

**LOWELL COLLEGIATE  
CHARTER SCHOOL**

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FINANCIAL STATEMENTS

for the years ended June 30, 2015 and 2014

**LOWELL COLLEGIATE CHARTER SCHOOL**

**for the years ended June 30, 2015 and 2014**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Lowell Collegiate Charter School

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of Lowell Collegiate Charter School, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Lowell Collegiate Charter School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions on these financial statements based on our audits. 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Lowell Collegiate Charter School, as of June 30, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Requirement by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2015, on our consideration of Lowell Collegiate Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Lowell Collegiate Charter School's internal control over financial reporting and compliance.

*Moriarty; Prunick, P.C.*

Springfield, Massachusetts  
October 21, 2015

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2015 and 2014**

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The following discussion and analysis of Lowell Collegiate Charter School's (the School) financial performance provides an overview of the School's financial services for the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the School's financial statements, which begin on page 7.

**The School as a Whole**

The School received its initial charter on May 9, 2012 to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded in five year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts' Board of Elementary and Secondary Education. During the fiscal year 2015, the School operated kindergarten through grade 4 and the enrollment was comprised of approximately 337 students (272 - 2014). The School currently expects to be operating at capacity in 2016, which would be approximately 525 children.

**Using This Annual Report**

This annual report consists of a series of financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34 - *Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), the School is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the School issues a *Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position* and a *Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements and other information which provides additional information that is essential to a full understanding of the information provided in the basic financial statements.

**Financial Statements**

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School, as of the end of the fiscal year, June 30. The *Statement of Net Position* is a point-in-time financial statement. The purpose of the *Statement of Net Position* is to present a fiscal snapshot of the School to the readers of the financial statements. Assets are resources with present service capacity that the School presently controls. Liabilities are present obligations to sacrifice resources that the School has little or no discretion to avoid. A deferred outflow of resources is a consumption of net assets by the School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the School that is applicable to a future reporting period. Net position represents the difference between all other elements in a statement of financial position and is displayed in three components – *net investment in capital assets, restricted* (distinguishing between major categories or restrictions); and *unrestricted*.

# LOWELL COLLEGIATE CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2015 and 2014

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### Financial Statements – continued

The *Net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition construction, or improvement of those assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The *unrestricted* component of net position is net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Over time, readers of the financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Position* reports the financial activities (revenue and expenses) of the School and divides it into two categories: Operating activities and nonoperating activities. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all nonoperating activities include all financial activities not related to the operation of a charter school. Changes in total net position as presented on the *Statement of Net Position* are based on the activity presented in this statement. This statement helps to determine whether the School had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

The *Statement of Cash Flows* provides information about the School's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in assisting users in assessing the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

*Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information provided in the School's financial statements.

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

**June 30, 2015 and 2014**

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**Financial Highlights**

The following financial highlights are for the years ended June 30, 2015 and 2014:

The School held total assets of \$641,275 and \$1,039,277 at June 30, 2015 and 2014, respectively, which consisted of cash, receivables, prepaid expenses and capital assets.

The School held total liabilities of \$258,585 and \$1,130,324 at June 30, 2015 and 2014, respectively, which consisted of payables, accrued expenses, and debt.

Total net position for the School was \$382,690 and \$(91,047) at June 30, 2015 and 2014, respectively, of which \$258,258 and \$(230,214) was unrestricted and \$124,432 and \$139,167 was investment in capital assets, respectively.

The School earned total operating revenues of \$4,490,833 and \$3,922,720 for the years ended June 30, 2015 and 2014, respectively.

The School had total operating expenses of \$3,995,549 and \$3,994,427 for the years ended June 30, 2015 and 2014, respectively.

The School incurred net income (loss) of \$473,737 and \$(91,657) for the years ended June 30, 2015 and 2014, respectively.

**Budgetary Highlights**

For the fiscal year ended June 30, 2015, the School incurred \$4,017,096 in actual expenditures, compared to budgeted expenditures of \$4,123,659.

**School's Financial Activities**

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per pupil. The School received \$11,724 in per pupil funding in fiscal year 2015, versus \$12,170 in per pupil funding in fiscal year 2014. This represents 87% and 84% of the School's revenue for the years ended June 30, 2015 and 2014, respectively. In addition, the School received various federal and Commonwealth of Massachusetts grants, which totaled \$296,891 and \$452,132 in fiscal years June 30, 2015 and 2014, respectively.

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

**June 30, 2015 and 2014**

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**Other Financial Factors**

The School had a sublease agreement with Charter School Development Corporation for use of the land and building located at 25 Father John Sarantos Way, Lowell, Massachusetts. The sublease expense for the years ended June 30, 2015 and 2014 was \$339,667 and \$1,169,676, respectively.

The School has a lease agreement with the Transfiguration Greek Orthodox Church, for space located at 25 Father John Sarantos Way, Lowell, Massachusetts, total rent expense for the year ended June 30, 2015 was \$249,996. There was no expense under this lease in 2014.

The School has a lease agreement with Vanguard Modular Building Systems, LLC for modular buildings located at 25 Father John Sarantos Way, Lowell, Massachusetts. Total rent expense for the year ended June 30, 2015 was \$66,000. There was no expense under this lease in 2014.

In 2014, the School had a temporary lease with Club Lafayette, the total expense in 2014 was \$5,839.

**Contacting the School's Financial Management**

This financial report is designed to provide the reader with a general overview of the School's finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the Business Office of the School.

**LOWELL COLLEGIATE CHARTER SCHOOL**

**STATEMENTS OF NET POSITION**

**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents.....	\$ 428,302	\$ 93,281
Grants receivable.....	62,093	15,121
Prepaid rent.....	26,448	75,000
Tuition receivable.....		716,708
Total current assets.....	516,843	900,110
Capital assets, net.....	124,432	139,167
<b>TOTAL ASSETS.....</b>	<b>\$ 641,275</b>	<b>\$ 1,039,277</b>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable.....	\$ 157	\$ 10,408
Accrued expenses.....	255,575	181,593
Due to related parties.....	2,853	161,113
Line of credit.....		680,000
Accrued rent.....		97,210
Total liabilities.....	258,585	1,130,324
Net position		
Net investment in capital assets.....	124,432	139,167
Unrestricted.....	258,258	(230,214)
Total net position.....	382,690	(91,047)
<b>TOTAL LIABILITIES AND NET POSITION.....</b>	<b>\$ 641,275</b>	<b>\$ 1,039,277</b>

*See notes to financial statements.*

**LOWELL COLLEGIATE CHARTER SCHOOL**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**for the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues</b>		
Student tuition.....	\$ 3,986,031	\$ 3,310,043
Federal and state grants.....	296,891	452,132
School lunch program.....	130,213	116,678
Student services and other.....	77,698	43,867
	<u>4,490,833</u>	<u>3,922,720</u>
<b>Operating expenses</b>		
Salaries.....	1,508,387	1,284,925
Payroll taxes.....	55,203	72,575
Fringe benefits.....	216,535	136,829
Management license fee.....	558,044	463,406
Grant programs.....	252,776	233,184
Classroom and other supplies.....	190,550	181,969
School lunch program.....	173,136	116,747
Depreciation.....	28,275	25,898
Repairs, maintenance and supplies.....	82,926	68,795
Building repair and maintenance.....	19,208	15,547
Occupancy costs.....	617,191	1,175,515
Office supplies, postage and expense.....	7,469	29,069
Computer expense.....	17,324	9,774
Professional services.....	57,440	27,937
Insurance expense.....	16,432	14,615
Payroll service charge.....	9,582	8,140
Extended day expenses.....	64,177	58,365
Staff development.....	14,798	12,799
Board of trustees expense.....	13,264	3,338
Advertising.....	11,709	26,599
Telephone.....	4,197	12,860
Travel.....	286	2,042
Utilities.....	66,725	7,535
Miscellaneous.....	9,915	5,964
	<u>3,995,549</u>	<u>3,994,427</u>
Operating income (loss).....	495,284	(71,707)
<b>Nonoperating income (expense)</b>		
Interest expense.....	(21,547)	(19,950)
In-kind revenue .....	109,800	108,000
In-kind expense .....	(109,800)	(108,000)
Pension income.....	158,427	
Pension expense.....	(158,427)	
	<u>(21,547)</u>	<u>(19,950)</u>
Total nonoperating expense.....	(21,547)	(19,950)
Change in net position.....	473,737	(91,657)
Net position, beginning of year.....	(91,047)	610
Net position, end of year.....	<u>\$ 382,690</u>	<u>\$ (91,047)</u>

*See notes to financial statements.*

**LOWELL COLLEGIATE CHARTER SCHOOL**

**STATEMENTS OF CASH FLOWS**

**for the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Receipts from student tuition.....	\$ 4,702,739	\$ 2,593,335
Receipts from federal and state grants.....	249,919	437,011
Receipts from lunch program.....	130,213	116,678
Receipts from other income.....	77,698	43,867
Payments to employees.....	(1,463,705)	(1,177,478)
Payments to vendors and suppliers.....	(2,646,756)	(2,556,929)
Net cash provided by (used in) operating activities.....	<u>1,050,108</u>	<u>(543,516)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets.....	(13,540)	(116,154)
Payments on line of credit.....	(680,000)	(117,500)
Interest paid.....	(21,547)	(19,950)
Proceeds from line of credit.....		797,500
Net cash (used in) provided by capital and related financing activities	<u>(715,087)</u>	<u>543,896</u>
Increase in cash and cash equivalents.....	335,021	380
Cash and cash equivalents, beginning of year.....	<u>93,281</u>	<u>92,901</u>
Cash and cash equivalents, end of year.....	<u>\$ 428,302</u>	<u>\$ 93,281</u>
<b>Reconciliation of the change in net position to net cash provided by (used in) operating activities:</b>		
Adjustments to reconcile the change in net position to net cash provided by (used in) operating activities:		
Income (loss) from operations.....	\$ 495,284	\$ (71,707)
Depreciation.....	28,275	25,898
(Increase) decrease in operating assets		
Tuition receivable.....	716,708	(716,708)
Grants receivable.....	(46,972)	(15,121)
Prepaid rent.....	48,552	(75,000)
Increase (decrease) in operating liabilities		
Accounts payable .....	(10,251)	(11,512)
Accrued expenses.....	73,982	181,593
Accrued rent.....	(97,210)	97,210
Due to related parties.....	(158,260)	41,831
Net cash provided by (used in) operating activities.....	<u>\$ 1,050,108</u>	<u>\$ (543,516)</u>

*See notes to financial statements.*

# LOWELL COLLEGIATE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of Organization

Lowell Collegiate Charter School (the “School”) was established on May 9, 2012 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The School’s charter is awarded in five year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE).

The School has one location in Lowell, Massachusetts and offers children in the city of Lowell in kindergarten through grade 4, a public supported academic education. During fiscal year 2015, the School served 333 students in kindergarten through grade 4 (through grade 3 and 272 students - 2014).

The mission of the School is to be a provider of top-quality education to a highly diverse student body. The School will prepare all students for success, equip them with the ability and desire for lifelong learning, and strengthen their civic, ethical, and moral values. The School will maintain high standards of efficiency and accountability throughout its operation.

### 2. Summary of Significant Accounting Policies

The accounting policies of the School conform to accounting principles generally accepted in the United States as applicable to governmental units. The following is a summary of the School’s significant accounting policies:

#### *Financial Statement Presentation*

The School, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statement - and Management’s Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund. The School’s financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

#### *Basis of Accounting*

The accrual basis of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the School has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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***Cash and Cash Equivalents***

For the purposes of the Statement of Net Position and the Statement of Cash Flows, the School considers all short term investments with an original maturity of three months or less to be cash equivalents.

***Receivables***

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at year-end will be immaterial.

***Capital Assets***

Furniture and equipment are recorded at cost, if purchased or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$1,000 are capitalized. Depreciation will be computed on the straight-line basis using estimated useful lives of 5 years for computers, 7 years for furniture, fixtures and equipment. Depreciation expense of \$28,275 and \$25,898 was recorded for each of the years ended June 30, 2015 and 2014, respectively.

***Operating Revenue and Expenses***

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include tuition and Federal and Commonwealth of Massachusetts grants. Operating expenses include educational costs and administrative expenses and depreciation on capital assets.

***Tax Status***

The School was established under a Charter granted by the Commonwealth of Massachusetts Department of Education and operates as part of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**3. Deposits with Financial Institution**

The School maintains its cash balances in one financial institution. The balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk. In addition the financial institution is a Massachusetts Chartered Savings Bank that maintains additional insurance through the Depositors Insurance Fund (DIF), a private industry sponsored insurance company.

As required by GASB No. 40, Deposits and Investment Risk Disclosures, the following represents a summary of deposits as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
FDIC insured deposits	\$ 250,000	\$ 100,856
DIF insured deposits	250,530	
	<u>\$ 500,530</u>	<u>\$ 100,856</u>

**4. Capital Assets**

Changes in capital assets during fiscal years 2015 and 2014 are as follows:

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Balance</u> <u>6/30/2015</u>
Equipment	\$ 81,637		\$ 81,637
Computer equipment	12,134	\$ 2,320	14,454
Furniture and fixtures	71,294	11,220	82,514
Total capital assets	<u>165,065</u>	<u>13,540</u>	<u>178,605</u>
Less accumulated depreciation	<u>25,898</u>	<u>28,275</u>	<u>54,173</u>
Net capital assets	<u>\$ 139,167</u>	<u>\$ (14,735)</u>	<u>\$ 124,432</u>

  

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Balance</u> <u>6/30/2014</u>
Equipment	\$ 36,777	\$ 44,860	\$ 81,637
Computer equipment	12,134		12,134
Furniture and fixtures		71,294	71,294
Total capital assets	<u>48,911</u>	<u>116,154</u>	<u>165,065</u>
Less accumulated depreciation	<u>25,898</u>	<u>25,898</u>	<u>25,898</u>
Net capital assets	<u>\$ 48,911</u>	<u>\$ 90,256</u>	<u>\$ 139,167</u>

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**5. Related Parties**

The School has a line of credit agreement with a related party, Springfield Education Management LLC (SEM). According to the agreement, the School may borrow up to \$750,000 at any time. Any outstanding principal is due on June 30, 2016. Interest is charged at 6.00%. The note is secured by all assets of the School. There was no outstanding balance at June 30, 2015 (\$680,000 - 2014). The School paid \$21,547 in interest expense on this line of credit for the year ended June 30, 2015 (\$19,950 - 2014).

The School purchases a majority of their text books and miscellaneous items from Sabis Educational Systems (SES) a related party to SEM.

The School paid SEM & SES the following during fiscal years 2015 and 2014:

	<u>2015</u>	<u>2014</u>
License fee	\$ 318,882	\$ 264,803
Management fee	239,162	198,603
Text books and other	161,897	138,446
Startup expenses	<u>                    </u>	<u>150,624</u>
	<u>\$ 719,941</u>	<u>\$ 752,476</u>

As of June 30, 2015, the amount due to SEM was \$2,853 (\$161,113 - 2014).

**6. Management Contract**

The School has a management contract with Springfield Education Management LLC, to manage the teaching, accounting, and business administration functions of the School. The management agreement provides for the payment of an annual management fee to SEM. The agreement states that the School shall pay SEM a license fee of 8% of total per pupil tuition and a management fee of 6% of total per pupil tuition, which will be payable upon each receipt of per pupil tuition from the Commonwealth of Massachusetts. This agreement ends June 30, 2018, and may be renewed for an additional five years, by agreement of both parties. The fees amounted to \$558,044 and \$463,406 for the years ended June 30, 2015 and 2014, respectively.

**7. Donated Transportation**

For the year ended June 30, 2015, the School received \$109,800 in donated transportation services from the Lowell School District (\$108,000 - 2014).

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**8. Concentration of Revenue**

DESE provided 95% of the funding to the School for the year ended June 30, 2015 (96% - 2014) through a per pupil reimbursement and Federal and Commonwealth of Massachusetts grants.

**9. Operating Lease**

The School has a lease agreement with the Transfiguration Greek Orthodox Church, for space located at 25 Father John Sarantos Way, Lowell, Massachusetts, which began July 1, 2014 and ended June 30, 2015. Rent was payable monthly in the amount of \$20,833, total rent expense in 2015 was \$249,996. As of July 1, 2015, the School is leasing this space under a month-to month lease in the amount of \$27,083 per month.

The School has a lease agreement with Vanguard Modular Building Systems, LLC for modular buildings located at 25 Father John Sarantos Way, Lowell, Massachusetts. This lease began on September 23, 2014 and ends on September 23, 2015. Rent is payable monthly in the amount of \$6,000. Total rent expense in 2015 was \$66,000. Upon expiration of this lease, the School will continue to rent on a month to month basis in the amount of \$6,000 per month.

In 2014, the School had a lease agreement with Charter School Development Corporation (CSDC) to rent the facility located at 25 Father John Sarantos Way, Lowell, Massachusetts. The lease ended on June 30, 2014 and was not renewed. Total rent expense was \$1,175,515 under this lease. In 2015, the School paid CSDC \$339,667.

**10. Supplementary Cash Flow Information**

Supplemental cash flow information is as follows for fiscal year:

	<u>2015</u>	<u>2014</u>
Cash paid during the year for:		
Interest	\$ 21,547	\$ 19,950

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**11. Retirement Plan**

The School's teaching staff and certain administrators participate individually in the Massachusetts Teachers Retirement System (MTRS). All qualified teachers and administrators are covered by and must participate in MTRS. All qualified teachers and administrators who qualify for the plan, along with the School are exempt from federal social security taxes for these employees. Benefits are fully vested after 10 years of qualified employment and an employee may receive retirement benefits after 20 years of service or having reached the age of 55 if the participant (1) has a record of 10 years of credible service, (2) was first employed by the School after January 1, 1978, (3) voluntarily left School employment on or after that date, and (4) left an accumulated annuity deduction in the fund. This retirement plan requires an employee contribution of eight to eleven percent (depending on the plan and the employment date) of their compensation.

In 2015, the School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. According to GASB 68, the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS and is required to make all actuarially determined contributions on behalf of the member employers. The School is considered a member employer. Since the member employer does not contribute directly to MTRS, there is no net pension liability to recognize for the School. However, they are required to disclose the portion of the Commonwealth's share of the collective net pension liability that is associated with the School, which amounted to \$2,280,347 as of June 30, 2015. In addition, the School is required to recognize its portion of the collective pension expense provided by the Commonwealth as both a revenue and pension expense, which amounted to \$158,427 as of June 30, 2015.

**12. Litigation**

In February 2015, the School was named a co-defendant in a lawsuit claiming breach of contract. As of October 19, 2015, the lawsuit is in the discovery stage. The plaintiff is seeking approximately \$580,000 in damages. The School has valid defenses and counterclaims equivalent to the damages sought by the plaintiff. Accordingly, no adjustment has been made to the financial statements.

**LOWELL COLLEGIATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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***13. Subsequent Events***

The School has evaluated subsequent events through October 21, 2015, the date the financial statements were available to be issued. The following was noted:

On June 16, 2015, the School entered into a lease agreement with Commons Wealth, LLC to rent a building on 1857 Middlesex Street, Lowell, MA. This lease will begin on August 15, 2015 and end June 30, 2023. Rent will be payable at \$1,300,000 per year. The School is planning to move into this building in January 2016, at which time they will begin monthly rental payments.

On August 18, 2015, the School entered into a lease with Holy Trinity Hellenic Orthodox Church for premises located at 41 Broadway Street, Lowell, MA 01852. The space will include the gymnasium floor area, a hallway and bathrooms. The lease began September 1, 2015 and will end December 31, 2015. The rental payment is \$25,000 per month.

**INDEPENDENT AUDITOR'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**

To the Board of Trustees of  
Lowell Collegiate Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lowell Collegiate Charter School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lowell Collegiate Charter School's basic financial statements, and have issued our report thereon dated October 21, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Lowell Collegiate Charter 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lowell Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Lowell Collegiate Charter 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 material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Lowell Collegiate Charter 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 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.

*Moriant; Primack, P.C.*

Springfield, Massachusetts  
October 21, 2015

**LOWELL COLLEGIATE CHARTER SCHOOL**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**for the year ended June 30, 2015**

**Finding No. 2014-001:**

*Condition*

The employees' contributions to the MTRS were not paid in a timely manner. The School failed to submit two of the twelve monthly payments within the required time period.

*Status*

This finding has been resolved and all payments to MTRS are now being made on a timely basis.



# Lowell Collegiate Charter School

## ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Lowell Collegiate Charter School, have voted to accept the representations of management and the expression of the opinions made by Moriarty & Primack, P.C. as embodied in the financial statements, supplemental schedules and independent auditors' reports for the years ended June 30, 2015 and 2014.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the Commonwealth of Massachusetts Charter School Audit Guide for the periods ended June 30, 2015 and 2014.

Board President or Treasurer or Other Designated Person

10/21/2015

Date