,800 per month with increases annually equaling 103% of the base rent of the immediately preceding lease year, rounded to the nearest whole dollar. This agreement is for the period of August 1, 2013 to July 31, 2027. The amount the Academy recognized in rent expense for this lease for the fiscal year ended June 30, 2019, was \$455,183.

Gateway Science Academy of St. Louis

Notes to Financial Statements

June 30, 2019

Future base rent commitments for these leases at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>New Plan Learning</u>	<u>St. Louis City Catholic Church Real Estate Corp.</u>
2020	\$ 468,838	\$ 148,500
2021	482,903	156,000
2022	497,391	162,000
2023	512,312	168,000
2024	527,682	174,000
2025	543,512	180,000
2026	559,817	186,000
2027	576,612	192,000
2028	48,168	198,000
2029	-	204,000
2030	-	210,000
	<u>\$ 4,217,235</u>	<u>\$ 1,978,500</u>

4. Education Management Agreement

Effective July 1, 2015, the Academy entered into an agreement with Concept Schools, an Illinois non-profit corporation to provide management and operating services to the Academy at a rate of 10% of School's total annual revenue, including grant funding, to the extent that such grants do not prohibit the transfer of grant funds to a third party in the form of a management fee.

The agreement will continue until the end of the charter agreement and automatically renew for additional, successive terms commensurately with the charter agreement unless one party notifies the other party on or before April 1, prior to the expiration of the then-current term, of its intention not to renew the agreement. During the year, the Academy disbursed \$1,412,666 to Concept Schools.

5. Claims & Adjustments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. As of June 30, 2019, significant amounts of grant disbursements have not been audited by grantor governments, but the Academy believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

6. Notes Payable

On September 10, 2018, the Academy entered into a ten-year note agreement with Fifth Third Bank in the amount of \$3,300,000 to refinance debt and fund various capital improvements. As part of the note agreement, the Academy pays a monthly principal payment of \$27,500 and an interest rate of LIBOR rate plus 2.25%.

Gateway Science Academy of St. Louis

Notes to Financial Statements

June 30, 2019

Future base payments for this agreement at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 330,000	\$ 90,432	\$ 420,432
2021	330,000	80,146	410,146
2022	330,000	69,860	399,860
2023	330,000	59,574	389,574
2024	330,000	49,288	379,288
2025	330,000	39,001	369,001
2026	330,000	28,715	358,715
2027	330,000	18,429	348,429
2028	330,000	8,143	338,143
2029	82,500	428	82,928
	<u>\$ 3,052,500</u>	<u>\$ 444,016</u>	<u>\$ 3,496,516</u>

The following represents the changes in notes payable for the year ended June 30, 2019:

Notes Payable, June 30, 2018	\$ 3,420,755
Additions	3,300,000
Deletions	(3,668,255)
Notes Payable, June 30, 2019	<u><u>\$ 3,052,500</u></u>

7. Property & Equipment

The cost and accumulated depreciation of building improvements and equipment were as follows:

Depreciable	
Building	\$ 902,894
Building improvements	4,874,295
Improvements other than building	164,773
Classroom instructional apparatus	607,387
Equipment	1,662,451
Equipment Electronics	166,499
Vehicles	113,984
Non-depreciable	
Construction in progress	440,842
	<u>8,933,125</u>
Accumulated depreciation	(4,507,211)
	<u><u>\$ 4,425,914</u></u>

Depreciation charged to expense for the year ended June 30, 2019, was \$891,921. Depreciation is allocated to management and administration in the amount of \$89,192 and to program costs in the amount of \$802,729.

Gateway Science Academy of St. Louis

Notes to Financial Statements

June 30, 2019

8. Significant Concentration of Credit Risk

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates on current vulnerabilities due to certain concentrations. Those matters include the disclosure that the Academy maintains its cash deposits in local banks. From time to time, the balances of the accounts may exceed FDIC insurance limits. Fifth Third Bank has pledged additional security for deposits over FDIC insurance coverage amounts in the form of pledged U.S. Government Securities.

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 statements of financial position date, comprise of the following:

Financial assets at year end:

Cash and cash equivalents	\$ 3,446,928
Total financial assets	<u>3,446,928</u>

Financial assets available to meet general expenditures over the next twelve months

\$ 3,446,928

10. Open Tax Years

The Academy's informational and tax returns are subject to examination by taxing authorities for a period of three 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>Returns to be Filed in 2019</u>
Federal	2015-2017	2018
Missouri	2015-2017	2018

Supplementary Information

Gateway Science Academy of St. Louis

Balance Sheet – Governmental Funds – Modified Cash Basis

June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,446,928	\$ -	\$ -	\$ 3,446,928
Total Current Assets	\$ 3,446,928	\$ -	\$ -	\$ 3,446,928
Liabilities & Fund Balance				
Current Liabilities				
Accrued payroll taxes	\$ 322,620	\$ -	\$ -	\$ 322,620
Fund Balance				
Unassigned	3,124,308	-	-	3,124,308
Total Liabilities and Fund Balance	\$ 3,446,928	\$ -	\$ -	\$ 3,446,928

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

Gateway Science Academy of St. Louis

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Financial Position – Modified Cash Basis

June 30, 2019

The following items reconcile the differences between the Governmental Funds Balance Sheet and the Statement of Financial Position - Modified Cash Basis:

Fund balance - total governmental funds	\$ 3,124,308
Assets on the Statement of Financial Position	
Governmental capital assets	8,933,125
Less accumulated depreciation	<u>(4,507,211)</u>
	4,425,914
Liabilities on the Statement of Financial Position	
Notes payable	<u>(3,052,500)</u>
Net Assets on the Statement of Financial Position	<u>\$ 4,497,722</u>

Gateway Science Academy of St. Louis

Statement of Receipts, Disbursements and Changes in Fund Balances – Governmental Funds – Modified Cash Basis

Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Receipts				
Local	\$ 1,245,257	\$ 542,207	\$ 260,122	\$ 2,047,586
State	13,492,441	-	406,040	13,898,481
Federal	320,637	894,807	-	1,215,444
Total Receipts	15,058,335	1,437,014	666,162	17,161,511
Disbursements				
Instruction	3,355,392	6,622,928	203,922	10,182,242
Student services	310,808	161,862	-	472,670
Instructional staff support	343,477	136,898	-	480,375
Building level administration	283,016	830,961	-	1,113,977
General administration and central services	632,095	-	-	632,095
Operation of plant	1,398,372	-	-	1,398,372
Food service	744,360	-	-	744,360
Facilities acquisition and construction	-	-	440,842	440,842
Community service	95,965	6,980	-	102,945
Debt service - principal	-	-	368,255	368,255
Debt service - interest	-	-	183,724	183,724
Total Disbursements	7,163,485	7,759,629	1,196,743	16,119,857
<i>Excess (Deficit) of Receipts Over Disbursements</i>	7,894,850	(6,322,615)	(530,581)	1,041,654
Other Financing Sources (Uses)				
Transfers in (out)	(6,853,196)	6,322,615	530,581	-
<i>Net Change in Fund Balance</i>	1,041,654	-	-	1,041,654
Fund Balance, Beginning of year	2,082,654	-	-	2,082,654
Fund Balance, End of year	\$ 3,124,308	\$ -	\$ -	\$ 3,124,308

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

Gateway Science Academy of St. Louis

Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Modified Cash Basis

Year Ended June 30, 2019

The following items reconcile the differences between the Statement of Receipts, Disbursements and Changes in Fund Balances of Governmental Funds and the Statement of Activities - Modified Cash Basis:

Net change in fund balances - total governmental funds	\$ 1,041,654
Changes in assets on the Statement of Financial Position	
Capital outlay	644,764
Depreciation	(891,921)
	<u>(247,157)</u>
Changes in liabilities on the Statement of Financial Position	
Notes payable	<u>368,255</u>
<i>Increase in Net Assets</i>	<u><u>\$ 1,162,752</u></u>

Gateway Science Academy of St. Louis

Schedule of Receipts Collected by Source

Year Ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Local				
Sales tax	\$ 903,678	\$ 542,207	\$ -	\$ 1,445,885
Earnings on investments	27,826	-	-	27,826
Food service	100,400	-	-	100,400
Student activities	20,094	-	58,590	78,684
Community services	180,817	-	-	180,817
Gifts	12,442	-	-	12,442
Other	-	-	201,532	201,532
Total Local	<u>1,245,257</u>	<u>542,207</u>	<u>260,122</u>	<u>2,047,586</u>
State				
Basic formula	13,332,735	-	-	13,332,735
Basic formula - classroom trust fund	140,272	-	406,040	546,312
Food service	3,753	-	-	3,753
Other	15,681	-	-	15,681
Total State	<u>13,492,441</u>	<u>-</u>	<u>406,040</u>	<u>13,898,481</u>
Federal				
Medicaid	-	113,402	-	113,402
IDEA entitlement funds part B IDEA	-	217,640	-	217,640
School lunch program	258,215	-	-	258,215
School breakfast program	62,422	-	-	62,422
Title I	-	465,627	-	465,627
Title IV.A student support	-	30,242	-	30,242
Title III	-	15,512	-	15,512
Title II.A	-	52,384	-	52,384
Total Federal	<u>320,637</u>	<u>894,807</u>	<u>-</u>	<u>1,215,444</u>
Total Receipts	<u>\$ 15,058,335</u>	<u>\$ 1,437,014</u>	<u>\$ 666,162</u>	<u>\$ 17,161,511</u>

The Schedule of Receipts Collected by Source agrees to the Annual Secretary of the Board Report.

Gateway Science Academy of St. Louis

Schedule of Disbursements Paid by Object

Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Salaries	\$ 1,429,866	\$ 5,973,742	\$ -	\$ 7,403,608
Employee benefits	858,182	1,692,640	-	2,550,822
Purchased services	3,699,972	93,247	-	3,793,219
Supplies	1,175,465	-	-	1,175,465
Capital outlay	-	-	644,764	644,764
Principal expense	-	-	368,255	368,255
Interest expense	-	-	183,724	183,724
	<u>\$ 7,163,485</u>	<u>\$ 7,759,629</u>	<u>\$ 1,196,743</u>	<u>\$ 16,119,857</u>

The Schedule of Disbursements Paid by Object agrees to the Annual Secretary of the Board Report.

Gateway Science Academy of St. Louis

Schedule of Selected Statistics

Year Ended June 30, 2019

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
6997	K	05	-	6.2500	179	1,105.00
6980	K	05	-	6.2500	179	1,105.00
3935	06	08	-	6.5000	179	1,148.50
1940	09	12	-	6.5000	179	1,148.50

2. Average Daily Attendance (ADA)

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

School Code	Grade Level	Full-Time	Part-Time	Remedial Hours	Other	Summer School	Total
6997/6980	K	131.35	-	-	-	5.24	136.59
6997/6980	01	143.51	-	-	-	8.03	151.54
6997/6980	02	142.82	-	-	-	6.32	149.14
6997/6890	03	145.89	-	-	-	5.94	151.83
6997/6890	04	136.79	-	-	-	4.96	141.75
6997/6890	05	140.67	-	-	-	5.23	145.90
3935	06	102.76	-	-	-	-	102.76
3935	07	102.48	-	-	-	-	102.48
3935	08	76.77	-	-	-	-	76.77
1940	09	67.64	-	-	-	-	67.64
1940	10	60.54	-	-	-	-	60.54
1940	11	65.23	-	-	-	-	65.23
1940	12	50.69	-	-	-	-	50.69
Grand Total	-	1,367.14	-	-	-	35.72	1,402.86

Gateway Science Academy of St. Louis

Schedule of Selected Statistics

Year Ended June 30, 2019

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
6997/6980	K	142.00	-	-	142.00
6997/6980	01	153.00	-	-	153.00
6997/6980	02	156.00	-	-	156.00
6997/6890	03	154.00	-	-	154.00
6997/6890	04	148.00	-	-	148.00
6997/6890	05	152.00	-	-	152.00
3935	06	109.00	-	-	109.00
3935	07	108.00	-	-	108.00
3935	08	81.00	-	-	81.00
1940	09	71.00	-	-	71.00
1940	10	65.00	-	-	65.00
1940	11	68.00	-	-	68.00
1940	12	55.00	-	-	55.00
Grand Total	-	1,462.00	-	-	1,462.00

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
6997	238.00	47.00	-	-	285.00
6980	125.00	53.00	-	-	178.00
3935	114.00	21.00	-	-	135.00
1940	97.00	13.00	-	-	110.00
Grand Total	574.00	134.00	-	-	708.00

Gateway Science Academy of St. Louis

Schedule of Selected Statistics

Year Ended June 30, 2019

5. Finance

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

Section	Question	Answer
5.1	The district/charter school maintained a calendar in accordance with 160.041, 171.029, 171.031, and 171.033, RSMo and all attendance hours were reported.	True
5.2	The district/charter school maintained complete and accurate attendance records allowing for the accurate calculation of Average Daily Attendance for all students in accordance with all applicable state rules and regulations. Sampling of records included those students receiving instruction in the following categories:	True
	Academic Programs Off-Campus	N/A
	Career Exploration Program – Off Campus	N/A
	Cooperative Occupational Education (COE) or Supervised Occupational Experience Program	N/A
	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 district/charter school maintained complete and accurate attendance records allowing for the accurate calculation of September Membership for all students in accordance with all applicable state rules and regulations.	True
5.4	The district/charter school maintained complete and accurate attendance and other applicable records allowing for the accurate reporting of the State FTE count for Free and Reduced Lunch for all students in accordance with all applicable state rules and regulations.	True
5.5	As required by Section 162.401, RSMo, a bond was purchased for the district’s/charter school’s treasurer in the total amount of:	N/A
5.6	The district’s/charter school’s deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	N/A
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

Gateway Science Academy of St. Louis

Schedule of Selected Statistics

Year Ended June 30, 2019

5.9	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approve 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 district/charter school published a summary of the prior year’s audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	N/A
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:	-

Finding:	None
Management Letter Comment:	N/A

6. Transportation (Section 163.161, RSMo)

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

Section	Question	Answer
6.1	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	N/A
6.2	The district’s/charter school’s pupil transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.	N/A
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:	N/A
	Eligible ADT	-
	Ineligible ADT	-

Gateway Science Academy of St. Louis

Schedule of Selected Statistics

Year Ended June 30, 2019

6.4	The district's/charter school's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.	N/A
6.5	Actual odometer records show the total district/charter-operated and contracted mileage for the year was:	-
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:	N/A
	Eligible Miles	-
	Ineligible Miles (Non-Route/Disapproved)	-
6.7	Number of days the district/charter school operated the school transportation system during the regular school year:	N/A

Finding:	None
Management Letter Comment:	N/A

Gateway Science Academy of St. Louis

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<u>Federal Grantor/ Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number or Other Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Missouri Department of Elementary and Secondary Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	20188N109943	\$ 14,781
		20199N109943	<u>47,640</u>
			62,421
National School Lunch Program			
Cash	10.555	20188N109943	55,873
		20199N109943	202,342
Commodities		115-916	<u>23,509</u>
			281,724
 Total Child Nutrition Cluster			<u><u>344,145</u></u>
 Total U.S. Department of Agriculture			344,145
U.S. Department of Education			
Missouri Department of Elementary and Secondary Education			
Title I Grants to LEAs			
	84.010	S010A170025	222,898
		S010A180025	<u>311,486</u>
			534,384
Special Education Grants Cluster			
Special Education Grants to States	84.027	H027A170040	146,577
		H027A180040	<u>71,063</u>
			217,640
English Language Acquisition State Grants			
	84.365	S365A170025	14,763
		S365A180025	<u>749</u>
			15,512
 Total U.S. Department of Education			<u><u>767,536</u></u>
 Total Expenditures of Federal Awards			<u><u>\$ 1,111,681</u></u>

Gateway Science Academy of St. Louis

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

1. The accompanying Schedules of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Gateway Science Academy of St. Louis, Missouri, under programs of the federal government for the year ended June 30, 2019. The information in the 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 Gateway Science Academy, St. Louis, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.
2. The Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described in Note 1 of the Academy's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Commodities received and expended are valued by the Food Service Section of the Department of Elementary and Secondary Education.
3. The Academy did not provide funds to subrecipients in the current year.
4. The Academy has not elected to use the 10% de minimis indirect cost rate.

Internal Control & Compliance



Independent Accountants' Report on Management's Assertions about Compliance with Specified Requirements of Missouri Laws and Regulations

Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

We have examined management's assertions that Gateway Science Academy of Saint Louis complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the Academy's attendance records of average daily attendance, standard day length, resident membership on the last Wednesday of September, pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and other statutory requirements as listed in the schedule of selected statistics during the year ended June 30, 2019. Gateway Science Academy of Saint Louis' Management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination.

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

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

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 27, 2019

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Gateway Science Academy of Saint Louis as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Gateway Science Academy of Saint Louis' basic financial statements and have issued our report thereon dated November 27, 2019.

Internal Control over Financial Reporting

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

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

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

Purpose of this Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 27, 2019



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Gateway Science Academy of Saint Louis
Saint Louis, Missouri

Report on Compliance for the Major Federal Program

We have audited Gateway Science Academy of Saint Louis' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Gateway Science Academy of Saint Louis' major federal program for the year ended June 30, 2019. Gateway Science Academy of Saint Louis' major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance on Gateway Science Academy of Saint Louis' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gateway Science Academy of Saint Louis' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Gateway Science Academy of Saint Louis' compliance.

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Opinion on the Major Federal Program

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

Internal Control Over Compliance

Management of Gateway Science Academy of Saint Louis is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gateway Science Academy of Saint Louis' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 27, 2019

Gateway Science Academy of St. Louis

Summary Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I: Summary Schedule of Audit Results

Financial Statements		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with the modified cash basis of accounting:		Unmodified
Internal Control over Financial Reporting:		
Material weakness(es) identified?		No
Significant deficiency(ies) identified?		None Reported
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major federal programs:		
Material weakness(es) identified?		No
Significant deficiency(ies) identified?		None Reported
Type of auditor's report issued on compliance for major federal program:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?		No
Identification of major federal program:		
CFDA Number(s)	Name of Federal Program or Cluster	
84.010	Title I Grants to LEAs	
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		No

Gateway Science Academy of St. Louis

Summary Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None

Gateway Science Academy of St. Louis

Schedule of Prior Audit Findings

Year Ended June 30, 2019

There were no prior year audit findings.