



Crossroads Charter Schools

November Board Meeting

Date and Time

Monday November 25, 2019 at 5:00 PM CST

Location

816 Broadway Blvd. Kansas City, MO

Agenda

I. Opening Items

Opening Items

- A.** Record Attendance and Guests
- B.** Call the Meeting to Order
- C.** Recognition of New Board Members
- D.** Approve Minutes

Approve minutes for October Board Meeting on October 28, 2019

II. Finance

Finance

- A.** October Financials
- B.** October Check Register

C. Financial Audit

III. Educational Excellence

Educational Excellence

A. KCPS Funding Gap MOU

IV. Governance

A. Board Committee Structure and Descriptions

V. Facilities

Facilities

A. Entegrity GMP and Financing

VI. Operations

A. New Position Approval

VII. Closing Items

A. Adjourn Meeting

Coversheet

Approve Minutes

Section: I. Opening Items
Item: D. Approve Minutes
Purpose: Approve Minutes
Submitted by:
Related Material: Minutes for October Board Meeting on October 28, 2019

APPROVED



Crossroads Charter Schools

Minutes

October Board Meeting

Date and Time

Monday October 28, 2019 at 5:00 PM

Trustees Present

B. Sweetman, D. Charity, D. Yoder, G. Valdovino, R. Moore

Trustees Absent

J. Williams, R. Cattelino

Guests Present

C. Hughley, D. Johnson, R. Uptergrove, T. McDowell

I. Opening Items

A. Record Attendance and Guests

B. Call the Meeting to Order

B. Sweetman called a meeting of the board of trustees of Crossroads Charter Schools to order on Monday Oct 28, 2019 at 5:01 PM.

C. Approve Minutes

D. Yoder made a motion to approve minutes from the September Town Hall Board Meeting on 09-23-19 September Town Hall Board Meeting on 09-23-19.

R. Moore seconded the motion.

The board **VOTED** unanimously to approve the motion.

II. Financials

A. September Financial Report/UPDATED FY20 BUDGET PROJECTIONS

Total Revenue: \$3,380,003

Total Expenses: \$3,566,922

Net Income: (\$186,920)

B. September Check Register

R. Moore made a motion to Approve.

D. Charity seconded the motion.

The board **VOTED** unanimously to approve the motion.

C. Charter Funding Equity Update

Dean presented an update on the current Funding Equity situation. KCPS and fellow Charter School Leaders are working together to create legislation. KCPS has been very supportive in ensuring all Kansas City students receive equitable funding.

D. Greenworks PACE Financing

R. Moore made a motion to Approve.

D. Charity seconded the motion.

The board **VOTED** unanimously to approve the motion.

III. Governance

A. Pre-K Collaborative Letter of Intent

D. Charity made a motion to approve Dean Johnson the authority to move forward.

D. Yoder seconded the motion.

The board **VOTED** unanimously to approve the motion.

B. Updated Board Committees

D. Yoder made a motion to approve.

D. Charity seconded the motion.

The board **VOTED** unanimously to approve the motion.

Beth Sweetman encouraged the board to provide input on adjustments needed within the Board Committees. All members are happy to see much progress being made within the Board.

Board members will review the current committee descriptions and send Beth feedback. Each Board member will then need to fill out a form and select the committee they would like to volunteer on. Forms will be provided at the November meeting.

C.

New Board Member Nominations

D. Yoder made a motion to approve.

G. Valdovino seconded the motion.

The board **VOTED** unanimously to approve the motion.

Beth Sweetman discussed the three new Board candidates. All had excellent things to present to the board and those who interviewed are excited to have them join.

IV. Education Excellence

A. SchoolAppKC

Courtney Hughley mentioned that applications for new students will open on November 9th, 2019 through SchoolApp KC. Families can apply through February.

B. Thanksgiving Dinner for Staff

The Board will host a Thanksgiving meal for the Crossroads staff. A meal will be catered and desserts provided by the Board. Dinner will be at 4 p.m., prior to the November Board Meeting. All Board members are encouraged to attend.

V. Closed Session

A. Pursuant to RSMo.610.021(6)

The closed Session began at 6:17 p.m.

R. Moore made a motion to Move into closed session to discuss items pursuant to Missouri Revised Statutes RSMo.610.021(6) and 610.021(1) the board of directors will convene in closed session. D. Charity seconded the motion.

Roll Call

D. Charity Aye

R. Moore Aye

B. Sweetman Aye

D. Yoder Aye

G. Valdovino Aye

B. Pursuant to RSMo.610.021(1)

R. Moore made a motion to move out of closed session.

D. Charity seconded the motion.

Roll Call

G. Valdovino Aye

D. Charity Aye
D. Yoder Aye
R. Moore Aye
B. Sweetman Aye

The board VOTED to unanimously to approve the motion.

The Closed Session ended at 6:35 p.m.

VI. Closing Items

A. Adjourn Meeting

D. Charity made a motion to adjourn the meeting.

R. Moore seconded the motion.

The board **VOTED** unanimously to approve the motion.

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:36 PM.

Respectfully Submitted,
R. Uptergrove

Coversheet

October Financials

Section: II. Finance
Item: A. October Financials
Purpose: FYI
Submitted by:
Related Material: CCS - Monthly Presentation - October 2019.pdf



Crossroads Charter Schools

October 2019 Financials

PREPARED **NOVEMBER 2019** BY

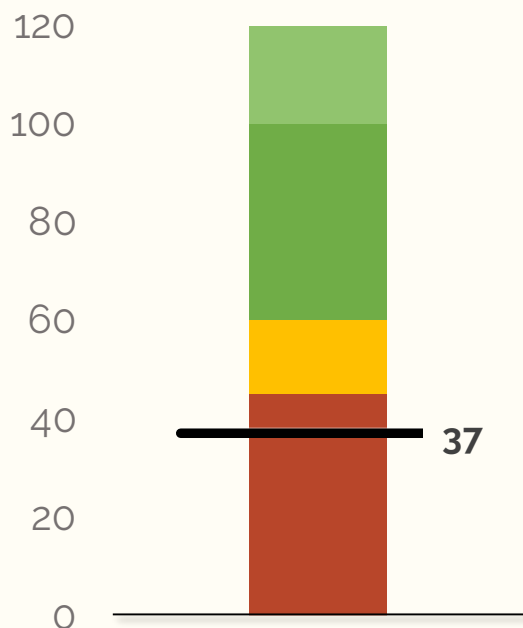


- **Key Performance Indicators**
- **Forecast Overview**
- **Cash Forecast**
- **Forecast History**
- **Appendix: Financials**

Key Performance Indicators

Days of Cash

Cash balance at year-end divided by average daily expenses

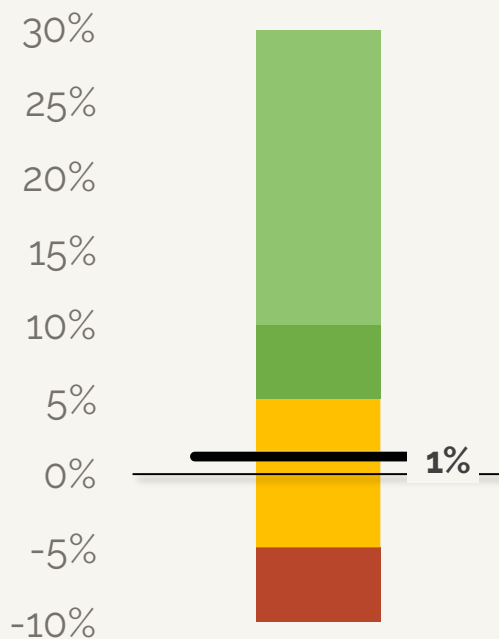


37 DAYS OF CASH AT YEAR'S END

The school will end the year with 37 days of cash. This is below the recommended 60 days, and 1 less day(s) than last month

Gross Margin

Revenue less expenses, divided by revenue



1% GROSS MARGIN

The forecasted net income is \$170k, which is \$14k above the budget. It yields a 1% gross margin.

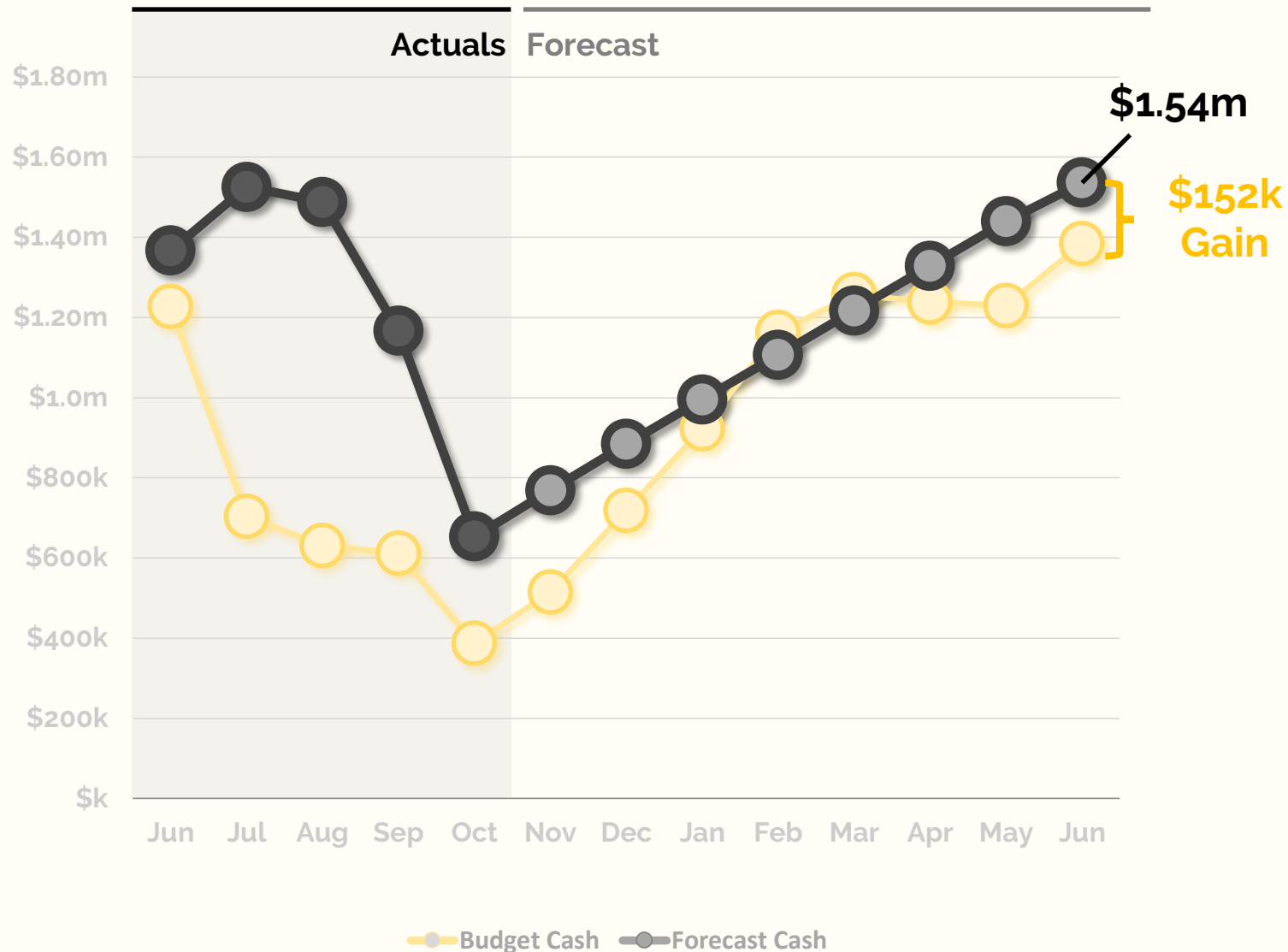
Forecast Overview

	Forecast	Budget	Variance	Variance Graphic	Comments
Revenue	\$15m	\$14m	\$982k		Driven by YTD adjustments to capital, fundraising and State Revenue. This month state adjusted transportation allocation.
Expenses	\$15m	\$14m	-\$968k		Driven by Capital expense and transportation adjusted
Net Income	\$170k	\$156k	\$14k		
Cash Flow Adjustments	-791.7	0	-791.7		
Change in Cash	\$170k	\$156k	\$13k		


Cash Flow Forecast

37 Days of Cash at year's end

We forecast the school's year ending cash balance as **\$1.54m**, **\$152k** above budget.



Forecast History of June 30, 2020 Cash Balance

<i>Source</i>	<i>Days of Cash at 6/30/20</i>	<i>Change</i>	<i>Description of change</i>
Budget	35		From SY18-19 Budget
Jul	38	3	FY19 cash higher than forecast
Aug	35	-3	Adjustment to Student Direct and Capital Expenses
Sep	38	2	Adjusted forecast to include Capital Revenue and Expense, state WADA
 Oct	37	-1	ADJ ADA and state aid and Facilities utility expense
Nov			
Dec			
Jan			
Feb			
Mar			
Apr			
May			
Jun			

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Forecast</i>	<i>Budget</i>	<i>Variance</i>	<i>Remaining</i>
Revenue							
Local Revenue	935,638	513,988	421,650	3,949,404	2,643,447	1,305,957	3,013,766
State Revenue	3,492,589	3,178,275	314,314	10,555,047	10,878,837	(323,790)	7,062,457
Federal Revenue	118,207	158,536	(40,330)	706,737	706,737	(0)	588,530
Total Revenue	4,546,434	3,850,799	695,635	15,211,188	14,229,021	982,167 ①	10,664,753
Expenses							
Salaries	1,961,443	1,993,458	32,015	6,050,362	5,980,375	(69,988)	4,088,919
Benefits and Taxes	583,011	617,062	34,051	1,827,106	1,851,186	24,080	1,244,096
Staff-Related Costs	27,629	43,667	16,038	131,000	131,000	(0)	103,372
Rent	208,514	188,635	(19,879)	565,905	565,905	-	357,392
Occupancy Service	472,705	389,231	(83,475)	1,183,724	1,167,692	(16,032)	711,019
Student Expense, Direct	748,539	830,713	82,173	2,503,757	2,492,138	(11,619)	1,755,218
Student Expense, Indirect	66,639	96,333	29,694	289,982	289,000	(982)	223,342
Office & Business Expense	291,138	242,731	(48,408)	728,192	728,192	0	437,054
Transportation	157,439	217,402	59,963	780,205	652,205	(128,000)	622,766
Total Ordinary Expenses	4,517,057	4,619,231	102,174	14,060,234	13,857,693	(202,541)	9,543,177
Net Operating Income	29,377	(768,432)	797,809	1,150,954	371,328	779,626	1,121,577
Extraordinary Expenses							
Interest and Capital Expenses	728,181	71,667	(656,514)	980,540	215,000	(765,540)	252,359
Total Extraordinary Expenses	728,181	71,667	(656,514)	980,540	215,000	(765,540)	252,359
Total Expenses	5,245,238	4,690,898	(554,340)	15,040,774	14,072,693	(968,081) ②	9,795,536
Net Income	(698,804)	(840,098)	141,295	170,414	156,328	14,086 ③	869,217
Cash Flow Adjustments	(14,332)	-	(14,332)	(792)	-	(792) ④	13,540
Change in Cash	(713,136)	(840,098)	126,963	156,328	156,328	13,294 ⑤	882,757

① REVENUE: \$982K AHEAD

Capital included in local revenue forecast, added charter school equity funds. Reduced DESE transportation funding and adjusted for ADA and FRL count

② EXPENSES: \$968K BEHIND

- Salaries and benefits adjusted to positions and insurance elections.
- Occupancy services adjust utility and janitorial expense
- Student expense adjusted due to timing of FY19 expense and additional software.
- Transportation, add one bus
- Extraordinary Expenses include capital expense in forecast

③ NET INCOME: \$14K ahead of budget

④ CASH ADJ: \$1K BEHIND

⑤ NET CHANGE IN CASH: \$13K AHEAD

Actual

Forecast

Income Statement	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Revenue													
Local Revenue	450,804	182,434	132,423	169,978	376,721	376,721	376,721	376,721	376,721	376,721	376,721	376,721	3,949,404
State Revenue	640,128	868,578	1,100,747	883,136	882,807	882,807	882,807	882,807	882,807	882,807	882,807	882,807	10,555,047
Federal Revenue	4,889	0	0	113,318	73,566	73,566	73,566	73,566	73,566	73,566	73,566	73,566	706,737
Total Revenue	1,095,821	1,051,011	1,233,170	1,166,432	1,333,094	1,333,094	1,333,094	1,333,094	1,333,094	1,333,094	1,333,094	1,333,094	15,211,188
Expenses													
Salaries	440,012	480,259	509,587	531,586	506,645	506,645	510,395	510,395	510,395	510,395	510,395	523,655	6,050,362
Benefits and Taxes	133,738	147,012	148,478	153,782	154,854	154,854	155,562	155,562	155,562	155,562	155,562	156,577	1,827,106
Staff-Related Costs	9,575	3,561	10,287	4,205	12,921	12,921	12,921	12,921	12,921	12,921	12,921	12,921	131,000
Rent	38,757	61,162	37,492	71,104	44,674	44,674	44,674	44,674	44,674	44,674	44,674	44,674	565,905
Occupancy Service	91,372	100,314	174,271	106,748	88,877	88,877	88,877	88,877	88,877	88,877	88,877	88,877	1,183,724
Student Expense, Direct	121,935	67,823	164,997	393,784	219,402	219,402	219,402	219,402	219,402	219,402	219,402	219,402	2,503,757
Student Expense, Indirect	0	172	30,875	35,592	27,918	27,918	27,918	27,918	27,918	27,918	27,918	27,918	289,982
Office & Business Expense	100,905	54,029	54,021	82,183	54,632	54,632	54,632	54,632	54,632	54,632	54,632	54,632	728,192
Transportation	7,979	2,976	69,560	76,924	77,846	77,846	77,846	77,846	77,846	77,846	77,846	77,846	780,205
Interest	28,475	108,554	368,743	222,409	0	0	0	0	0	0	0	0	728,181
Total Ordinary Expenses	972,749	1,025,861	1,568,312	1,678,316	1,187,769	1,187,769	1,192,227	1,192,227	1,192,227	1,192,227	1,192,227	1,206,502	14,788,415
Total Expenses	972,749	1,025,861	1,568,312	1,678,316	1,187,769	1,187,769	1,192,227	1,192,227	1,192,227	1,192,227	1,192,227	1,206,502	14,788,415
Net Income	123,073	25,150	-335,142	-511,884	145,326	145,326	140,867	140,867	140,867	140,867	140,867	126,592	422,773
Cash Flow Adjustments	35,763	-62,509	13,527	-1,113	1,693	1,693	1,693	1,693	1,693	1,693	1,693	1,693	-792
Change in Cash	158,836	-37,359	-321,615	-512,997	147,018	147,018	142,559	142,559	142,559	142,559	142,559	128,284	421,981

	<i>Previous Year End</i>	<i>Current</i>
	<i>6/30/2019</i>	<i>10/31/2019</i>
Assets		
Current Assets		
Intercompany Transfers	0	0
Cash	1,366,542	653,406
Accounts Receivable	0	792
Total Current Assets	1,366,542	654,198
Total Assets	1,366,542	654,198
Liabilities and Equity		
Liabilities		
Current Liabilities		
Other Current Liabilities	-29,264	-42,804
Total Current Liabilities	-29,264	-42,804
Total Long-Term Liabilities	0	0
Total Liabilities	-29,264	-42,804
Equity		
Unrestricted Net Assets	1,395,804	1,395,804
Net Income	0	-698,804
Total Equity	1,395,804	697,000



QUESTIONS?

Please contact your EdOps Finance Specialist:

Paul Greenwood

paul@ed-ops.com

415-359-3995

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Coversheet

October Check Register

Section: II. Finance
Item: B. October Check Register
Purpose: Vote
Submitted by:
Related Material: CheckRegisterbyType.pdf

Crossroads Charter Schools
11/20/2019 1:35 PM

Check Register by Type

Page: 1
User ID: PAUL

Payee Type: Vendor		Check Type: Automatic Payment			Checking Account ID: 1		
<u>Check Number</u>	<u>Check Date</u>	<u>Cleared</u>	<u>Void</u>	<u>Void Date</u>	<u>Entity ID</u>	<u>Entity Name</u>	<u>Check Amount</u>
1603900	10/01/2019	X			COMMERCE	COMMERCE BANK	3,261.61
1603901	10/01/2019	X			CAKCESTAT	CROSSROADS REAL ESTATE COMPANY	27,899.00
1603902	10/24/2019	X			ATT	AT&T	2,435.86
1603903	10/03/2019	X			BCBS	BLUE CROSS AND BLUE SHELD OF KANSAS CITY	65,916.42
1603904	10/31/2019	X			UNUM	UNUM LIFE INSURANCE COMPANY OF AMERICA	3,290.01
1603905	10/31/2019	X			HVH	HISTORIC VIRGINIA HOTEL, LLC	33,000.00
1603906	10/30/2019	X			KCPL	KCP&L	8,277.84
1603907	10/21/2019	X			HARTFORD	THE HARTFORD INSURANCE COMPANY	1,516.21
1603908	10/25/2019	X			HANOVER	THE HANOVER INSURANCE CO	7,377.90
1603909	10/15/2019	X			GOOGLEF	GOOGLE FIBER	130.00
1603910	10/31/2019	X			PAYLOCITY	PAYLOCITY	3,519.30
1603922	10/08/2019	X			VISA	VISA	544.95
1603923	10/22/2019	X			GREENWORKS	GREENWORKS LENDING LLC	1,600.00
1603924	10/31/2019	X			EVERGY	EVERGY	20,132.77
1603925	10/30/2019	X			KCWATER	KCMO WATER SERVICES DEPARTMENT	148.43
Checking Account ID: 1					Void Total:	0.00	Total without Voids: 179,050.30
Check Type Total: Automatic Payment					Void Total:	0.00	Total without Voids: 179,050.30

Payee Type: Vendor		Check Type: Check			Checking Account ID: 1		
<u>Check Number</u>	<u>Check Date</u>	<u>Cleared</u>	<u>Void</u>	<u>Void Date</u>	<u>Entity ID</u>	<u>Entity Name</u>	<u>Check Amount</u>
1767	10/29/2019	X			ZOESKITCH	ZOES KITCHEN	600.00
1768	10/21/2019	X			BEIGNET	BEIGNET	600.00
1769	10/22/2019	X			WALDOPIZZA	WALDO PIZZA	600.00
1770	10/22/2019	X			ROOM39	ROOM 39	600.00
1771	10/21/2019	X			SPOKES	SPOKES CAFE AND CYCLERY	600.00
1772	10/29/2019	X			PIGWICH	PIGWICH	800.00
1773	10/22/2019	X			DARETOBE	DARE TO BE CREATIVE	750.00
1774	10/18/2019	X			CASH	CASH	300.00
1775	10/21/2019	X			GRANDPL	The Grand Hall at Power & Light	1,250.00
73367355	10/01/2019	X			K12ITC	K12 ITC, INC.	6,250.00
73367356	10/01/2019	X			PAYLOCITY	PAYLOCITY	503.85
73367357	10/01/2019	X			WILDWOOD	WILDWOOD OUTDOOR EDUCATION CENTER	2,600.00
73367358	10/01/2019	X			MAHAFFIE	MAHAFFIE	270.00
73367359	10/01/2019	X			MARIADIC	MARIA DICKSON	650.00
73367360	10/01/2019	X			FSG	FACILITY SOLUTIONS GROUP	87.18
73367361	10/01/2019	X			STRASSER	STRASSER TRUE VALUE	33.22
73367362	10/01/2019	X			K12ITC	K12 ITC, INC.	2,000.00
73367363	10/01/2019	X			SWOPE	SWOPE CORRIDOR RENAISSANCE/UPPER ROOM, INC.	76,025.76
73367364	10/01/2019	X			SWOPE	SWOPE CORRIDOR RENAISSANCE/UPPER ROOM, INC.	76,025.76
73367365	10/01/2019	X			KENTON	KENTON BROTHER'S INC	16.02
73367366	10/01/2019	X			ISS	ISS FACILITY SERVICES - KC	2,320.68
73367367	10/01/2019	X			KENTON	KENTON BROTHER'S INC	18.95
73367368	10/01/2019	X			ISS	ISS FACILITY SERVICES - KC	1,639.05
73367369	10/01/2019	X			DSTREALITY	DST REALITY	300.00
73367586	10/01/2019	X			YARDI	YARDI MARKETPLACE	140.85
73367782	10/01/2019	X			KPM	KPM CPA'S, P.C.	11,000.00
73367783	10/01/2019	X			OTIS	OTIS ELEVATOR	436.56
73367784	10/01/2019	X			FSG	FACILITY SOLUTIONS GROUP	854.73
73367785	10/01/2019	X			STASON	STASON, LLC	1,250.74
73367786	10/01/2019	X			AMERDINING	AMERICAN FOOD & VENDING CORP	7,052.50
73367787	10/01/2019	X			SOLI	SOLI AND SOLI INC	3,306.00
73368069	10/01/2019	X			MIDCON	MID-CON MANAGEMENT LLC	6,215.00
73368070	10/01/2019	X			TIERNEY	TIERNEY OFFICE PRODUCTS	534.30
73368071	10/01/2019	X			ATRONIC	ATRONIC ALARMS INC	938.00
73368072	10/01/2019	X			KELLY	KELLY SERVICES, INC	3,541.71
73368073	10/01/2019	X			AMAZON	AMAZON	2,402.79

Crossroads Charter Schools

Check Register by Type

Page: 2

11/20/2019 1:35 PM

User ID: PAUL

Payee Type: Vendor		Check Type: Check			Checking Account ID: 1		
Check Number	Check Date	Cleared	Void	Void Date	Entity ID	Entity Name	Check Amount
73378330	10/08/2019	X			THYSSELEV	THYSSENKRUPP ELEVATOR CORP	331.59
73378971	10/08/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	46.50
73378972	10/08/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	93.00
73378973	10/08/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	744.00
73378974	10/08/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	1,488.00
73378975	10/08/2019	X			HEILOOM	HEILOOM PHOTO COMPANY	900.00
73378976	10/08/2019	X			MARIADIC	MARIA DICKSON	1,225.75
73378977	10/08/2019	X			BNIM	BNIM, INC	420.00
73378978	10/08/2019	X			BNIM	BNIM, INC	1,557.97
73378979	10/08/2019	X			BNIM	BNIM, INC	211.79
73378980	10/08/2019	X			BNIM	BNIM, INC	1,055.68
73378981	10/08/2019	X			BNIM	BNIM, INC	120.00
73378982	10/08/2019	X			BNIM	BNIM, INC	6,536.22
73378983	10/08/2019	X			BNIM	BNIM, INC	7,166.36
73378984	10/08/2019	X			MCREALTY	MC REALTY GROUP, LLC	5,000.00
73378985	10/08/2019	X			BNIM	BNIM, INC	46,604.07
73378986	10/08/2019	X			BNIM	BNIM, INC	1,215.00
73378987	10/08/2019	X			SHERWINWM	SHERWIN WILLIAMS	34.10
73378988	10/08/2019	X			WALSWORTH	WALSWORTH	557.94
73379851	10/08/2019	X			PARKDAN	DANIELLE PARKER	18.63
73379852	10/08/2019	X			SMITALY	ALYSE SMITH	73.15
73379853	10/08/2019	X			KOHLCAS	Cassandra Kohlstaedt	114.85
73379854	10/08/2019	X			ATRONIC	ATRONIC ALARMS INC	157.00
73379855	10/08/2019	X			CLAYTON	CLAYTON-JONES, ANDREA	264.00
73379856	10/08/2019	X			CHRISTIAN	FRANCES CHRISTIAN	329.84
73379857	10/08/2019	X			KENYON	CONNIE KENYON	600.00
73379858	10/08/2019	X			DONALD	DONALD E MAXWELL, LLC	2,225.00
73379859	10/08/2019	X			REASSHA	SHANNON REASBY	339.05
73379860	10/08/2019	X			SCHUKAR	KARA SCHUMACHER	415.69
73379861	10/08/2019	X			ENOCHEMINM	ENOCH MINME	4,000.00
73379862	10/08/2019	X			TURNER	TURNER CONSTRUCTION	146,696.63
73385653	10/10/2019	X			CHANTELL	CHANTELL SMITH	33.66
73385654	10/10/2019	X			MCMAKEA	Keaton McManamy	48.89
73385655	10/10/2019	X			BROWKIR	KIRSTEN BROWN	69.00
73411426	10/16/2019	X			MODIVFIRE	MISSOURI DIVISION OF FIRE SAFETY	50.00
73411427	10/16/2019	X			MYCHIEF	MY CHIEF PEOPLE OFFICER	4,725.00
73411428	10/16/2019	X			SHAWNEETOW	SHAWNEE TOWN	110.00
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73411431	10/16/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	1,860.00
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73411435	10/16/2019	X			MARIADIC	MARIA DICKSON	735.80
73411436	10/16/2019	X			BYERS	BYERS GLASS & MIRROR INC	1,435.00
73411437	10/16/2019	X			KCWATER	KCMO WATER SERVICES DEPARTMENT	43.25
73411438	10/16/2019	X			KCWATER	KCMO WATER SERVICES DEPARTMENT	49.37
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73411441	10/16/2019	X			KCWATER	KCMO WATER SERVICES DEPARTMENT	668.50
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73411446	10/16/2019	X			ISS	ISS FACILITY SERVICES - KC	33.60
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73471834	10/22/2019	X			BISTCOR	BIST / Cornerstones of Care	2,430.00
73471835	10/22/2019	X			MARIADIC	MARIA DICKSON	1,202.26
73471836	10/22/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	2,046.00
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73471842	10/22/2019	X			OLDQUINDAR	OLD QUINDARO MUSEUM & INFORMATION CENTER	33.00
73471843	10/22/2019	X			NILESHOME	NILES HOME FOR CHILDREN	4,940.00
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73471853	10/22/2019	X			EDMUNDS	EDMINUDS & ASSOCIATES	1,001.14
73471854	10/22/2019	X			KENTON	KENTON BROTHER'S INC	19.00
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73472153	10/22/2019	X			SMITHEREEN	SMITHEREEN PEST MANAGEMENT	75.00
73472154	10/22/2019	X			DEFFEN	DEFFENBAUGH DISPOSAL SERV	256.84
73472155	10/22/2019	X			SIEMENS	SIEMENS INDUSTRY, INC	4,929.07
73472156	10/22/2019	X			YARDI	YARDI MARKETPLACE	531.25
73472157	10/22/2019	X			DEFFEN	DEFFENBAUGH DISPOSAL SERV	314.90
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73472424	10/22/2019	X			EXPLORE	ExploreLearning	1,965.00
73472425	10/22/2019	X			CONCENTRA	CONCENTRA	184.50
73472426	10/22/2019	X			CONCENTRA	CONCENTRA	369.00
73472427	10/22/2019	X			AMERDINING	AMERICAN FOOD & VENDING CORP	14,742.00
73472695	10/22/2019	X			PARKDAN	DANIELLE PARKER	21.19
73472696	10/22/2019	X			HINKSTA	STACEY SIEFKEN HINKLE	42.06
73472697	10/22/2019	X			DELPARTOJ	JUDITH DELPARTO	75.85

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73472702	10/22/2019	X			21STCENT	21ST CENTURY THERAPY, P.C.	1,453.75
73472703	10/22/2019	X			APPLEBUS	APPLE BUS COMPANY	70,923.80
73472704	10/22/2019	X			DATAMAX	DATAMAX, INC	5,201.06
73472705	10/22/2019	X			HIGENE	HI-GENE'S JANITORIAL	21,313.16
73472706	10/22/2019	X			TIERNEY	TIERNEY OFFICE PRODUCTS	1,032.98
73472707	10/22/2019	X			KELLY	KELLY SERVICES, INC	5,072.69
73472708	10/22/2019	X			AMAZON	AMAZON	3,089.22
73476010	10/23/2019	X			SCHAPS	GABRIELA SCHAPS	151.96
73476672	10/23/2019	X			BATENIK	NIKKI BATES	151.96
73492301	10/29/2019	X			ICE	ICE MASTERS	85.00
73492302	10/29/2019	X			CAMPBELL	BOB D CAMPBELL & COMPANY INC.	630.00
73492303	10/29/2019	X			STRASSER	STRASSER TRUE VALUE	8.90
73492304	10/29/2019	X			MCREALTY	MC REALTY GROUP, LLC	8,164.23
73492305	10/29/2019	X			CHRISPETIT	CHRIS PETITJEAN	405.00
73492306	10/29/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	1,116.00
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73492311	10/29/2019	X			FLEXIBLEDU	FLEXIBLE EDUCATORS	1,085.00
73492312	10/29/2019	X			ATOZTHEAT	A TO Z THEATRICAL	1,560.00
73492313	10/29/2019	X			MARIADIC	MARIA DICKSON	1,792.72
73492314	10/29/2019	X			WALDOSPIRI	WALDO SPIRITS, INC	717.98
73492315	10/29/2019	X			OPERBREAK	OPERATION BREAKTHROUGH	6,000.00
73492316	10/29/2019	X			FBKCSPORTS	FBKC SPORTS TENANT, LLC	619.36
73492317	10/29/2019	X			WALSWORTH	WALSWORTH	1,135.05
73492318	10/29/2019	X			PITSCO	PITSCO INC	847.20
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73492322	10/29/2019	X			RSC	RSC	140.00
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73492575	10/29/2019	X			AMERDINING	AMERICAN FOOD & VENDING CORP	2,161.25
73492576	10/29/2019	X			GRAINGER	GRAINGER	102.00
73492818	10/29/2019	X			SOLI	SOLI AND SOLI INC	99.00
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73492820	10/29/2019	X			KCAV	KANSAS CITY AUDIO-VISUAL	892.00
73492821	10/29/2019	X			ACHIEVEMEN	The Achievement Network	57,500.00
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73493171	10/29/2019	X			ATRONIC	ATRONIC ALARMS INC	209.00
73493172	10/29/2019	X			LOPELIN	Lindsey Lopez	240.95
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73493174	10/29/2019	X			ATRONIC	ATRONIC ALARMS INC	605.00
73493175	10/29/2019	X			MIDCON	MID-CON MANAGEMENT LLC	3,990.00
73493176	10/29/2019	X			DATAMAX	DATAMAX, INC	6,597.66
73493177	10/29/2019	X			TIERNEY	TIERNEY OFFICE PRODUCTS	854.88
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Coversheet

Financial Audit

Section:	II. Finance
Item:	C. Financial Audit
Purpose:	Vote
Submitted by:	
Related Material:	Crossroads DESE.pdf Crossroads CLIENT.pdf

Crossroads Charter School and Affiliates

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH AUDITORS' REPORT
Year Ended June 30, 2019

KPM
CPAS & ADVISORS

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Independent Auditors' Report

To the Board of Directors
Crossroads Charter Schools
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crossroads Charter Schools and Affiliates (a non-profit organization – Crossroads Charter Schools), which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined 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 combined 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 from 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 School'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.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Crossroads Charter Schools, as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of Crossroads Charter Schools' 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 Crossroads Charter Schools' internal control over financial reporting and compliance.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The data contained under Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. 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 combined financial statements or to the combined 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 combined financial statements as a whole.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 15, 2019

Crossroads Charter Schools

Consolidated Statement of Financial Position

June 30, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 1,661,290
Contributions receivable, net	193,846
Interest receivable	22,549
Total Current Assets	1,877,685

Noncurrent Assets

Notes receivable	1,842,613
Property and equipment, net of accumulated depreciation	13,620,656
Total Noncurrent Assets	15,463,269
Total Assets	\$ 17,340,954

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 76,826
Accrued expenses	587,224
Total Current Liabilities	664,050

Noncurrent Liabilities

Compensated absences	15,810
Loans payable, long-term portion	11,935,000
Total Noncurrent Liabilities	11,950,810
Total Liabilities	12,614,860

Net Assets

With donor restrictions	38,255
Without donor restrictions	4,687,839
Total Net Assets	4,726,094
Total Liabilities and Net Assets	\$ 17,340,954

See accompanying notes to the financial statements.

Crossroads Charter Schools

Consolidated Statement of Activities

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Government grants and contracts	\$ 9,714,283	\$ -	\$ 9,714,283
Contributions and non-governmental grants	2,029,241	-	2,029,241
Fees and services	40,401	-	40,401
Investment income	53,227	-	53,227
Miscellaneous	28,868	-	28,868
Net assets released from restrictions through satisfaction of acquisition restrictions	1,018,986	(1,018,986)	-
Total Revenues and Other Support	<u>12,885,006</u>	<u>(1,018,986)</u>	<u>11,866,020</u>
Expenses			
Program			
Instruction	5,597,867	-	5,597,867
Student services	533,354	-	533,354
Instructional staff support	368,543	-	368,543
Building level administration	515,461	-	515,461
Operation of plant	1,392,867	-	1,392,867
Transportation	667,069	-	667,069
Food service	243,104	-	243,104
Facilities acquisition and construction	140,858	-	140,858
Depreciation	203,035	-	203,035
Debt service			
Interest and fees	409,780	-	409,780
Management and general			
General administration and central services	1,565,705	-	1,565,705
Total Expenses	<u>11,637,643</u>	<u>-</u>	<u>11,637,643</u>
<i>Change in Net Assets</i>	1,247,363	(1,018,986)	228,377
Net Assets, Beginning of Year	3,440,476	1,057,241	4,497,717
Net Assets, End of Year	<u>\$ 4,687,839</u>	<u>\$ 38,255</u>	<u>\$ 4,726,094</u>

See accompanying notes to the financial statements.

Crossroads Charter Schools

Consolidated Statement of Cash Flows

Year Ended June 30, 2019

Cash Flows from Operating Activities

Increase in net assets	\$	228,377
Item not requiring operating activities cash flows		
Depreciation		203,035
Changes in:		
Contributions receivable, net		637,834
Accounts payable		(566,955)
Accrued expenses		78,613
Compensated absences		(53,497)
Net Cash Provided by Operating Activities		527,407

Cash Flows from Investing Activities

Purchase of property and equipment		(733,829)
Withdrawals of deposit in trust		1,018,986
Net Cash Provided by Investing Activities		285,157

Cash Flows from Financing Activities

Proceeds from issuance of loans payable		6,000,000
Principal paid on notes payable		(6,500,000)
Net Cash (Used) by Financing Activities		(500,000)

<i>Net Increase in Cash</i>		312,564
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Cash and Cash Equivalents, Beginning		1,348,726
Cash and Cash Equivalents, Ending	\$	1,661,290

See accompanying notes to the financial statements.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

1. Business Activity

Crossroads Charter Schools (the School) is a Missouri not-for-profit public benefit corporation organized on August 5, 2011. The purpose of the corporation is to operate a charter school, which is sponsored by the University of Central Missouri. The School is legally separate from the Kansas City, Missouri School District and is not financially accountable to it.

The School's mission is to prepare students to excel in high school by providing an academically rigorous K-10 education. The School's charter allows for the provision of education for students in kindergarten through twelfth grade. In the fiscal year 2018-2019 the School served students in kindergarten through tenth grade.

During 2016, the School formed two new entities, Crossroads Real Estate Company, LLC and Washington Street Management Company, both of which are organizations operated exclusively for the benefit of Crossroads Charter Schools.

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 School; 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.

Financial Statement Presentation

The financial statements are presented in accordance with ASC 958-205. Under ASC 958-205, the School is required to report information regarding its assets and net assets according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

It is the School's policy to first use net assets with donor restrictions prior to use of net assets without donor restrictions when disbursements are made for purposes for which both net assets with donor restrictions and net assets without donor restrictions are available.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

Principles of Consolidation

The financial statements combine the accounts of Crossroads Charter Schools with the affiliated organizations Crossroads Real Estate Company and Washington Street Management Company. The organizations share common management and some board members. Crossroads Real Estate Company was created for the exclusive purpose of holding title to property and collecting income from the property. Washington Street Management Company was created to facilitate transactions with the unrelated third party organization, Historic Virginia Hotel.

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 Organization to capitalize expenditures for equipment, furniture and fixtures in excess of \$5,000 per item. Interest costs are capitalized when incurred on debt where the proceeds were used to finance the construction of assets. No interest was capitalized in the current year.

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 net assets with donor restrictions support that increases that net asset class. If a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as without donor restrictions. Contributions restricted for the acquisition of property and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from these estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Cash and Cash Equivalents

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

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise was received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

Expense Allocation

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:

Expense	Method of Allocation
Salaries	Time and effort
Employee benefits	Time and effort
Purchased services	Direct costs
Supplies	Direct costs
Capital outlay	Direct costs
Debt service	Direct costs
Depreciation	Square footage

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).

Accounting for Uncertainty in Income Taxes

The School complies with the provisions of FASB ASC 740-10-25. Under this standard, 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. No interest or penalties were accrued as of June 30, 2019, as a result of the adoption of this standard.

Compensated Absences

Staff are awarded personal time of 66 hours per contract year which can be cashed out at \$10 per hour or converted to sick time. Staff are awarded 66 hours of sick time each contract year. Once 270 hours of sick time are accrued, staff may cash out at \$10 per hour, but no more than 60 hours at a time. Staff may continue to accrue sick time up to 540 hours. Any hours over 540 will be automatically cashed out at the end of the contract year at \$10 per hour. Employees earn vacation time based on the number of years' service to the School. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Financial Position.

Subsequent Events

Management has evaluated subsequent events through November 15, 2019, the date the financial statements were available to be issued.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

3. Cash & Cash Equivalents – Concentration of Credit Risk

At June 30, 2019, the bank balances of the School were entirely insured or collateralized, and the bank balances for Crossroads Real Estate exceeded FDIC insurance limits by \$14,029.

4. Contributions Receivable

Contributions receivable at June 30, 2019 consisted of the following unconditional promises to give discounted at a rate of 4%:

Gross unconditional contributions receivable	\$ 225,000
Less: Allowance for uncollectible contributions	(22,500)
Less: Unamortized discount	(8,654)
	<u>193,846</u>
Net unconditional contributions receivable	<u>\$ 193,846</u>
Gross amounts due:	
Within one year	<u>\$ 225,000</u>

5. Restrictions on Net Assets

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

Satisfaction of purpose restrictions

High school renovation project	<u>\$ 1,018,986</u>
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6. Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2019 by incurring expenses satisfying the restricted purpose specified by donors as follows:

Specific purpose

Debt Service	<u>\$ 38,255</u>
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7. Insurance

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

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

8. Loans Payable

Enterprise and USBCDE QLICI Loans

In November 2015, Crossroads Real Estate Company entered into four loan agreements. The Company entered into Qualified Low Income Community Investment (QLICI) loans A and B with Enterprise Sub-CDE XVIII, LLC in the total amount of \$4,950,000. At the same time, the Company entered into QLICI loans A and B with USBCDE Sub-CDE 134, LLC in the amount of \$1,485,000. These loans were originated with \$4,375,600 from the School as the leveraged lender and \$2,129,400 from U.S. Bancorp Community Development Corporation as a New Market Tax Credit investor. These funds created the USBCDC Investment Fund 129, LLC which subsequently sent the funds to the Enterprise Sub-CDE XVIII, LLC for a qualified equity interest in the amount of \$5,000,000 and the USBCDE Sub-CDE 134, LLC for a qualified equity interest in the amount of \$1,500,000. The loans cannot be paid before September 30, 2022. Interest will be paid quarterly at the rate of 1.88% on the Enterprise QLICI loans A and B and 0.76% on the USBCDE QLICI loans A and B. After September 30, 2022, principal and interest will be paid quarterly until all loans are paid off and shall not exceed the maturity date of November 16, 2045.

Under the current assessment, the future loan requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 104,460	\$ 104,460
2021	-	104,460	104,460
2022	94,281	104,342	198,623
2023	229,643	101,469	331,112
2024	233,327	97,785	331,112
2025-2029	1,224,226	431,334	1,655,560
2030-2034	1,326,661	328,899	1,655,560
2035-2039	1,438,450	217,110	1,655,560
2040-2044	1,560,556	95,004	1,655,560
2045	327,856	3,215	331,071
	<u>\$ 6,435,000</u>	<u>\$ 1,588,078</u>	<u>\$ 8,023,078</u>

MOHEFA Loan

On November 1, 2018, Educational Facility Revenue Bonds were issued by the Health and Educational Facilities Authority of the State of Missouri (MOHEFA), who in turn loaned the proceeds of the sale of bonds to the School, which were pledged and assigned to Commerce Bank, as Bond Trustee. The bond issue, Series 2018A and Series 2018B, are for a total amount of \$6,000,000. The bonds mature monthly beginning December 1, 2020 through November 1, 2043. The Series 2018A bonds bear interest in a fixed term rate mode for the initial purchase period, and the Series 2018B bonds bear interest in a floating rate mode for the initial purchase period. The interest rates for the series 2018A and 2018B bonds as of June 30, 2019 were 4.04% and 3.55%, respectively. To provide the payment of the principal and interest on the Series 2018 Bonds, the school shall make the payments on the loan directly to the Bond Trustee.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

Under the current assessment, the future loan requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 212,644	\$ 212,644
2021	98,000	229,424	327,424
2022	170,000	205,914	375,914
2023	178,000	199,331	377,331
2024	192,000	192,186	384,186
2025-2029	1,042,000	846,368	1,888,368
2030-2034	1,244,000	627,468	1,871,468
2035-2039	1,506,000	364,382	1,870,382
2040-2044	1,070,000	90,256	1,160,256
	<u>\$ 5,500,000</u>	<u>\$ 2,967,973</u>	<u>\$ 8,467,973</u>

The following is a summary of the changes in loans payable for the year ended June 30, 2019:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>	<u>Amount Due Within One Year</u>
Enterprise and USBCDE QLICI Loans	\$ 6,435,000	\$ -	\$ -	\$ 6,435,000	\$ -
Commerce Bank Loan	6,000,000	-	6,000,000	-	-
MOHEFA Loans	-	6,000,000	500,000	5,500,000	-
	<u>\$ 12,435,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,500,000</u>	<u>\$ 11,935,000</u>	<u>\$ -</u>

9. Notes Receivable

In March 2016, the School created the Limited Liability Company, Washington Street Management, LLC for the purpose of lending funds to an unrelated company, The Historic Virginia Hotel, LLC which built a building leased through an operating lease to the School. The promissory notes in the total amount of \$1,842,613 were loaned through promissory notes to Washington Street Management, LLC and subsequently loaned to The Historic Virginia Hotel, LLC. Payments are due monthly to Washington Street Management, LLC and the School with an interest rate of 1.4% through 2022. The School received \$7,700 during the year ended June 30, 2019.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

10. Property & Equipment

Property and equipment at June 30, 2019, consisted of the following:

Construction in progress - Crossroads Charter Schools	\$ 76,826
Buildings and improvements - Crossroads Charter Schools	7,701,394
Buildings and improvements - Crossroads Real Estate	6,555,000
	14,333,220
Accumulated depreciation	(712,564)
	\$ 13,620,656

11. Retirement Plan

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

The Retirement System members are required to contribute 10.5% of their annual covered salary and the School is required to contribute a matching amount. The contribution requirements of members and the school are established, and may be amended, by the Board of Trustees. The School's contributions to the system for the year ended June 30, 2019, was \$490,608.

12. Contingencies

- Litigation: The School is not involved in pending litigation at June 30, 2019.

13. 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.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

14. 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	\$ 1,661,290
Contributions receivable, net	193,846
Interest receivable	22,549
Total financial assets	1,877,685

Less amounts not available to be used within one year:

Net assets with donor restrictions	38,255
Financial assets available to meet general expenditures over the next twelve months	\$ 1,839,430

15. Functional Expenses

The School reflects expenses on a functional basis in the statement of activities for the year ended June 30, 2019. For additional disclosure, the following schedule of expenses by natural classification is presented:

	Program Services	Support Services	
	Charter School	Management and General	Total
Salaries	\$ 4,495,007	\$ 645,493	\$ 5,140,500
Employee Benefits	1,330,635	202,319	1,532,954
Purchased Services	2,877,450	662,367	3,539,817
Supplies	615,173	55,526	670,699
Capital Outlay	140,858	-	140,858
Debt Service	409,780	-	409,780
Depreciation	203,035	-	203,035
Total Functional Expenses	\$ 10,071,938	\$ 1,565,705	\$ 11,637,643

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

16. 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:

Jurisdiction	Open Year for Filed Returns	Return to be filed in 2019
Federal	2015, 2016 and 2017	2018
Missouri	2015, 2016 and 2017	2018

17. Subsequent Event

On July 23, 2019, the School entered into a short-term note agreement with Commerce Bank in the amount of \$300,000 at a variable interest rate due April 23, 2020. Interest only is payable monthly, with principal due at maturity.

Supplementary Information

Crossroads Charter Schools

Consolidating Statement of Financial Position

June 30, 2019

	Crossroads Charter Schools	Crossroads Real Estate LLC	Washington Street Management Company	Eliminations	Combined
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,397,261	\$ 264,029	\$ -	\$ -	\$ 1,661,290
Contributions receivable, net	193,846	-	-	-	193,846
Interest receivable	-	-	22,549	-	22,549
Interorganizational receivables (payables)	1,865,162	-	(1,865,162)	-	-
Total Current Assets	3,456,269	264,029	(1,842,613)	-	1,877,685
Noncurrent Assets					
Notes receivable	-	-	1,842,613	-	1,842,613
Property and equipment, net of accumulated depreciation	7,778,220	5,842,436	-	-	13,620,656
Total Noncurrent Assets	7,778,220	5,842,436	1,842,613	-	15,463,269
Total Assets	\$ 11,234,489	\$ 6,106,465	\$ -	\$ -	\$ 17,340,954
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$ 76,826	\$ -	\$ -	\$ -	\$ 76,826
Accrued expenses	587,224	-	-	-	587,224
Total Current Liabilities	664,050	-	-	-	664,050
Noncurrent Liabilities					
Compensated absences	15,810	-	-	-	15,810
Loans payable	5,500,000	6,435,000	-	-	11,935,000
Total Noncurrent Liabilities	5,515,810	6,435,000	-	-	11,950,810
Total Liabilities	6,179,860	6,435,000	-	-	12,614,860
Net Assets					
With donor restrictions	38,255	-	-	-	38,255
Without donor restrictions	5,016,374	(328,535)	-	-	4,687,839
Total Net Assets	5,054,629	(328,535)	-	-	4,726,094
Total Liabilities and Net Assets	\$ 11,234,489	\$ 6,106,465	\$ -	\$ -	\$ 17,340,954

Crossroads Charter Schools

Consolidating Statement of Activities

Year Ended June 30, 2019

	Crossroads Charter Schools	Crossroads Real Estate LLC	Washington Street Management Company	Eliminations	Total
Revenues and Other Support					
Government grants and contracts	\$ 9,714,283	\$ -	\$ -	\$ -	\$ 9,714,283
Contributions and non-governmental grants	2,202,894	-	7,700	(181,353)	2,029,241
Fees and services	40,401	-	-	-	40,401
Rental income	-	334,788	-	(334,788)	-
Investment income	53,227	-	-	-	53,227
Miscellaneous	17,836	11,032	-	-	28,868
Total Revenues and Other Support	12,028,641	345,820	7,700	(516,141)	11,866,020
Expenses					
Program					
Instruction	5,597,867	-	-	-	5,597,867
Student services	533,354	-	-	-	533,354
Instructional staff support	368,543	-	-	-	368,543
Building level administration	515,461	-	-	-	515,461
Operation of plant	1,727,655	-	-	(334,788)	1,392,867
Transportation	667,069	-	-	-	667,069
Food service	243,104	-	-	-	243,104
Facilities acquisition and construction	140,858	173,653	7,700	(181,353)	140,858
Depreciation	-	203,035	-	-	203,035
Debt service					
Interest and fees	305,325	104,455	-	-	409,780
Management and general					
General administration and central services	1,545,443	20,262	-	-	1,565,705
Total Expenses	11,644,679	501,405	7,700	(516,141)	11,637,643
<i>Changes in Net Assets</i>	383,962	(155,585)	-	-	228,377
Net Assets, Beginning of Year	4,670,667	(172,950)	-	-	4,497,717
Net Assets, End of Year	\$ 5,054,629	\$ (328,535)	\$ -	\$ -	\$ 4,726,094

Crossroads Charter Schools

Statement of Assets and Fund Balances – Governmental Funds – Cash Basis

June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,199,395	\$ -	\$ 197,866	\$ 1,397,261
Total Assets	\$ 1,199,395	\$ -	\$ 197,866	\$ 1,397,261
Fund Balances				
Restricted for debt service	\$ 38,255	\$ -	\$ -	\$ 38,255
Assigned to capital outlay	-	-	197,866	197,866
Unassigned	1,161,140	-	-	1,161,140
Total Fund Balances	\$ 1,199,395	\$ -	\$ 197,866	\$ 1,397,261
Total fund balance				\$ 1,397,261
Total assets on the Consolidating Statement of Financial Position, less cash and cash equivalents				9,837,228
Total liabilities on the Consolidating Statement of Financial Position				(6,179,860)
Net assets on the Consolidating Statement of Financial Position				\$ 5,054,629

The supplementary 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.

Crossroads Charter Schools

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

Year Ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receipts				
Local	\$ 2,403,071	\$ 302,493	\$ 1,053,276	\$ 3,758,840
State	3,230,753	5,095,079	-	8,325,832
Federal	581,803	-	-	581,803
Total Receipts	<u>6,215,627</u>	<u>5,397,572</u>	<u>1,053,276</u>	<u>12,666,475</u>
Disbursements				
Instruction	1,320,680	4,280,458	-	5,601,138
Student services	368,817	164,537	-	533,354
Instructional staff support	119,481	259,563	-	379,044
Building level administration	19,644	504,083	-	523,727
General administration and central services	1,431,377	188,931	-	1,620,308
Operation of plant	1,733,608	-	-	1,733,608
Transportation	667,069	-	-	667,069
Food service	243,104	-	-	243,104
Facility acquisition & construction	-	-	294,684	294,684
Debt service				
Interest and fees	-	-	805,325	805,325
Total Disbursements	<u>5,903,780</u>	<u>5,397,572</u>	<u>1,100,009</u>	<u>12,401,361</u>
<i>Excess (Deficit) of Receipts over Disbursements</i>	311,847	-	(46,733)	265,114
Fund Balance, Beginning	887,548	-	244,599	1,132,147
Fund Balance, Ending	<u>\$ 1,199,395</u>	<u>\$ -</u>	<u>\$ 197,866</u>	<u>\$ 1,397,261</u>
<i>Excess of receipts over disbursements per ASBR</i>				\$ 265,114
Changes in:				
Deposit held in trust				(1,018,986)
Contributions receivable, net				(637,834)
Capital assets				530,794
Accumulated depreciation				203,035
Accounts payable				566,955
Accrued expenses				(78,613)
Compensated absences				53,497
Loans payable				500,000
Change in net assets per Consolidating Statement of Activities				<u>\$ 383,962</u>

The supplementary 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.

Crossroads Charter Schools

Schedule of Receipts by Source

Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Local				
School district trust fund (Prop C)	\$ 504,156	\$ 302,493	\$ -	\$ 806,649
Earnings from temporary deposits	53,227	-	-	53,227
Food service - sales to pupils	38,763	-	-	38,763
Admissions - student activities	535	-	-	535
Other pupil activity income	1,103	-	-	1,103
Gifts	1,787,451	-	1,053,276	2,840,727
Miscellaneous local revenue	17,836	-	-	17,836
Total Local	<u>2,403,071</u>	<u>302,493</u>	<u>1,053,276</u>	<u>3,758,840</u>
State				
Basic formula - state monies	2,801,647	5,095,079	-	7,896,726
Transportation	100,730	-	-	100,730
Basic formula - classroom trust fund	306,220	-	-	306,220
Food service	2,088	-	-	2,088
High need fund - special education	20,068	-	-	20,068
Total State	<u>3,230,753</u>	<u>5,095,079</u>	<u>-</u>	<u>8,325,832</u>
Federal				
Medicaid	82,278	-	-	82,278
IDEA grants	570	-	-	570
Early childhood special education - federal	1,687	-	-	1,687
IDEA entitlement funds, Part B IDEA	113,035	-	-	113,035
School lunch program	116,795	-	-	116,795
Title I - ESEA	222,915	-	-	222,915
Title IV.A student support and academic enrichment	14,388	-	-	14,388
Title II, Part A&B, ESEA - teacher & principal training	30,135	-	-	30,135
Total Federal	<u>581,803</u>	<u>-</u>	<u>-</u>	<u>581,803</u>
Total Receipts	<u>\$ 6,215,627</u>	<u>\$ 5,397,572</u>	<u>\$ 1,053,276</u>	<u>\$ 12,666,475</u>
Receipts per ASBR				\$ 12,666,475
Changes in:				
Contributions receivable, net				(637,834)
Revenues and Other Support per Consolidating Statement of Activities				<u>\$ 12,028,641</u>

The Schedule of Receipts by Source agrees to the Annual Secretary of the Board Report (ASBR).

Crossroads Charter Schools

Schedule of Disbursements by Object

Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Salaries	\$ 942,408	\$ 4,189,711	\$ -	\$ 5,132,119
Employee benefits	308,356	1,207,861	-	1,516,217
Purchased services	3,967,175	-	-	3,967,175
Supplies	685,841	-	-	685,841
Capital outlay	-	-	294,684	294,684
Debt service	-	-	805,325	805,325
	\$ 5,903,780	\$ 5,397,572	\$ 1,100,009	\$ 12,401,361
Disbursements per ASBR				\$ 12,401,361
Changes in:				
Deposit held in trust				1,018,986
Capital assets				(530,794)
Accumulated depreciation				(203,035)
Accounts payable				(566,955)
Accrued expenses				78,613
Compensated absences				(53,497)
Loans payable				(500,000)
Expenses per Consolidating Statement of Activities				\$ 11,644,679

Crossroads Charter Schools

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
6990	K	06	-	6.00	171	1,029.00
6905	K	05	-	6.00	171	1,029.00
1905	07	08	-	6.00	171	1,029.00
1905	09	10	-	7.00	171	1,166.50

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
	K	92.25	-	9.67	-	11.99	113.91
	1	82.05	-	6.61	-	11.35	100.01
	2	84.91	-	7.39	-	9.55	101.85
	3	84.02	-	7.49	-	12.39	103.90
	4	83.27	-	8.20	-	11.84	103.31
	5	89.65	-	7.23	-	11.38	108.26
	6	47.27	-	5.14	-	6.42	58.83
	7	47.15	-	3.01	-	6.61	56.77
	8	46.68	-	2.95	-	4.07	53.70
	9	47.97	-	-	-	3.57	51.54
	10	37.56	-	-	-	2.45	40.01
Grand Total	K - 10	742.78	-	57.69	-	91.62	892.09

Crossroads Charter Schools

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
6990	K	53.00	-	-	53.00
	1	44.00	-	-	44.00
	2	45.00	-	-	45.00
	3	44.00	-	-	44.00
	4	44.00	-	-	44.00
	5	49.00	-	-	49.00
	6	48.00	-	-	48.00
6905	K	42.00	-	-	42.00
	1	42.00	-	-	42.00
	2	43.00	-	-	43.00
	3	45.00	-	-	45.00
	4	44.00	-	-	44.00
	5	49.00	-	-	49.00
1905	7	49.00	-	-	49.00
	8	50.00	-	-	50.00
	9	51.00	-	-	51.00
	10	43.00	-	-	43.00
Grand Total	K - 10	785.00	-	-	785.00

Crossroads Charter Schools

Schedule of Selected Statistics

Year Ended June 30, 2019

4. Free and Reduced Priced Lunch FTE Count (Section 163.011(6), RSMo)

Report the FTE count taken the last Wednesday in January of resident students enrolled in grades K-12 and in attendance at least 1 of the 10 previous school days whose eligibility for free or reduced lunch is documented through the application process using federal eligibility guidelines or through the direct certification process. Desegregation students are considered residents of the district in which the students are educated.

School Code	Free Lunch	Reduced Lunch	DESEG In Free	DESEG In Reduced	Total
6990	122.00	28.00	-	-	150.00
6905	140.00	21.00	-	-	161.00
1905	105.00	20.00	-	-	125.00
Grand Total	367.00	69.00	-	-	436.00

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	True
	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	True
	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

Crossroads Charter Schools

Schedule of Selected Statistics

Year Ended June 30, 2019

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:	\$500,000
5.6	The district's/charter school's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	True
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 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:	N/A

Finding:	None
Management Letter Comment:	N/A

Crossroads Charter Schools

Schedule of Selected Statistics

Year Ended June 30, 2019

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 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.	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:	
	Eligible ADT	347.0
	Ineligible ADT	-
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.	True
6.5	Actual odometer records show the total district/charter-operated and contracted mileage for the year was:	89,275
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:	
	Eligible Miles	77,351
	Ineligible Miles (Non-Route/Disapproved)	11,924
6.7	Number of days the district/charter school operated the school transportation system during the regular school year:	171

Finding:	None
Management Letter Comment:	N/A

Internal Control and Compliance



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

Board of Directors
Crossroads Charter Schools
Kansas City, Missouri

We have examined management's assertions that Crossroads Charter Schools complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the District'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. Crossroads Charter Schools' 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, District 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 15, 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
Crossroads Charter Schools
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 combined financial statements of Crossroads Charter Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Crossroads Charter Schools' basic financial statements and have issued our report thereon dated November 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Crossroads Charter Schools' 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.

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Compliance and Other Matters

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

Purpose of Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 15, 2019



Board of Directors
Crossroads Charter Schools
Kansas City, Missouri

In planning and performing our audit of the basic financial statements of Crossroads Academy of Kansas City 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. However, as discussed in 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 did not identify any deficiencies in internal control over financial reporting that we consider to be 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 additional matters to bring to your attention. The following paragraphs summarize our comments and recommendations regarding these matters.

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 District 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. Periodic Internal Control Review

As the School evolves, 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.

3. Implementation of FASB ASU 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

The Financial Accounting Standards Board has released new standards regarding revenue recognition of grants and contracts by not-for-profit entities. A significant change will include clarification of how to determine whether a resource provider is participating in an exchange transaction or a contribution. The effective date is for fiscal years beginning after December 15, 2018. For the School, that will be fiscal year ending June 30, 2020.

We Recommend:

The School become familiar with the requirements of FASB ASU 2018-08 in order to assess the steps necessary to ensure successful implementation of this statement on the effective date.

4. Free/Reduced Lunch Reporting

During our audit, we noted that the School free/reduced lunch software currently does not produce reports necessary to verify information in Core Data for free/reduced lunch count. The software should be capable of producing a detailed listing of free/reduced lunch participants. This report is necessary to provide management with a proper audit trail. This report should then be reconciled to the information on Core Data.

We Recommend:

The School contact its software provider and request the necessary modifications in order to produce the report discussed above or manually track free/reduced lunch counts.

5. Functional Expenses

FASB ASU 2016-14 expanded upon the requirements of allocations of functional expenses. Functional expenses should be allocated on a reasonable and supported basis. The School has identified the basis for allocation and provided information, however, the method of allocation did not always have detailed support.

We Recommend:

The School review the allocation basis for functional expenses and provide proper supporting documentation for all allocations. This will require tracking time and effort, direct costs, and square footage of expenses used for the program and management and general.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the School's administrative personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations

We appreciate this opportunity to serve as Crossroads Charter Schools' independent auditor and the courtesies and assistance extended to us by the School's employees.

This communication is intended solely for the information and use of management, Board of Directors, and other within the School and is not intended and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "KPM CPAs, PC". The letters are cursive and slightly slanted to the right.

KPM CPAs, PC
Springfield, Missouri
November 15, 2019

Crossroads Charter School and Affiliates

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH AUDITORS' REPORT
Year Ended June 30, 2019

KPM
CPAS & ADVISORS

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Independent Auditors' Report

To the Board of Directors
Crossroads Charter Schools
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crossroads Charter Schools and Affiliates (a non-profit organization – Crossroads Charter Schools), which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined 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 combined 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 from 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 School'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Crossroads Charter Schools, as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of Crossroads Charter Schools' 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 Crossroads Charter Schools' internal control over financial reporting and compliance.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The data contained under Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. 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 combined financial statements or to the combined 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 combined financial statements as a whole.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 15, 2019

Crossroads Charter Schools

Consolidated Statement of Financial Position

June 30, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 1,661,290
Contributions receivable, net	193,846
Interest receivable	22,549
Total Current Assets	1,877,685

Noncurrent Assets

Notes receivable	1,842,613
Property and equipment, net of accumulated depreciation	13,620,656
Total Noncurrent Assets	15,463,269
Total Assets	\$ 17,340,954

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 76,826
Accrued expenses	587,224
Total Current Liabilities	664,050

Noncurrent Liabilities

Compensated absences	15,810
Loans payable, long-term portion	11,935,000
Total Noncurrent Liabilities	11,950,810
Total Liabilities	12,614,860

Net Assets

With donor restrictions	38,255
Without donor restrictions	4,687,839
Total Net Assets	4,726,094
Total Liabilities and Net Assets	\$ 17,340,954

See accompanying notes to the financial statements.

Crossroads Charter Schools

Consolidated Statement of Activities

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Government grants and contracts	\$ 9,714,283	\$ -	\$ 9,714,283
Contributions and non-governmental grants	2,029,241	-	2,029,241
Fees and services	40,401	-	40,401
Investment income	53,227	-	53,227
Miscellaneous	28,868	-	28,868
Net assets released from restrictions through satisfaction of acquisition restrictions	1,018,986	(1,018,986)	-
Total Revenues and Other Support	<u>12,885,006</u>	<u>(1,018,986)</u>	<u>11,866,020</u>
Expenses			
Program			
Instruction	5,597,867	-	5,597,867
Student services	533,354	-	533,354
Instructional staff support	368,543	-	368,543
Building level administration	515,461	-	515,461
Operation of plant	1,392,867	-	1,392,867
Transportation	667,069	-	667,069
Food service	243,104	-	243,104
Facilities acquisition and construction	140,858	-	140,858
Depreciation	203,035	-	203,035
Debt service			
Interest and fees	409,780	-	409,780
Management and general			
General administration and central services	1,565,705	-	1,565,705
Total Expenses	<u>11,637,643</u>	<u>-</u>	<u>11,637,643</u>
<i>Change in Net Assets</i>	1,247,363	(1,018,986)	228,377
Net Assets, Beginning of Year	3,440,476	1,057,241	4,497,717
Net Assets, End of Year	<u>\$ 4,687,839</u>	<u>\$ 38,255</u>	<u>\$ 4,726,094</u>

See accompanying notes to the financial statements.

Crossroads Charter Schools

Consolidated Statement of Cash Flows

Year Ended June 30, 2019

Cash Flows from Operating Activities

Increase in net assets	\$	228,377
Item not requiring operating activities cash flows		
Depreciation		203,035
Changes in:		
Contributions receivable, net		637,834
Accounts payable		(566,955)
Accrued expenses		78,613
Compensated absences		(53,497)
Net Cash Provided by Operating Activities		527,407

Cash Flows from Investing Activities

Purchase of property and equipment		(733,829)
Withdrawals of deposit in trust		1,018,986
Net Cash Provided by Investing Activities		285,157

Cash Flows from Financing Activities

Proceeds from issuance of loans payable		6,000,000
Principal paid on notes payable		(6,500,000)
Net Cash (Used) by Financing Activities		(500,000)

<i>Net Increase in Cash</i>		312,564
-----------------------------	--	---------

Cash and Cash Equivalents, Beginning		1,348,726
Cash and Cash Equivalents, Ending	\$	1,661,290

See accompanying notes to the financial statements.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

1. Business Activity

Crossroads Charter Schools (the School) is a Missouri not-for-profit public benefit corporation organized on August 5, 2011. The purpose of the corporation is to operate a charter school, which is sponsored by the University of Central Missouri. The School is legally separate from the Kansas City, Missouri School District and is not financially accountable to it.

The School's mission is to prepare students to excel in high school by providing an academically rigorous K-10 education. The School's charter allows for the provision of education for students in kindergarten through twelfth grade. In the fiscal year 2018-2019 the School served students in kindergarten through tenth grade.

During 2016, the School formed two new entities, Crossroads Real Estate Company, LLC and Washington Street Management Company, both of which are organizations operated exclusively for the benefit of Crossroads Charter Schools.

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 School; 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.

Financial Statement Presentation

The financial statements are presented in accordance with ASC 958-205. Under ASC 958-205, the School is required to report information regarding its assets and net assets according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

It is the School's policy to first use net assets with donor restrictions prior to use of net assets without donor restrictions when disbursements are made for purposes for which both net assets with donor restrictions and net assets without donor restrictions are available.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

Principles of Consolidation

The financial statements combine the accounts of Crossroads Charter Schools with the affiliated organizations Crossroads Real Estate Company and Washington Street Management Company. The organizations share common management and some board members. Crossroads Real Estate Company was created for the exclusive purpose of holding title to property and collecting income from the property. Washington Street Management Company was created to facilitate transactions with the unrelated third party organization, Historic Virginia Hotel.

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 Organization to capitalize expenditures for equipment, furniture and fixtures in excess of \$5,000 per item. Interest costs are capitalized when incurred on debt where the proceeds were used to finance the construction of assets. No interest was capitalized in the current year.

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 net assets with donor restrictions support that increases that net asset class. If a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as without donor restrictions. Contributions restricted for the acquisition of property and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from these estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Cash and Cash Equivalents

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

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise was received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

Expense Allocation

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:

Expense	Method of Allocation
Salaries	Time and effort
Employee benefits	Time and effort
Purchased services	Direct costs
Supplies	Direct costs
Capital outlay	Direct costs
Debt service	Direct costs
Depreciation	Square footage

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).

Accounting for Uncertainty in Income Taxes

The School complies with the provisions of FASB ASC 740-10-25. Under this standard, 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. No interest or penalties were accrued as of June 30, 2019, as a result of the adoption of this standard.

Compensated Absences

Staff are awarded personal time of 66 hours per contract year which can be cashed out at \$10 per hour or converted to sick time. Staff are awarded 66 hours of sick time each contract year. Once 270 hours of sick time are accrued, staff may cash out at \$10 per hour, but no more than 60 hours at a time. Staff may continue to accrue sick time up to 540 hours. Any hours over 540 will be automatically cashed out at the end of the contract year at \$10 per hour. Employees earn vacation time based on the number of years' service to the School. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Financial Position.

Subsequent Events

Management has evaluated subsequent events through November 15, 2019, the date the financial statements were available to be issued.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

3. Cash & Cash Equivalents – Concentration of Credit Risk

At June 30, 2019, the bank balances of the School were entirely insured or collateralized, and the bank balances for Crossroads Real Estate exceeded FDIC insurance limits by \$14,029.

4. Contributions Receivable

Contributions receivable at June 30, 2019 consisted of the following unconditional promises to give discounted at a rate of 4%:

Gross unconditional contributions receivable	\$ 225,000
Less: Allowance for uncollectible contributions	(22,500)
Less: Unamortized discount	(8,654)
Net unconditional contributions receivable	<u>\$ 193,846</u>
Gross amounts due:	
Within one year	<u>\$ 225,000</u>

5. Restrictions on Net Assets

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

Satisfaction of purpose restrictions

High school renovation project	<u>\$ 1,018,986</u>
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6. Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2019 by incurring expenses satisfying the restricted purpose specified by donors as follows:

Specific purpose

Debt Service	<u>\$ 38,255</u>
--------------	------------------

7. Insurance

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

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

8. Loans Payable

Enterprise and USBCDE QLICI Loans

In November 2015, Crossroads Real Estate Company entered into four loan agreements. The Company entered into Qualified Low Income Community Investment (QLICI) loans A and B with Enterprise Sub-CDE XVIII, LLC in the total amount of \$4,950,000. At the same time, the Company entered into QLICI loans A and B with USBCDE Sub-CDE 134, LLC in the amount of \$1,485,000. These loans were originated with \$4,375,600 from the School as the leveraged lender and \$2,129,400 from U.S. Bancorp Community Development Corporation as a New Market Tax Credit investor. These funds created the USBCDC Investment Fund 129, LLC which subsequently sent the funds to the Enterprise Sub-CDE XVIII, LLC for a qualified equity interest in the amount of \$5,000,000 and the USBCDE Sub-CDE 134, LLC for a qualified equity interest in the amount of \$1,500,000. The loans cannot be paid before September 30, 2022. Interest will be paid quarterly at the rate of 1.88% on the Enterprise QLICI loans A and B and 0.76% on the USBCDE QLICI loans A and B. After September 30, 2022, principal and interest will be paid quarterly until all loans are paid off and shall not exceed the maturity date of November 16, 2045.

Under the current assessment, the future loan requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 104,460	\$ 104,460
2021	-	104,460	104,460
2022	94,281	104,342	198,623
2023	229,643	101,469	331,112
2024	233,327	97,785	331,112
2025-2029	1,224,226	431,334	1,655,560
2030-2034	1,326,661	328,899	1,655,560
2035-2039	1,438,450	217,110	1,655,560
2040-2044	1,560,556	95,004	1,655,560
2045	327,856	3,215	331,071
	\$ 6,435,000	\$ 1,588,078	\$ 8,023,078

MOHEFA Loan

On November 1, 2018, Educational Facility Revenue Bonds were issued by the Health and Educational Facilities Authority of the State of Missouri (MOHEFA), who in turn loaned the proceeds of the sale of bonds to the School, which were pledged and assigned to Commerce Bank, as Bond Trustee. The bond issue, Series 2018A and Series 2018B, are for a total amount of \$6,000,000. The bonds mature monthly beginning December 1, 2020 through November 1, 2043. The Series 2018A bonds bear interest in a fixed term rate mode for the initial purchase period, and the Series 2018B bonds bear interest in a floating rate mode for the initial purchase period. The interest rates for the series 2018A and 2018B bonds as of June 30, 2019 were 4.04% and 3.55%, respectively. To provide the payment of the principal and interest on the Series 2018 Bonds, the school shall make the payments on the loan directly to the Bond Trustee.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

Under the current assessment, the future loan requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 212,644	\$ 212,644
2021	98,000	229,424	327,424
2022	170,000	205,914	375,914
2023	178,000	199,331	377,331
2024	192,000	192,186	384,186
2025-2029	1,042,000	846,368	1,888,368
2030-2034	1,244,000	627,468	1,871,468
2035-2039	1,506,000	364,382	1,870,382
2040-2044	1,070,000	90,256	1,160,256
	<u>\$ 5,500,000</u>	<u>\$ 2,967,973</u>	<u>\$ 8,467,973</u>

The following is a summary of the changes in loans payable for the year ended June 30, 2019:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>	<u>Amount Due Within One Year</u>
Enterprise and USBCDE QLICI Loans	\$ 6,435,000	\$ -	\$ -	\$ 6,435,000	\$ -
Commerce Bank Loan	6,000,000	-	6,000,000	-	-
MOHEFA Loans	-	6,000,000	500,000	5,500,000	-
	<u>\$ 12,435,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,500,000</u>	<u>\$ 11,935,000</u>	<u>\$ -</u>

9. Notes Receivable

In March 2016, the School created the Limited Liability Company, Washington Street Management, LLC for the purpose of lending funds to an unrelated company, The Historic Virginia Hotel, LLC which built a building leased through an operating lease to the School. The promissory notes in the total amount of \$1,842,613 were loaned through promissory notes to Washington Street Management, LLC and subsequently loaned to The Historic Virginia Hotel, LLC. Payments are due monthly to Washington Street Management, LLC and the School with an interest rate of 1.4% through 2022. The School received \$7,700 during the year ended June 30, 2019.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

10. Property & Equipment

Property and equipment at June 30, 2019, consisted of the following:

Construction in progress - Crossroads Charter Schools	\$ 76,826
Buildings and improvements - Crossroads Charter Schools	7,701,394
Buildings and improvements - Crossroads Real Estate	6,555,000
	14,333,220
Accumulated depreciation	(712,564)
	\$ 13,620,656

11. Retirement Plan

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

The Retirement System members are required to contribute 10.5% of their annual covered salary and the School is required to contribute a matching amount. The contribution requirements of members and the school are established, and may be amended, by the Board of Trustees. The School's contributions to the system for the year ended June 30, 2019, was \$490,608.

12. Contingencies

- Litigation: The School is not involved in pending litigation at June 30, 2019.

13. 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.

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

14. 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	\$ 1,661,290
Contributions receivable, net	193,846
Interest receivable	22,549
Total financial assets	1,877,685

Less amounts not available to be used within one year:

Net assets with donor restrictions	38,255
Financial assets available to meet general expenditures over the next twelve months	\$ 1,839,430

15. Functional Expenses

The School reflects expenses on a functional basis in the statement of activities for the year ended June 30, 2019. For additional disclosure, the following schedule of expenses by natural classification is presented:

	Program Services	Support Services	
	Charter School	Management and General	Total
Salaries	\$ 4,495,007	\$ 645,493	\$ 5,140,500
Employee Benefits	1,330,635	202,319	1,532,954
Purchased Services	2,877,450	662,367	3,539,817
Supplies	615,173	55,526	670,699
Capital Outlay	140,858	-	140,858
Debt Service	409,780	-	409,780
Depreciation	203,035	-	203,035
Total Functional Expenses	\$ 10,071,938	\$ 1,565,705	\$ 11,637,643

Crossroads Charter Schools

Notes to the Financial Statements

June 30, 2019

16. 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:

Jurisdiction	Open Year for Filed Returns	Return to be filed in 2019
Federal	2015, 2016 and 2017	2018
Missouri	2015, 2016 and 2017	2018

17. Subsequent Event

On July 23, 2019, the School entered into a short-term note agreement with Commerce Bank in the amount of \$300,000 at a variable interest rate due April 23, 2020. Interest only is payable monthly, with principal due at maturity.

Supplementary Information

Crossroads Charter Schools

Consolidating Statement of Financial Position

June 30, 2019

	Crossroads Charter Schools	Crossroads Real Estate LLC	Washington Street Management Company	Eliminations	Combined
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,397,261	\$ 264,029	\$ -	\$ -	\$ 1,661,290
Contributions receivable, net	193,846	-	-	-	193,846
Interest receivable	-	-	22,549	-	22,549
Interorganizational receivables (payables)	1,865,162	-	(1,865,162)	-	-
Total Current Assets	3,456,269	264,029	(1,842,613)	-	1,877,685
Noncurrent Assets					
Notes receivable	-	-	1,842,613	-	1,842,613
Property and equipment, net of accumulated depreciation	7,778,220	5,842,436	-	-	13,620,656
Total Noncurrent Assets	7,778,220	5,842,436	1,842,613	-	15,463,269
Total Assets	\$ 11,234,489	\$ 6,106,465	\$ -	\$ -	\$ 17,340,954
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$ 76,826	\$ -	\$ -	\$ -	\$ 76,826
Accrued expenses	587,224	-	-	-	587,224
Total Current Liabilities	664,050	-	-	-	664,050
Noncurrent Liabilities					
Compensated absences	15,810	-	-	-	15,810
Loans payable	5,500,000	6,435,000	-	-	11,935,000
Total Noncurrent Liabilities	5,515,810	6,435,000	-	-	11,950,810
Total Liabilities	6,179,860	6,435,000	-	-	12,614,860
Net Assets					
With donor restrictions	38,255	-	-	-	38,255
Without donor restrictions	5,016,374	(328,535)	-	-	4,687,839
Total Net Assets	5,054,629	(328,535)	-	-	4,726,094
Total Liabilities and Net Assets	\$ 11,234,489	\$ 6,106,465	\$ -	\$ -	\$ 17,340,954

Crossroads Charter Schools

Consolidating Statement of Activities

Year Ended June 30, 2019

	Crossroads Charter Schools	Crossroads Real Estate LLC	Washington Street Management Company	Eliminations	Total
Revenues and Other Support					
Government grants and contracts	\$ 9,714,283	\$ -	\$ -	\$ -	\$ 9,714,283
Contributions and non-governmental grants	2,202,894	-	7,700	(181,353)	2,029,241
Fees and services	40,401	-	-	-	40,401
Rental income	-	334,788	-	(334,788)	-
Investment income	53,227	-	-	-	53,227
Miscellaneous	17,836	11,032	-	-	28,868
Total Revenues and Other Support	12,028,641	345,820	7,700	(516,141)	11,866,020
Expenses					
Program					
Instruction	5,597,867	-	-	-	5,597,867
Student services	533,354	-	-	-	533,354
Instructional staff support	368,543	-	-	-	368,543
Building level administration	515,461	-	-	-	515,461
Operation of plant	1,727,655	-	-	(334,788)	1,392,867
Transportation	667,069	-	-	-	667,069
Food service	243,104	-	-	-	243,104
Facilities acquisition and construction	140,858	173,653	7,700	(181,353)	140,858
Depreciation	-	203,035	-	-	203,035
Debt service					
Interest and fees	305,325	104,455	-	-	409,780
Management and general					
General administration and central services	1,545,443	20,262	-	-	1,565,705
Total Expenses	11,644,679	501,405	7,700	(516,141)	11,637,643
<i>Changes in Net Assets</i>	383,962	(155,585)	-	-	228,377
Net Assets, Beginning of Year	4,670,667	(172,950)	-	-	4,497,717
Net Assets, End of Year	\$ 5,054,629	\$ (328,535)	\$ -	\$ -	\$ 4,726,094

Crossroads Charter Schools

Statement of Assets and Fund Balances – Governmental Funds – Cash Basis

June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,199,395	\$ -	\$ 197,866	\$ 1,397,261
Total Assets	<u>\$ 1,199,395</u>	<u>\$ -</u>	<u>\$ 197,866</u>	<u>\$ 1,397,261</u>
Fund Balances				
Restricted for debt service	\$ 38,255	\$ -	\$ -	\$ 38,255
Assigned to capital outlay	-	-	197,866	197,866
Unassigned	1,161,140	-	-	1,161,140
Total Fund Balances	<u>\$ 1,199,395</u>	<u>\$ -</u>	<u>\$ 197,866</u>	<u>\$ 1,397,261</u>
Total fund balance				\$ 1,397,261
Total assets on the Consolidating Statement of Financial Position, less cash and cash equivalents				9,837,228
Total liabilities on the Consolidating Statement of Financial Position				<u>(6,179,860)</u>
Net assets on the Consolidating Statement of Financial Position				<u>\$ 5,054,629</u>

The supplementary 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.

Crossroads Charter Schools

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

Year Ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receipts				
Local	\$ 2,403,071	\$ 302,493	\$ 1,053,276	\$ 3,758,840
State	3,230,753	5,095,079	-	8,325,832
Federal	581,803	-	-	581,803
Total Receipts	<u>6,215,627</u>	<u>5,397,572</u>	<u>1,053,276</u>	<u>12,666,475</u>
Disbursements				
Instruction	1,320,680	4,280,458	-	5,601,138
Student services	368,817	164,537	-	533,354
Instructional staff support	119,481	259,563	-	379,044
Building level administration	19,644	504,083	-	523,727
General administration and central services	1,431,377	188,931	-	1,620,308
Operation of plant	1,733,608	-	-	1,733,608
Transportation	667,069	-	-	667,069
Food service	243,104	-	-	243,104
Facility acquisition & construction	-	-	294,684	294,684
Debt service				
Interest and fees	-	-	805,325	805,325
Total Disbursements	<u>5,903,780</u>	<u>5,397,572</u>	<u>1,100,009</u>	<u>12,401,361</u>
<i>Excess (Deficit) of Receipts over Disbursements</i>	311,847	-	(46,733)	265,114
Fund Balance, Beginning	887,548	-	244,599	1,132,147
Fund Balance, Ending	<u>\$ 1,199,395</u>	<u>\$ -</u>	<u>\$ 197,866</u>	<u>\$ 1,397,261</u>
<i>Excess of receipts over disbursements per ASBR</i>				\$ 265,114
Changes in:				
Deposit held in trust				(1,018,986)
Contributions receivable, net				(637,834)
Capital assets				530,794
Accumulated depreciation				203,035
Accounts payable				566,955
Accrued expenses				(78,613)
Compensated absences				53,497
Loans payable				500,000
Change in net assets per Consolidating Statement of Activities				<u>\$ 383,962</u>

The supplementary 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.

Crossroads Charter Schools

Schedule of Receipts 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				
School district trust fund (Prop C)	\$ 504,156	\$ 302,493	\$ -	\$ 806,649
Earnings from temporary deposits	53,227	-	-	53,227
Food service - sales to pupils	38,763	-	-	38,763
Admissions - student activities	535	-	-	535
Other pupil activity income	1,103	-	-	1,103
Gifts	1,787,451	-	1,053,276	2,840,727
Miscellaneous local revenue	<u>17,836</u>	<u>-</u>	<u>-</u>	<u>17,836</u>
Total Local	<u>2,403,071</u>	<u>302,493</u>	<u>1,053,276</u>	<u>3,758,840</u>
State				
Basic formula - state monies	2,801,647	5,095,079	-	7,896,726
Transportation	100,730	-	-	100,730
Basic formula - classroom trust fund	306,220	-	-	306,220
Food service	2,088	-	-	2,088
High need fund - special education	<u>20,068</u>	<u>-</u>	<u>-</u>	<u>20,068</u>
Total State	<u>3,230,753</u>	<u>5,095,079</u>	<u>-</u>	<u>8,325,832</u>
Federal				
Medicaid	82,278	-	-	82,278
IDEA grants	570	-	-	570
Early childhood special education - federal	1,687	-	-	1,687
IDEA entitlement funds, Part B IDEA	113,035	-	-	113,035
School lunch program	116,795	-	-	116,795
Title I - ESEA	222,915	-	-	222,915
Title IV.A student support and academic enrichment	14,388	-	-	14,388
Title II, Part A&B, ESEA - teacher & principal training	<u>30,135</u>	<u>-</u>	<u>-</u>	<u>30,135</u>
Total Federal	<u>581,803</u>	<u>-</u>	<u>-</u>	<u>581,803</u>
Total Receipts	<u>\$ 6,215,627</u>	<u>\$ 5,397,572</u>	<u>\$ 1,053,276</u>	<u>\$ 12,666,475</u>
Receipts per ASBR				\$ 12,666,475
Changes in:				
Contributions receivable, net				(637,834)
Revenues and Other Support per Consolidating Statement of Activities				<u>\$ 12,028,641</u>

The Schedule of Receipts by Source agrees to the Annual Secretary of the Board Report (ASBR).

Crossroads Charter Schools

Schedule of Disbursements by Object

Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Salaries	\$ 942,408	\$ 4,189,711	\$ -	\$ 5,132,119
Employee benefits	308,356	1,207,861	-	1,516,217
Purchased services	3,967,175	-	-	3,967,175
Supplies	685,841	-	-	685,841
Capital outlay	-	-	294,684	294,684
Debt service	-	-	805,325	805,325
	<u>\$ 5,903,780</u>	<u>\$ 5,397,572</u>	<u>\$ 1,100,009</u>	<u>\$ 12,401,361</u>
Disbursements per ASBR				\$ 12,401,361
Changes in:				
Deposit held in trust				1,018,986
Capital assets				(530,794)
Accumulated depreciation				(203,035)
Accounts payable				(566,955)
Accrued expenses				78,613
Compensated absences				(53,497)
Loans payable				(500,000)
Expenses per Consolidating Statement of Activities				<u>\$ 11,644,679</u>

Crossroads Charter Schools

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
6990	K	06	-	6.00	171	1,029.00
6905	K	05	-	6.00	171	1,029.00
1905	07	08	-	6.00	171	1,029.00
1905	09	10	-	7.00	171	1,166.50

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
	K	92.25	-	9.67	-	11.99	113.91
	1	82.05	-	6.61	-	11.35	100.01
	2	84.91	-	7.39	-	9.55	101.85
	3	84.02	-	7.49	-	12.39	103.90
	4	83.27	-	8.20	-	11.84	103.31
	5	89.65	-	7.23	-	11.38	108.26
	6	47.27	-	5.14	-	6.42	58.83
	7	47.15	-	3.01	-	6.61	56.77
	8	46.68	-	2.95	-	4.07	53.70
	9	47.97	-	-	-	3.57	51.54
	10	37.56	-	-	-	2.45	40.01
Grand Total	K - 10	742.78	-	57.69	-	91.62	892.09

Crossroads Charter Schools

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
6990	K	53.00	-	-	53.00
	1	44.00	-	-	44.00
	2	45.00	-	-	45.00
	3	44.00	-	-	44.00
	4	44.00	-	-	44.00
	5	49.00	-	-	49.00
	6	48.00	-	-	48.00
6905	K	42.00	-	-	42.00
	1	42.00	-	-	42.00
	2	43.00	-	-	43.00
	3	45.00	-	-	45.00
	4	44.00	-	-	44.00
	5	49.00	-	-	49.00
1905	7	49.00	-	-	49.00
	8	50.00	-	-	50.00
	9	51.00	-	-	51.00
	10	43.00	-	-	43.00
Grand Total	K - 10	785.00	-	-	785.00

Crossroads Charter Schools

Schedule of Selected Statistics

Year Ended June 30, 2019

4. Free and Reduced Priced Lunch FTE Count (Section 163.011(6), RSMo)

Report the FTE count taken the last Wednesday in January of resident students enrolled in grades K-12 and in attendance at least 1 of the 10 previous school days whose eligibility for free or reduced lunch is documented through the application process using federal eligibility guidelines or through the direct certification process. Desegregation students are considered residents of the district in which the students are educated.

School Code	Free Lunch	Reduced Lunch	DESEG In Free	DESEG In Reduced	Total
6990	122.00	28.00	-	-	150.00
6905	140.00	21.00	-	-	161.00
1905	105.00	20.00	-	-	125.00
Grand Total	367.00	69.00	-	-	436.00

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	True
	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	True
	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

Crossroads Charter Schools

Schedule of Selected Statistics

Year Ended June 30, 2019

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:	\$500,000
5.6	The district's/charter school's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	True
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 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:	N/A

Finding:	None
Management Letter Comment:	N/A

Crossroads Charter Schools

Schedule of Selected Statistics

Year Ended June 30, 2019

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 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.	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:	
	Eligible ADT	347.0
	Ineligible ADT	-
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.	True
6.5	Actual odometer records show the total district/charter-operated and contracted mileage for the year was:	89,275
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:	
	Eligible Miles	77,351
	Ineligible Miles (Non-Route/Disapproved)	11,924
6.7	Number of days the district/charter school operated the school transportation system during the regular school year:	171

Finding:	None
Management Letter Comment:	N/A

Internal Control and Compliance



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

Board of Directors
Crossroads Charter Schools
Kansas City, Missouri

We have examined management's assertions that Crossroads Charter Schools complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the District'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. Crossroads Charter Schools' 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, District 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 15, 2019

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343



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
Crossroads Charter Schools
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 combined financial statements of Crossroads Charter Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Crossroads Charter Schools' basic financial statements and have issued our report thereon dated November 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Crossroads Charter Schools' 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.

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Compliance and Other Matters

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

Purpose of Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 15, 2019

Coversheet

KCPS Funding Gap MOU

Section: III. Educational Excellence
Item: A. KCPS Funding Gap MOU
Purpose: Vote
Submitted by:
Related Material: KCPS Charter Funding FY 20 Agreement 11-4-19.DOCX.pdf

AGREEMENT

This Agreement ("Agreement") is made by **Kansas City Public Schools**, a seven-director school district and political subdivision organized and existing under the laws of the State of Missouri, whose main office address is 2901 Troost Avenue; Kansas City, Missouri 64109 ("KCPS") and _____ ("Charter School"), a Missouri non-profit corporation, whose administrative offices are located at _____, Kansas City, MO 641__.

RECITALS

WHEREAS, KCPS acknowledges that DESE has estimated for school year 2019-20 that the amount of state aid owed to KCMSD is not adequate to cover the payments due to Kansas City local charter schools. KCPS further acknowledges that, as a result, DESE takes the position that it will be unable to pay the full amount of state aid to charter schools on a monthly basis;

WHEREAS, in order to correct the shortfall of state aid to the Kansas City local charter schools, KCPS desires to correct these shortfalls by directly making three (3) incremental payments during the 2020 fiscal year to Charter School based on local aid received by KCPS;

WHEREAS, Charter School desires to receive the shortfall of funds and will report its school's attendance and other Core Data information as correct as possible to ensure the most accurate payment;

WHEREAS, KCPS will only use such information for the purposes of calculating the local aid payment and shall be prohibited from using such information for marketing and advertising purposes and;

WHEREAS, KCPS and Charter School desire to enter into this Agreement for the purposes of establishing a framework for the calculation and payment of the shortfall.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and intending to be legally bound, the parties hereto agree as follows:

ARTICLE 1 KCPS OBLIGATIONS

1.1 Payment Overview. Due to DESE's current calculation which creates the shortfall of aid to the charter schools, KCPS will bridge the gap and directly pay Charter School local aid funds to bring the total amount paid to charter schools up to the amount contemplated by the state aid formula. The calculation of the gap and payment shall be based on the formula in section 160.415.4, RSMo and as per the calculation currently followed by DESE. The first payment will be in January based on September membership count data. The second will be in March using the average membership count data for 2019-20 and a final will be in July after final attendance data is filed with DESE. Payments under this agreement shall not be set off by any outstanding payment for separate goods and services Charter School may owe to KCPS.

1.2 Installment Number 1. No later than January 31, 2020, KCPS will remit payment to Charter School

for the months of July through December 2019 for the estimated shortfall of aid calculated under the framework of section 1.1. That payment will be calculated using the following factors:

1.2.1 Determining the Total WADA. Determination of Total WADA for KCPS plus individual charter schools will be calculated in a formula by using the 1) September 2019 official membership counts as reported to DESE; 2) Prior year attendance percentage as reported to DESE, 3) Categorical weightings applied using known information as reported and available from DESE; and 4) Prior year, 2019, summer school ADA as reported to DESE

1.2.1.1 Categorical weightings applied using the information as reported and available from DESE include: 1) LEP as filed in October in Core Data; 2) IEP as filed in December in Core Data, and 3) FRL as filed in February in Core Data using the February 2019 counts.

1.2.2 Determining the Estimated Foundation Formula Total and Shortfall per WADA: Total estimated WADA, using this calculation, will be applied to the formula calculation to determine the estimated local revenue per WADA shortfall for 2019-20. The annual estimated shortfall will be reimbursed at 50% (for the first six months).

1.3 Installment Number 2. No later than March 31, 2020, KCPS will remit payment to charter schools for the months of January through April 2020 for the estimated shortfall of state aid payments by DESE. That payment will be calculated using the following factors:

1.3.1 Determining the Total WADA. Determination of Total WADA for KCPS plus individual charter schools will be calculated in a formula by using the 1) September 2019 and January official membership counts as reported to DESE and averaged; 2) Prior year attendance percentage as reported to DESE, 3) Categorical weightings applied using known information as reported and available from DESE; and 4) Prior year, 2019, summer school ADA as reported to DESE.

1.3.1.1 Categorical weightings applied using the information as reported and available from DESE include: 1) LEP as filed in October in Core Data; 2) IEP as filed in December in Core Data, and 3) FRL as filed in February in Core Data using the February 2020 counts.

1.3.2 Determining the Estimated Foundation Formula Total and Shortfall per WADA: Total estimated WADA, using this calculation, will be applied to the formula calculation to determine the estimated per WADA shortfall for 2019-20. The annual estimated shortfall will be reimbursed at 33% (January through April) with any adjustments for the previously paid 50% based on changes in total and individual school WADA after a second set of membership counts and final FRL counts are added into the calculation.

1.4 Installment Number 3. No later than July 31st, 2020, KCPS will remit payment to charter schools for the months of May and June 2020 for the shortfall of state aid reimbursement by DESE. That payment will be calculated using the following factors:

1.4.1 Determining the Total WADA. Determination of Total WADA for KCPS plus individual charter schools will be calculated in a formula by using the 1) September 2019 and January official membership counts as reported to DESE and averaged as finally adjusted; 2) 2019-20 attendance percentage as reported to DESE, 3) Categorical weightings applied using known information as reported and available from DESE; and 4) Prior year, 2019, summer school ADA as reported to DESE.

1.4.1.1 Categorical weightings applied using the information as reported and available from DESE include: 1) LEP as filed in October in Core Data; 2) IEP as filed in December in Core Data, and 3) FRL as filed in February in Core Data using the February 2020

counts.

- 1.4.2 Determining the Estimated Foundation Formula Total and Shortfall per WADA:** Once the Total WADA for Installment Number 3 has been determined as set forth in section 1.3.1 above, the specific Installment Number 3 payment due to Charter School will be calculated based on the adjusted estimated local revenue per WADA for 2019-20 as defined, multiplied by the WADA for Charter School as calculated by the four factors outlined in 1.4.1.

ARTICLE 2 CHARTER SCHOOL OBLIGATIONS

- 2.1 Accurate Data Reporting.** Charter School shall take all measures to ensure all estimated Core Data reporting, including but not limited to student membership count, attendance, and categorical reporting, is as accurate as possible to prevent any overpayment of funds.
- 2.2 Overpayment.** Should Charter School receive an overpayment of funds after Installment Number 3, as referenced in 1.4, Charter School shall repay KCPS for any overpayment made within thirty (30) days of notification of the overpayment by KCPS but repayment shall be no later than December 30, 2020. KCPS reserves the right to review final WADA in November 2020 and make final billings to or payments to charters.

ARTICLE 3 TERM AND TERMINATION

- 3.1 Term.** This Agreement shall be effective as of **December 1, 2019** and shall continue in full force and effect through **December 31, 2020**.
- 3.2 Termination.** Either party may cancel this Agreement with fifteen (15) days' notice to the other party in writing.
- 3.3 Responsibility upon Termination.** No payments scheduled to be paid to Charter School after the termination of this Agreement will be paid. Any overpayment identified after the data reported to DESE has been finally adjusted will be due and payable within thirty (30) days after receipt of an invoice of overpayment.
- 3.4 Survival.** The provisions of Articles 4, 5, 7, 8, and 9 of this Agreement shall survive the termination of this Agreement and remain in full force and effect thereafter.

ARTICLE 4 RIGHT TO INJUNCTIVE RELIEF

Charter School acknowledges that the terms of this Agreement are reasonably necessary to protect the legitimate interests of KCPS, are reasonable in scope and duration, and are not unduly restrictive. Charter School acknowledges that a breach of any of the terms of this Agreement will render irreparable harm to KCPS, and that a remedy at law for breach of the Agreement is inadequate, and that KCPS shall therefore be entitled to seek any and all equitable relief, including, but not limited to, injunctive relief, and to any other remedy that may be available under any applicable law or agreement between the parties. Charter School acknowledges that an award of damages to KCPS does not preclude a court from ordering injunctive relief. Both damages and injunctive relief shall be proper modes of relief and are not to be considered as alternative remedies.

KCPS acknowledges that the terms of this Agreement are reasonably necessary to protect the legitimate interests of the Charter School, are reasonable in scope and duration, and are not unduly restrictive. KCPS acknowledges that a breach of any of the terms of this Agreement will render irreparable harm to the Charter School, and that a remedy at law for breach of the Agreement is inadequate, and that the Charter School shall therefore be entitled to seek any and all equitable relief, including, but not limited to, injunctive relief, and to any other remedy that may be available under any applicable law or agreement between the parties. KCPS acknowledges that an award of damages to the Charter School does not preclude a court from ordering injunctive relief. Both damages and injunctive relief shall be proper modes of relief and are not to be considered as alternative remedies.

ARTICLE 5 INDEMNIFICATION

KCPS and Charter School hereby agree and consent to engage in good faith discussions and negotiations of any concerns regarding the execution of this Agreement. Charter School shall defend, hold harmless, and indemnify KCPS, its officers, directors, employees, and agents from and against any and every claim, demand, judgments, fines, and expenses, including all attorneys' fees and amounts paid in settlement actually and reasonably incurred by KCPS in connection with any threatened, pending, or completed action, suit, or proceeding, which made by reason or injury reason or injury to a person or property caused by any act, neglect, default, or omission under the performance of this agreement. KCPS shall defend, hold harmless, and indemnify the Charter School, its officers, directors, employees, and agents from and against any and every claim, demand, judgments, fines, and expenses, including all attorneys' fees and amounts paid in settlement actually and reasonably incurred by the Charter School in connection with any threatened, pending, or completed action, suit, or proceeding, which made by reason or injury reason or injury to a person or property caused by any act, neglect, default, or omission under the performance of this agreement. No language in this agreement shall be construed as a waiver of sovereign immunity by either party beyond the legislative expression in Missouri statutes, including but not limited to 537.600, RSMo.

ARTICLE 6 NOTICES

Communications. Communications relating to this Agreement must be communicated by electronic mail, certified mail, return receipt requested, facsimile, or overnight courier to the following addresses or as may be later designated by written notice to the other party:

Kansas City Public Schools:

Attention: Chief Legal Counsel
Address
Kansas City, Missouri
Telephone:
Facsimile:

Charter School:

Attention: Name
Address
Kansas City MO

Telephone:
Facsimile:

ARTICLE 7 GENERAL PROVISIONS

- 7.1 Construction of Terms.** If any provision of this Agreement is held unenforceable by a court of competent jurisdiction, that provision shall be severed and shall not affect the validity or enforceability of the remaining provisions.
- 7.2. Governing Law.** This Agreement is governed by and constructed in accordance with the laws of the State of Missouri without regard to any conflict of laws provision. The parties consent to venue and personal and subject matter jurisdiction in Kansas City, Jackson County, Missouri.
- 7.3 Executed Agreement.** This Agreement will not become effective until the Agreement has been fully executed by authorized representatives of each party. Charter School understands that KCPS shall not be obligated to compensate Charter School prior to the execution of this Agreement.
- 7.4 Amendments.** The Agreement may be altered, amended, changed, or modified only by agreement in writing executed by an authorized representative from both parties.
- 7.5 Assignment.** No party may assign this agreement without the prior written consent of the other party.
- 7.6 No Waiver.** Failure by KCPS to enforce any of the provisions of this Agreement or to require compliance with any of its terms shall in no way affect the validity of this Agreement and shall not be deemed a waiver of the right of KCPS thereafter to enforce any such provision.
- 7.7 No Third-Party Beneficiary Rights.** No third party may enforce or rely upon any obligation of, or the exercise of or failure to exercise any right of, the Charter School or KCPS in the Agreement. Nothing in this Agreement, whether express or implied, is intended to create any rights or remedies of any third-party beneficiary.
- 7.8 Entire Agreement.** This Agreement and any exhibits shall constitute the entire understanding and agreement between the parties with respect to the subject matter covered, and shall supersede all prior agreements, understandings, discussions, warranties and representations, oral or written, express or implied, not incorporated in this Agreement.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed and does each warrant that their respective signatory whose signature appears below is fully authorized to execute this Agreement.

[SIGNATURES APPEAR ON THE NEXT PAGE]

KANSAS CITY PUBLIC SCHOOLS

By:
Name: Patricia Mansur
Title: President, Board of Directors

Date:

CHARTER SCHOOL NAME

By:
Name:
Title:

Date:

Coversheet

Board Committee Structure and Descriptions

Section: IV. Governance
Item: A. Board Committee Structure and Descriptions
Purpose: Vote
Submitted by:
Related Material: CCS-Finance and Facilities.pdf
CCS- Mission Enhancement.pdf
CCS-Governance.pdf
CCS- Academic Excellence.pdf

Crossroads Charter Schools

Finance and Facilities Committee Role Description

General Purpose

The Finance and Facilities Committee is commissioned by and responsible to the Board of Directors. It is responsible for working with the Executive Director (ED) and the Chief Operating Officer (COO) to create the upcoming fiscal year budget; present budget recommendations to the Board; monitor implementation of the approved budget and recommend proposed budget revisions; recommend to the Board appropriate policies for managing Crossroads assets; monitor facilities and recommend improvements to the board.

Appointments and Composition

- The members of the Finance and Facilities Committee shall be the Treasurer of the Board, who shall serve as the Chair, the Board Chair, who shall serve as an ex-officio member, together with other Directors appointed by the Chair with the advice and consent of the Board in accordance with the bylaws.
- Both the CEO and the COO will be members of the Finance Committee.
- Additional committee members may be appointed and need not be members of the Board of Directors.

Responsibilities

- Prepare a draft annual budget for Crossroads in collaboration with the ED and COO for presentation to the Board of Directors.
- Also, in collaboration with the ED and COO, develop and annually revise a five-year financial pro forma and develop long-range financial plans based on that pro forma.
- Arrange for an annual audit to be provided to the Board of Directors.
- Review monthly financial statements and variances from budget, and recommend action to the Board, as appropriate.
- Create measurable organizational-level financial goals for consideration by the Board.
- Develop and implement a board-level training program to ensure that all Directors can be effective stewards of Crossroads' financial resources.
- Report to the Board of Directors at regular meetings of the Board.
- Annually evaluate its work as a committee and the objectives it has committed itself to and report on the same to the Board of Directors.
- In collaboration with the CEO and COO, develop and annually revise a 5 year facilities improvement plan.
- Review and recommend to the Board purchase and financing of new facilities.

October 2019

Crossroads Charter Schools

Mission Enhancement Committee Role Description

General Purpose

The Mission Enhancement Committee is commissioned by and responsible to the Board of Directors to assume the primary responsibility for raising philanthropic funds to support the organization's mission.

Appointments and Composition

- Appointments of the Chair and the members of the Board Mission Enhancement Committee shall be made annually by the Chair of the Board with the advice and consent of the Board in accordance with the Bylaws.
- The Chair of this committee shall be a member of the Board of Directors.
- Additional committee members may be appointed and need not be members of the Board of Directors.

Responsibilities

- Develop annual and multi-year fundraising plans that will generate the funds needed to meet the non-public funding goals.
- Coordinate the implementation of the fundraising plan with fundraising efforts by senior staff, parents and other volunteers.
- Support staff in developing the necessary sub-committee systems to successfully carry out the fundraising events and activities that are part of the annual fundraising plan.
- Develop a plan to engage all members of the Board of Directors in the philanthropic resource development activities of the organization.
- Arrange for Board training on mission enhancement issues, as needed.
- Create specific, measurable board-level goals for the year as part of the full board planning process.
- Report to the Board of Directors at regular meetings of the Board in a manner determined by the Board.
- Annually evaluate its work as a committee and the objectives it has committed itself to and report on the same to the Board of Directors.

October 2019

Crossroads Charter Schools

Governance Committee Role Description

General Purpose

The Governance Committee is commissioned by and responsible to the Board of Directors to assume the primary responsibility for recruiting, nominating and orienting new members to the Board, ensuring the Board receives training on an annual basis appropriate to fulfill its responsibilities and conducting an annual evaluation of the Board in accordance with Crossroads' bylaws, policies and practices. The Governance Committee ensures that all other committees commissioned by and responsible to the Board are considering Diversity and Inclusion as they meet their goals.

Appointments and Composition

- Appointments of the Chair and other Governance Committee members shall be made annually by the Chair of the Board with the advice and consent of the Board in accordance with the Bylaws.
- The Chair of the Governance Committee shall be a member of the Board of Directors.
- Committee members need not be members of the Board of Directors.

Responsibilities

- Analyze the skills and experience needed on the Board.
- Create a short term and long-term board recruitment strategy.
- Work with the Board Chair and Executive Director on board officer succession plans.
- Recruit and review nominees to serve on the Board of Directors and present these nominees for consideration by the full Board of Directors at the Annual Meeting in accordance with the selection/election procedures outlined in the bylaws.
- Develop and review annually the procedures for Board recruitment.
- Develop an orientation and training plan for new Directors.
- Assist in the planning of an annual Board retreat and other strategy sessions as needed.
- Work with the Executive Director (ED) and Chief Operating Officer (COO) to develop and revise a Board Member Handbook outlining the responsibilities of the Board and Board members and other relevant information.
- Work with the ED and COO to regularly review Board Policies and update as needed
- Work with ED, COO and Chief Academic Officer to plan and implement training for the Board of Directors as needed to fulfill its responsibilities
- Create specific measurable annual board-level goals for consideration by the Board
- Regularly evaluate board meeting effectiveness and recommend improvements
- Annually coordinate an evaluation of the full board and individual trustees.
- Ensure that each Board Committee has measurable Diversity and Inclusion goals
- Report to the Board of Directors at regular meetings of the Board
- Annually evaluate its work as a committee and the objectives it has committed itself to and report on the same to the Board of Trustees.

October 2019

Crossroads Charter Schools

Academic Excellence Committee Role Description

General Purpose

The Academic Excellence Committee is commissioned by and responsible to the Board of Trustees. It has the responsibility of working with the CAO to ensure that the full board and the CAO have a shared vision of academic excellence; that all Trustees understand the academic promises in the charter and accountability plan and educate the full board on the proper oversight of the academic program.

Appointments and Composition

- Appointments of the Chair and the members of the Board Academic Excellence Committee shall be made annually by the Chair of the Board with the advice and consent of the Board in accordance with the Bylaws.
- The Chair of this committee shall be a member of the Board of Directors.
- The Executive Director (ED) and Chief Academic Officer (CAO) shall be members of the Academic Excellence Committee
- Additional committee members may be appointed and need not be Board members.

Responsibilities

- Develop with the ED and CAO annual and multi-year academic outcomes, outputs and indicators that support the goals established in Crossroads' charter and strategic plan
- Work with the ED and CAO to measure the stated academic outcomes and outputs using the stated indicators as the core metrics
- Provide a report on the academic outcomes, outputs and indicators to the Board of Directors on a quarterly basis, or as needed
- Develop with the ED and CAO annual and multi-year outcomes, outputs and indicators for student attendance, student and staff retention and family and staff satisfaction
- Work with the ED and CAO to measure the stated outcomes and outputs for student attendance, student and staff retention and family and staff satisfaction using the stated indicators
- Provide a report on the student attendance, student and staff retention, and family and staff satisfaction outcomes, outputs and indicators to the Board of Directors on a bi-annual basis, or as needed.
- Represent the Crossroads' Board of Directors in student discipline hearings, IEP reviews, parent grievances and/or other matters where the Board Policies and school practices indicate that such representation is needed to effectively address a matter
- Arrange for Board training on Academic Excellence, as needed.
- Report to the Board of Directors at regular meetings of the Board in a manner determined by the Board.
- Annually evaluate its work as a committee and the objectives it has committed itself to and report on the same to the Board of Directors

October 2019