

**CITIZENS OF THE WORLD
CHARTER SCHOOL – KANSAS CITY**

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITORS' REPORT**

For The Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Citizens of the World Charter School - Kansas City
Kansas City, Missouri

We have audited the accompanying financial statements of Citizens of the World Charter School - Kansas City (a non-profit organization), which comprise the cash basis statement of financial position as of June 30, 2017, and the related statements of support, receipts and disbursements, cash flows and functional expenses – cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

To the Board of Directors
Citizens of the World Charter School - Kansas City
Kansas City, Missouri

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of Citizens of the World Charter School - Kansas City, as of June 30, 2017, and the results of its operations and its cash flows – cash basis for the year then ended in conformity with the basis of accounting described in Note B.

Basis of Accounting

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The data contained under Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Citizens of the World Charter School - Kansas City
Kansas City, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of Citizens of the World Charter School – Kansas City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Citizens of the World Charter School – Kansas City’s internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 7, 2017

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
STATEMENT OF FINANCIAL POSITION -
CASH BASIS
JUNE 30, 2017

ASSETS	
Cash and cash equivalents	\$ 96,742
Total Assets	<u>\$ 96,742</u>
NET ASSETS	
Unrestricted	\$ 96,742
Total Net Assets	<u>\$ 96,742</u>

See accompanying notes.

**CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
STATEMENT OF SUPPORT, RECEIPTS AND DISBURSEMENTS -
CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted
SUPPORT AND RECEIPTS	
Contributions and loans	\$ 485,596
Government grants and contracts	1,328,765
Fees and services	29,487
Miscellaneous	24,517
Total Support and Receipts	1,868,365
 DISBURSEMENTS	
Instruction	935,481
Student services	92,895
Instructional staff support	6,367
Building level administration	246,129
General administration and central services	220,413
Operation of plant	418,554
Transportation	15,594
Food services	60,076
Community services	21,132
Total Disbursements	2,016,641
 CHANGE IN NET ASSTS	 (148,276)
NET ASSETS, beginning of year	245,018
NET ASSETS, end of year	\$ 96,742

See accompanying notes.

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
STATEMENT OF CASH FLOWS -
CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (148,276)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	-
Net Cash (Used) by Operating Activities	<u>(148,276)</u>
NET (DECREASE) IN CASH	(148,276)
CASH AND CASH EQUIVALENTS, beginning of year	<u>245,018</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 96,742</u></u>

See accompanying notes.

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
STATEMENT OF FUNCTIONAL EXPENSES -
CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Support Services</u>	
	Charter School	Management and General	Total
Salaries	\$ 907,754	\$ 58,450	\$ 966,204
Employee Benefits	241,993	13,487	255,480
Purchased Services	406,935	103,909	510,844
Supplies	223,288	3,664	226,952
Capital Outlay	57,161	-	57,161
TOTAL FUNCTIONAL EXPENSES	\$ 1,837,131	\$ 179,510	\$ 2,016,641

See accompanying notes.

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE A – ORGANIZATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation: The financial statements are presented in accordance with ASC 958-205 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-For-Profit Organization”). Under ASC 958-205, the School is required to report information regarding its assets and net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The School does not have any temporarily or permanently restricted net assets as of June 30, 2017.

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

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

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

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

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

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

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The School complies with the provisions of FASB ASC 740-10-25. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the School's financial statements. The School does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2017, there were no interest or penalties recorded in its financial statements.

NOTE C – CASH AND CASH EQUIVALENTS

The School maintains cash and cash equivalents at one financial institution. At June 30, 2017, the cash held with Missouri Bank in the checking account was insured by FDIC.

NOTE D – LOAN PAYABLE

On March 11, 2015, the School entered into a loan agreement with the Citizens of the World national network (a related party) for an interest-free loan to support launch of the school in the amount of \$800,000. The outstanding payments at June 30, 2017, are due as follows:

Year Ended June 30,	Principal
2018	\$ 150,000
2019	150,000
2020	250,000
2021	250,000
	\$ 800,000

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE E – BUILDING OPERATING LEASE

On June 13, 2016, the School entered into a triple net lease with an option to buy at book value with IFF Quality Seats - Broadway, LLC for the property and improvements in the total cost of \$5,244,227. As part of the lease, the School pays a base rent each month plus operating expense of the leased facility, including all costs associated with the use, maintenance, financing, or repair of the property and all utilities, and insurance. The lease also required creation of a cash collateral account in the amount of \$585,000. The School deposited this amount and the account is held by IFF. The lease provides that the School will pay the reduced rent amount of \$13,670 per month for the first two years with the payment supplemented with the cash collateral account. From years 3 to 6, the base rent amount will be payable in the amount of \$36,845 per month. For years 7 to 10, the adjusted rent amount will be payable based on the greater of the School’s net operating income divided by 1.2 or the annual funding cost to IFF. The School has the option to extend the lease for 2 to 5 years. Under the current agreement, the future lease requirements are as follows:

Year Ending June 30	Payment
2018	\$ 164,040
2019	418,965
2020	418,965
2021	418,965
2022	418,965
2023	397,426
2024	397,426
2025	397,426
2026	397,426
	\$ 3,429,604

NOTE F – SUBSEQUENT EVENTS

On August 9, 2017, the School entered into a short-term promissory note with MoBank in the amount of \$125,000 for operational costs. The balance is expected to be paid in full on December 9, 2017.

Management has evaluated subsequent events through November 7, 2017, the date on which the financial statements were available to be issued.

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – CLAIMS AND ADJUSTMENTS

The School will participate 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, 2017, 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.

NOTE H – 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 9% 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, 2017, were \$82,892, equal to the required contributions.

NOTE I – FUNCTIONAL EXPENSES

The School has only one program of service, which is the operation of a charter school district. For the year ended June 30, 2017, \$179,510 of the expenses were considered management expense and \$1,837,131 in expenses were considered program service expenses.

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE J – 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, 2017, the following tax years are subject to examination:

Jurisdiction		Open Years for Filed Returns		Return to be filed in 2017
Federal		2015		2016
Missouri		2015		2016

SUPPLEMENTARY INFORMATION

CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
STATEMENT OF ASSETS AND FUND BALANCES -
CASH BASIS - GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS				
Cash and cash equivalents	\$ 71,196	\$ 25,546	\$ -	\$ 96,742
TOTAL ASSETS	<u>\$ 71,196</u>	<u>\$ 25,546</u>	<u>\$ -</u>	<u>\$ 96,742</u>
FUND BALANCES				
Restricted for certified salaries	\$ -	\$ 25,546	\$ -	\$ 25,546
Unassigned	71,196	-	-	71,196
TOTAL FUND BALANCES	<u>\$ 71,196</u>	<u>\$ 25,546</u>	<u>\$ -</u>	<u>\$ 96,742</u>

**CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
RECEIPTS				
Local	\$ 727,457	\$ -	\$ 57,161	\$ 784,618
State	182,154	926,546	-	1,108,700
Federal	220,065	-	-	220,065
TOTAL RECEIPTS	1,129,676	926,546	57,161	2,113,383
DISBURSEMENTS				
Instruction	205,467	730,014	-	935,481
Student services	92,895	-	-	92,895
Instructional staff support	6,367	-	-	6,367
Building level administration	75,143	170,986	-	246,129
General administration and central services	220,413	-	-	220,413
Operation of plant	361,393	-	57,161	418,554
Pupil transportation	15,594	-	-	15,594
Food services	60,076	-	-	60,076
Community services	21,132	-	-	21,132
TOTAL DISBURSEMENTS	1,058,480	901,000	57,161	2,016,641
NET CHANGE IN FUND BALANCE	71,196	25,546	-	96,742
FUND BALANCE, beginning	-	-	-	-
FUND BALANCE, ending	\$ 71,196	\$ 25,546	\$ -	96,742
Net assets, beginning				245,018
Amount recorded as local receipts for the first year of Annual Secretary of the Board Report				(245,018)
Net assets, ending				\$ 96,742

**CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
SCHEDULE OF RECEIPTS COLLECTED BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
LOCAL				
Food service	\$ 7,881	\$ -	\$ -	\$ 7,881
Student activities	5,195	-	-	5,195
Community services	15,961	-	-	15,961
Rentals	450	-	-	450
Gifts	673,453	-	57,161	730,614
Miscellaneous local revenue	24,517	-	-	24,517
TOTAL LOCAL	727,457	-	57,161	784,618
STATE				
Basic formula	182,154	926,546	-	1,108,700
TOTAL STATE	182,154	926,546	-	1,108,700
FEDERAL				
Medicaid	8,293	-	-	8,293
IDEA entitlement funds	18,982	-	-	18,982
School lunch program	28,846	-	-	28,846
School breakfast program	6,595	-	-	6,595
After school snack program	2,757	-	-	2,757
Title I - ESEA	40,476	-	-	40,476
Title II, part A&B, ESEA	12,866	-	-	12,866
Charter school grant	101,250	-	-	101,250
TOTAL FEDERAL	220,065	-	-	220,065
TOTAL RECEIPTS	<u>\$ 1,129,676</u>	<u>\$ 926,546</u>	<u>\$ 57,161</u>	2,113,383
Beginning net assets				
included in gifts receipts for first year of				
Annual Secretary of the Board Report				(245,018)
Total Receipts				<u>\$ 1,868,365</u>

**CITIZENS OF THE WORLD CHARTER SCHOOL - KANSAS CITY
SCHEDULE OF DISBURSEMENTS PAID BY OBJECT
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
Salaries	\$ 250,321	\$ 715,883	\$ -	\$ 966,204
Employee benefits	70,363	185,117	-	255,480
Purchased services	510,844	-	-	510,844
Supplies	226,952	-	-	226,952
Capital outlay	-	-	57,161	57,161
	<u>\$ 1,058,480</u>	<u>\$ 901,000</u>	<u>\$ 57,161</u>	<u>\$ 2,016,641</u>

**CITIZENS OF THE WORLD CHARTER SCHOOL – KANSAS CITY
 SCHEDULE OF SELECTED STATISTICS
 FOR THE YEAR ENDED JUNE 30, 2017**

1. CALENDAR

A. Standard Day Length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time was 6.7500.

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

Grades K – 1	1,172.75
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C. The number of days classes were in session and pupils were under the direction of teachers during the year was 177 days.

2. AVERAGE DAILY ATTENDANCE

Average Daily Attendance:

Grades K – 1	<u>114.26</u>
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Total Average Daily Attendance	<u><u>114.26</u></u>
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3. SEPTEMBER MEMBERSHIP

September Resident Membership	<u><u>130</u></u>
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4. FREE AND REDUCED PRICE LUNCH FTE COUNT

Free and Reduced Price Eligible Students:

Free	64.00
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Reduced	<u>9.00</u>
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Total	<u><u>73.00</u></u>
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5. FINANCE

A. A bond is not required by Section 162.401, RSMo, since the School is organized under the charter school laws of Missouri.

B. The School’s deposits are not required to be secured during the year pursuant to Section 110.010 and 110.020, RSMo.

C. The School does not have a Debt Service Fund.

**CITIZENS OF THE WORLD CHARTER SCHOOL – KANSAS CITY
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2017**

5. FINANCE (continued)

- D. Salaries reported for educators in the October Core Data Cycle are supported by payroll/contract records.
- E. The School did not make a \$162,326 or 7% x SAT x WADA transfer.
- F. The School is not required to publish a summary of the 2015-2016 audit report pursuant to Section 165.121, RSMo.
- G. The School is not required to have a professional development committee plan adopted by the Board identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.
- H. The School spent \$0 in professional development activities in the current year.

There were no findings noted above.

6. TRANSPORTATION

- A. The allowable costs for school transportation substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.
- B. The School's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported.
- C. Based on the ridership records, the average number of students (non-disabled K-12, career education, and K-12 students with disabilities) transported on a regular basis (ADT) eligible for state transportation aid was 1 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 0.
- D. The School's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.
- E. Based on the actual odometer records, the total mileage for the year was 1,259. Of this total, the eligible non-disabled student route miles were 1,201 and the ineligible non-route and disapproved miles (combined) were 58.
- F. The School operated the school transportation system for 174 days during the school year.

INTERNAL CONTROL AND COMPLIANCE



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

To the Board of Directors
Citizens of the World Charter School - Kansas City
Kansas City, Missouri

We have examined management's assertions that Citizens of the World Charter School - Kansas City complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the School'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, 2017. Citizens of the World Charter School - Kansas City's Management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination.

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

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

This report is intended solely for the information and use of the Board of Education, School 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 7, 2017

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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
Citizens of the World Charter School - Kansas City
Kansas City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Citizens of the World Charter School - Kansas City as of and for the year ended June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Citizens of the World Charter School - Kansas City's basic financial statements and have issued our report thereon dated November 7, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Citizens of the World Charter School - Kansas City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Board of Directors
Citizens of the World Charter School - Kansas City
Kansas City, Missouri

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

Compliance and Other Matters

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

Purpose of Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 7, 2017



Board of Directors
Citizens of the World Charter School - Kansas City
Kansas City, Missouri

In planning and performing our audit of the basic financial statements of Citizens of the World Charter School - Kansas City, for the year ended June 30, 2017, we considered the School's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

In addition to the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we became aware of some additional matters to bring to your attention. The following paragraphs summarize our comments and recommendations regarding these matters. This letter does not affect our report dated November 7, 2017, on the financial statements of Citizens of the World Charter School - Kansas City.

However, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments regarding these matters.

1. Account Code Structure Changes

Beginning on July 1, 2018, DESE is implementing a new mandatory account code structure for Missouri school districts. The account code structure changes are designed to satisfy many uses by segmenting the code into several dimensions. The account code structure at a minimum will include six segmenting dimensions. This will require district software providers to update the accounting system to comply with the new structure. School personnel responsible for determining coding for districts will require training on the new account code structure.

We Recommend:

School personnel become familiar with the new account code structure changes and ensure that the School's software has been updated. Furthermore, all personnel within the School who have management and disbursement coding responsibilities need training on the new structure as it will have a high impact on identifying revenue sources for specific disbursements.

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 2016-14: Presentation of Financial Statements of Not-for-Profit Entities

The Financial Accounting Standards Board has released new standards regarding presentation of financial information. Some significant changes will include the presentation of net assets (from three categories to two, donor restricted and net assets without restrictions) and disclosure of new qualitative information regarding liquidity risk. The effective date is for fiscal years beginning after December 15, 2017. For Citizens of the World Charter – Kansas City, that will be the fiscal year ending June 30, 2019.

We Recommend:

The School become familiar with the requirements of FASB ASU 2016-14 in order to assess the steps necessary to ensure successful implementation of this statement on the effective date.

We appreciate this opportunity to serve as Citizens of the World Charter School - Kansas City's independent auditor and the courtesies and assistance extended to us by the School's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 7, 2017