

**ST. LOUIS LANGUAGE
IMMERSION SCHOOLS, INC.
ST. LOUIS, MISSOURI
FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
St. Louis Language Immersion Schools, Inc.

Report on the Financial Statements

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of St. Louis Language Immersion Schools, Inc. ("School") (a nonprofit organization) as of June 30, 2017, and the related statements of revenues, expenses and other changes in net assets and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the 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.

Auditor's 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. 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 auditor's 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 entity'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 entity'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 financial position of St. Louis Language Immersion Schools, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note B.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis – Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds, Schedule of Revenues Collected by Source, Schedule of Expenditures Paid by Object and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information: the Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis – Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds, Schedule of Revenues Collected by Source – Modified Cash Basis and the Schedule of Expenditures Paid by Object – Modified Cash Basis, presented on pages 11 through 14 are presented for purposes of complying with requirements of the Missouri Department of Elementary and Secondary Education and the schedule of expenditures of federal awards presented on page 23 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

November 29, 2017

FINANCIAL STATEMENTS

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 1,269,190
Refundable deposits	46,208
Property and equipment, net	<u>619,146</u>
 Total Assets	 <u><u>\$ 1,934,544</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Payroll liabilities	\$ 9,160
Line of credit	126,658
Lease payable	-
Notes payable	<u>1,023,245</u>
 Total Liabilities	 <u>1,159,063</u>

Net Assets:

Unrestricted	<u>775,481</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,934,544</u></u>

See accompanying notes.

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
STATEMENT OF REVENUES, EXPENSES AND
OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2017

Change in Unrestricted Net Assets:

SUPPORT AND REVENUE:

Government grants and contracts	\$ 8,804,392
Fees and services	34,431
Contributions	40,147
Fundraising	-
Special event	-
Miscellaneous	<u>79,050</u>
Total support and revenue	<u>8,958,020</u>

EXPENSES:

Instruction	4,229,642
Student services	371,230
Instructional staff support	133,892
Building administration	424,454
General administration and central services	1,026,047
Operation of plant	1,570,302
Transportation	610,404
Food service	302,484
Community services	6,620
Debt service:	-
Interest and fees	<u>68,542</u>
Total expenses	<u>8,743,616</u>

Change in Net Assets	214,404
Net assets, beginning of year	<u>561,077</u>
Net assets, end of year	<u><u>\$ 775,481</u></u>

See accompanying notes.

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 214,404
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	208,824
(Increase) decrease in:	
Refundable Deposits	(13,092)
Increase (decrease) in:	
Payroll liabilities	<u>(19,748)</u>
Net cash (used) provided by operating activities	<u>390,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(4,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Debt reduction - note payable	(97,305)
Debt reduction - capital lease	-
Debt reduction - line of credit	-
Proceeds from note payable	<u>-</u>
Net cash provided by financing activities	<u>(97,305)</u>
NET INCREASE IN CASH	288,868
CASH AND CASH EQUIVALENTS, beginning	<u>980,322</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$1,269,190</u></u>
SUPPLEMENTAL DISCLOSURES:	
Interest paid	<u><u>\$ 68,542</u></u>

See accompanying notes

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - BUSINESS ACTIVITY

St. Louis Language Immersion Schools, Inc. is a not-for-profit public benefit corporation organized on August 31, 2007. The corporation operates a charter school, which is sponsored by University of Missouri St. Louis.

The School's mission is to position all children for success in local and global economies through holistic, intellectually inspiring language immersion programs. The School's charter allows for the provision of education for students in kindergarten through 12th grade. In the fiscal year 2016-2017, the School served students in kindergarten through 8th grade.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements are presented on the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Property and Equipment: All property and equipment are valued at historical cost. A capitalization threshold of \$1,000 is used to report capital assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Improvements	5 - 10 years
Furniture and fixtures	5 - 7 years
Machinery and equipment	3 - 5 years

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

Paid Time Off: Full-time employees in positions that require 11 or 12 month work commitments accrue leave on a per pay period basis. Eleven month employees accrue 8 days, and 12-month employees accrue 12 days per year. Part-time employees accrue at an equivalent ratio to their percentage of employment. Leave hours may be carried over each January 1 at a maximum of 35 days.

Upon separation of service, no pay or other consideration will be provided for accrued paid time off.

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's Forms 990, Return for Organization Exempt from Income Taxes, for the years ended June 30, 2017, 2016, and 2015 are subject to examination by the IRS, generally three years after they were filed.

Subsequent Events: Management has evaluated subsequent events through November 29, 2017, the date the financial statements were available to be issued.

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Recognition of Donor Restrictions: Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2017, the book balance of the school was \$1,269,190 and the bank balances of the School's deposits totaled \$1,345,290. Of this amount, \$696,469 was covered by FDIC insurance, and \$648,821 was unsecured.

NOTE D – REFUNDABLE DEPOSITS

Refundable deposits consist of \$29,734 in building lease security deposits, \$13,092 in employee withholdings for health insurance and \$3,382 in utility deposits.

NOTE E - 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.

NOTE F - PROPERTY AND EQUIPMENT

Buildings and Improvements	\$ 1,749,641
Administration	71,037
Food Service	19,801
Instruction	<u>532,667</u>
	2,373,146
Accumulated depreciation	<u>(1,754,000)</u>
	<u><u>\$ 619,146</u></u>

Depreciation expense for the period ended June 30, 2017, was \$208,824.

NOTE G - RETIREMENT PLAN

The School contributes to the Public School Retirement System of the City of St. Louis, a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the St. Louis Public School District, Employees of the Retirement System, Employees of Charter Schools located in the St. Louis Public School District, and certain Employees of Harris-Stowe State College. The Retirement System provides retirement, disability, death, and survivor benefits for employees. Positions covered by The Retirement System of The City of St. Louis are also covered by Social Security. The Retirement System is administered by an 11-member Board of Trustees. The Retirement System issues a publicly available financial report that includes financial statements and other required information. That report may be obtained by writing to: The Public School Retirement System of the City of St. Louis, 3641 Olive Street, Suite 300, St. Louis, Missouri, 63108, or by calling 1-314-534-7444.

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE G - RETIREMENT PLAN (concluded)

Retirement System members are required to contribute 5% of their annual covered salary and board paid health and welfare benefits and the School is required to contribute a matching amount at a rate which changes each calendar year. The matching contribution rate for fiscal year 2017, was 15.14%. The contribution requirements of members and the School are established, and may be amended, by the Board of Trustees. The School's required contributions to the System for the year ended June 30, 2017, were \$618,840 which was remitted prior to the fiscal year-end.

NOTE H - NOTES PAYABLE

On November 30, 2011, the School entered into a note payable with a non-profit corporation in the amount of \$972,741. The purpose of this note was to refinance the unpaid balance of a previous note, which was used to fund leasehold improvements to the School's educational facilities. Beginning December 1, 2011, the note requires monthly interest only payments at 5.875% with the total principal balance due by December 1, 2018.

The above note also requires monthly deposits into a reserve account. At June 30, 2017, the reserve account requirement was \$474,753.88. The actual balance in the reserve account at June 30, 2017, was \$446,469, which is lower than the required balance due to an error in transferring of funds. This error was corrected in July 2017, which resulted in the actual balance being higher than the reserve requirement.

On November 21, 2012, the School entered into a note payable with a non-profit corporation in the amount of \$78,041, with an annual interest rate of 5%. The proceeds of the loan were used to provide a portion of the funds necessary to finance leasehold improvements to the School's educational facility. Beginning January 31, 2013, the note requires 60 monthly principal and interest payments of \$1,473. The balance of the note payable at June 30, 2017, was \$8,709.

On November 21, 2012, the School entered into a note payable with a non-profit corporation in the amount of \$374,526, with an annual interest rate of 5%. The proceeds of the loan were used to provide a portion of the funds necessary to finance leasehold improvements to the School's educational facility. Beginning January 31, 2013, the note requires 60 monthly principal and interest payments of \$7,068. The outstanding balance of the note payable at June 30, 2017, was \$41,795.

Debt service requirements at June 30, 2017, to maturity are:

Year ending June 30,	Principal	Interest	Total
2018	\$ 1,023,246	\$ 51,885	\$ 1,075,131
Total	\$ 1,023,246	\$ 51,885	\$ 1,075,131

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE I – LINE OF CREDIT

On April 10, 2013, the School entered into a revolving line of credit agreement with a bank with a maximum amount of \$500,000. The loan requires monthly interest payments at a rate of prime plus 1%, floating with a floor of 4.5%. The outstanding balance of the loan at June 30, 2017, was \$126,657.

NOTE J - BUILDING LEASES

In April 2009, the School entered into a lease agreement for their educational facility. The lease was amended in November 2009, in February 2010 and again in March 2011. The future monthly rent payments will range from \$25,192 monthly during the next year, up to \$28,752 in year ten of the lease. The increase in the lease payments is due to the increased amount of space to be occupied by the School as enrollment increases.

In August 2014, the School entered into a lease agreement for another educational facility. The future monthly rent payments will range from \$9,374 monthly during the next year, up to \$19,587.44 in year five of the lease.

The total rent expense for the year ended June 30, 2017, for the above leases, was \$658,164.

Future minimum lease payments for the above leases are as follows:

Year ending June 30,	
2018	\$ 568,370
2019	522,182
2020	<u>19,587</u>
Total minimum lease payments	<u><u>\$ 1,110,139</u></u>

NOTE K - OPERATING LEASE OBLIGATION

On May 31, 2017, the School entered into an operating lease for copier equipment for the Papin and Marine locations. The term is for 60 months at \$2,100 per month.

In August, 2014, the School entered into an operating lease for copier equipment for the Marine location. The term is for 60 months at \$1,698 per month.

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE K - OPERATING LEASE OBLIGATION (concluded)

Future minimum lease payments for the above leases are as follows:

Year ending <u>June 30</u>	Future <u>Payments</u>
2018	\$ 45,576
2019	45,576
2020	45,576
2021	<u>28,596</u>
	<u><u>\$ 165,324</u></u>

NOTE L - CONTINGENCIES

Litigation: The School is currently involved in various charges of discrimination as of the audit report date. The School's legal counsel is vigorously defending the interests of the School in these matters.

The continued operation of St. Louis Language Immersion Schools, Inc. is dependent upon the guidelines set forth by RSMo, Department of Elementary and Secondary Education, and the continued support of the School's sponsor. The School may cease to exist upon infringement of the aforementioned agreements.

NOTE M – SUBSEQUENT EVENTS

There are no subsequent events to report as of the audit report date.

SUPPLEMENTARY INFORMATION

ASSETS

LIABILITIES AND FUND BALANCE

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ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES:				
Local	701,457	328,971	456	1,030,884
State	4,884,510	1,887,635	-	6,772,145
Federal	1,132,989	22,000	-	1,154,989
Total Revenues	6,718,957	2,238,607	456	8,958,019
EXPENDITURES:				
Instruction	2,439,804	1,759,604	-	4,199,408
Student services	371,230	-	-	371,230
Instructional staff support	133,892	-	-	133,892
Building administration	114,886	309,568	-	424,454
General administration and central services	851,967	174,080	-	1,026,047
Operation of plant	1,397,476	-	-	1,397,476
Transportation	610,404	-	-	610,404
Food service	300,934	-	-	300,934
Community services	6,620	-	-	6,620
Building aquisition and construction	-	-	-	-
Principal retirement	-	-	97,305	97,305
Interest and fees	5,419	-	63,123	68,542
Total Expenditures	6,232,632	2,243,251	160,428	8,636,311
Revenues Over (Under) Expenditures	486,325	(4,644.76)	(159,972)	321,708
Other Financing Sources (Uses):				
Transfers	(238,077)	-	238,077	-
Net change in fund balance	248,248	(4,645)	78,105	321,708
Fund balance, beginning	550,995	16,781	416,753	984,530
Fund balance, ending	\$ 799,243	\$ 12,136	\$ 494,859	\$ 1,306,238

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
SCHEDULE OF REVENUES COLLECTED BY SOURCE - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
LOCAL:				
Sales tax	\$ 548,286	\$ 328,971	\$ -	\$ 877,257
Food service	34,431	-	-	34,431
Student activities	-	-	-	-
Gifts and donations	40,147	-	-	40,147
Fundraising	-	-	-	-
Special event	-	-	-	-
Other	78,593	-	456	79,050
Total Local	<u>701,457</u>	<u>328,971</u>	<u>456</u>	<u>1,030,884</u>
STATE:				
Basic formula	4,401,011	1,887,635	-	6,288,646
Transportation aid	116,515	-	-	116,515
Classroom trust fund	329,479	-	-	329,479
Food service	2,761	-	-	2,761
High Needs Fund	34,744	-	-	34,744
Total State	<u>4,884,510</u>	<u>1,887,635</u>	<u>-</u>	<u>6,772,145</u>
FEDERAL:				
Special education coop development	2,906	-	-	2,906
Special education part B	85,309	22,000	-	107,309
Medicaid	30,203	-	-	30,203
Title I	631,233	-	-	631,233
Title II. A	97,875	-	-	97,875
Charter School Grant	-	-	-	-
Food services	285,464	-	-	285,464
Total Federal	<u>1,132,989</u>	<u>22,000</u>	<u>-</u>	<u>1,154,989</u>
Total Revenues Collected	<u>\$ 6,718,956</u>	<u>\$ 2,238,607</u>	<u>\$ 456</u>	<u>\$ 8,958,019</u>

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
SCHEDULE OF EXPENDITURES PAID BY OBJECT - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
Salaries	\$ 2,173,495	\$ 1,725,259	\$ -	\$ 3,898,754
Employee benefits	673,289	517,992	-	1,191,281
Purchased services	2,978,044	-	-	2,978,044
Supplies	402,385	-	-	402,385
Capital outlay	-	-	-	-
Principal	-	-	97,305	97,305
Interest and fees	5,419	-	63,123	68,542
	<u>\$ 6,232,632</u>	<u>\$ 2,243,251</u>	<u>\$ 160,428</u>	<u>\$ 8,636,311</u>

STATE COMPLIANCE SECTION



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

To the Members of the Board of Directors
St. Louis Language Immersion Schools, Inc.

Report on Compliance with State Requirements

We have examined management's assertions that St. Louis Language Immersion Schools, Inc. ("School") complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by the School's records of average daily attendance and average daily transportation of pupils, and other statutory requirements as listed in the Schedule of Selected Statistics for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for the School's compliance with the aforementioned requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on management's assertions about the School's compliance based on our examination. Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the School's compliance with specified requirements.

Opinion on Compliance with State Requirements

In our opinion, management's assertions that St. Louis Language Immersion Schools, Inc. complied with the aforementioned requirements for the year ended June 30, 2017, are fairly stated, in all material respects. However, we noted immaterial instances of noncompliance as noted in the Schedule of State Findings.

This report is intended solely for the information and use of the Governing Board, administration, University of Missouri – St. Louis and the Missouri Department of Elementary and Secondary Education and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants
Arnold, Missouri

November 29, 2017

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
CHARTER NUMBER 115-912
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2017

Type of audit performed: Single Audit

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. Reported with 4 decimal places:

Grades K-7	6.0000
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- B. The number of actual calendar hours classes were in session and pupils were under the direction of teachers during the year was:

Grade K	1,054.00
Grades 1-8	1,056.00

- C. The number of days classes were in session and pupils were under the direction of teachers during the year was:

Grade K	177 days
Grades 1-8	176 days

2. AVERAGE DAILY ATTENDANCE (ADA)

Regular full-time average daily attendance:

	Full and Part Time	Deseg. In	Total
Grades K-7	632.2392	79.9747	712.2139
Summer School	-	-	-
			712.2139

SEPTEMBER MEMBERSHIP

	Full and Part Time	Deseg. In	Total
September Resident Membership	673.00	91.00	764.00

4. FREE AND REDUCED PRICED LUNCH FTE COUNT

Free and Reduced Lunch Price Schedule:

	Full and Part Time	Deseg. In	Total
Free	411.00	18.00	429.00
Reduced	43.00	4.00	47.00
Total	454.00	22.00	476.00

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
CHARTER NUMBER 115-912
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2017

5. FINANCE

- A. An insurance policy as required by RSMo. 160.405 has been purchased for the School's employees. True
- B. The School's deposits were secured during the year as required by Section 110.010 and 110.020, RSMo. See State finding #1. False
- C. The School maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo. N/A
- D. Salaries reported for educators in the October Core Data Cycle are supported by payroll/contract records. True
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. N/A
- F. The School published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo True
- G. 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. N/A

6. TRANSPORTATION (Section 163.161, RSMo)

- A. The pupil transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True
- B. The School's transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. True
- C. Based on 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: 287.50
Ineligible ADT: 0.00
- D. The 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.
See State finding #2 False
- E. Actual odometer records show the total district-operated and contracted mileage for the year was: 106,137

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 104,349
Ineligible Miles (Non-Route/Disapproved) 1,788
- F. Number of days the school operated the school transportation system during the regular school year: 174

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

I. Chapter 67 RSMO (Budget Statute)

There were no budget findings.

II – Other State Findings

1. The School's deposits were not secured during the year as required by Sections 110.010 and 110.020, RSMo.
2. The School's transportation miles were based on estimated miles rather than actual miles.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
St. Louis Language Immersion Schools, Inc.

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 St. Louis Language Immersion Schools, Inc. ("School") (a nonprofit organization), which comprise the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis as of June 30, 2017, and the related Statements of Revenues, Expenses and Other Changes in Net Assets and Cash Flows – Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants
Arnold, Missouri

November 29, 2017



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
St. Louis Language Immersion Schools, Inc.

Report on Compliance for Each Major Federal Program

We have audited St. Louis Language Immersion Schools, Inc.'s ("School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards and applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants
Arnold, Missouri

November 29, 2017

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Cash Federal Expenditures

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Identification Number	Passed Through To Subrecipients	Expenditures
U.S. Department of Education Passed-through Missouri Department of Elementary and Secondary Education				
Individuals With Disabilities IDEA	84.027A	115-912	\$ -	\$ 107,309
Special Education - High Need Fund	84.027A	115-912	-	2,556
Special Education - SWIS	84.027A	115-912	-	350
Total Special Education Cluster			-	110,215
Title I	84.010A	115-912	-	509,884
Title I School Improvement (a)	84.010A	115-912	-	95,549
Title I (a) Leadership Training	84.010A	115-912	-	25,800
Total Title I Cluster			-	631,233
Title II-A,	84.367A	115-912	-	97,875
Total U.S. Department of Education			-	839,323
U.S. Department of Agriculture Passed-through Missouri Department of Elementary and Secondary Education				
National School Breakfast Program	10.553	115-912	-	79,293
National School Lunch Program	10.555	115-912	-	206,171
National School Lunch Program Commodities	10.555	115-912	-	8,157
Total U.S. Department of Agriculture and Child Nutrition Cluster			-	293,621
Total Federal Expenditures			\$ -	\$ 1,132,944

See accompanying notes to the Schedule of Expenditures of Federal Awards

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of St. Louis Language Immersion Schools, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. Louis Language Immersion Schools, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Louis Language Immersion Schools, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 - RELATIONSHIP TO ACCOMPANYING FINANCIAL STATEMENTS

Federal awards are reported in the School's accompanying financial statements as follows:

<u>Federal Sources</u>	
General Fund	\$ 1,132,989
Special Revenue Fund	22,000
Total	<u>\$1,154,989</u>

NOTE 5 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

NOTE 6 –MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 7 – NON-CASH PROGRAMS

The commodities received, which are non-cash revenues, are valued using prices provided by the United States Department of Agriculture.

NOTE 8 – SUBRECIPIENTS

The School provided no federal awards to subrecipients during the year ended June 30, 2017.

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unmodified - Modified Cash Basis
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? ☐ Yes ☒ No
 - b. Significant deficiency(ies) identified? ☐ Yes ☒ None Reported
3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

B. Federal Awards

1. Internal control over major federal programs:
 - a. Material weakness(es) identified? ☐ Yes ☒ No
 - b. Significant deficiency(ies) identified? ☐ Yes ☒ None Reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

4. Identification of major federal programs:

CFDA Number(s):

84.010

Name of Federal Program or Cluster:

Title I Cluster

5. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
6. Auditee qualified as low-risk auditee? ☐ Yes ☒ No

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

II – FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to the financial statements for the year ended June 30, 2017.

**III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2017.

ST. LOUIS LANGUAGE IMMERSION SCHOOLS, INC.
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

FS 2016-001 Criteria: All supporting documentation for employees being paid through payroll should be available and on file at all times.

Condition: Documentation including contract, letter of intent or salary schedule was not available for six of the employees tested. The W-4 was not available for four of the employees tested and a timesheet was not available for an hourly employee.

Context: This became apparent through our test of controls of employee payroll checks and contracts.

Effect: Amounts reported for payroll could be incorrect or people who are not employees of the school could be getting paid when they are not authorized or accepted by the board.

Cause: Adequate emphasis was placed on securing personnel documents, yet employees did not follow through with the safeguarding of documentation and utilizing the personnel software that the school has so that all items can be placed on the cloud and obtained remotely. This has resulted in the misplacing of payroll and personnel documents.

Recommendation: We recommend that management take steps to ensure all supporting personnel documents and payroll documents have adequate supporting backup and that the school utilizes their software that is already in place. All employees tested that were within the personnel software had adequate documentation.

Views of responsible officials and planned corrective actions: Current management has transitioned all paper files remaining to the personnel cloud based system in order to further safeguard payroll related records these will be reviewed and updated.

Auditor's Evaluation: The School has implemented appropriate corrective action in the current year being audited.

**II. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2016.