

COLLEGIATE CHARTER SCHOOL OF LOWELL

FINANCIAL STATEMENTS

for the years ended June 30, 2019 and 2018

COLLEGIATE CHARTER SCHOOL OF LOWELL

for the years ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Collegiate Charter School of Lowell

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Collegiate Charter School of Lowell, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the 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 audits 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 Collegiate Charter School of Lowell, as of June 30, 2019 and 2018, 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 the management's discussion and analysis on pages 4 through 7 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collegiate Charter School of Lowell's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Requirement by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of Collegiate Charter School of Lowell'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 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 Collegiate Charter School of Lowell'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 Collegiate Charter School of Lowell's internal control over financial reporting and compliance.

MP P.C.

Springfield, Massachusetts
October 31, 2019

COLLEGIATE CHARTER SCHOOL OF LOWELL

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019 and 2018

The following discussion and analysis of Collegiate Charter School of Lowell's (the School) financial performance provides an overview of the School's financial services for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the School's financial statements, which begin on page 8.

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 School's charter was most recently renewed in 2018 and expires June 30, 2023. 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 2019, the School operated kindergarten through grade 8 and the enrollment was comprised of approximately 847 students. During the fiscal year 2018, the School operated kindergarten through grade 7 and the enrollment was comprised of approximately 756 students.

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 and the schedule of federal expenditures, which identifies all of the School's federal funding.

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. 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*.

COLLEGIATE CHARTER SCHOOL OF LOWELL

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2019 and 2018

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 Non-operating activities. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all non-operating 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 helping users assess 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.

COLLEGIATE CHARTER SCHOOL OF LOWELL

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2019 and 2018

Supplemental Information

The *Schedule of Expenditures of Federal Awards* is presented for the purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Schedule of Expenditures of Federal Awards can be found on page 17 of this report.

Financial Highlights

The following financial highlights are for the fiscal years ended June 30, 2019 and 2018:

The School held total assets of \$3,721,129 and \$2,662,362 at June 30, 2019 and 2018, respectively, which consisted of cash, receivables, prepaid expenses and capital assets.

The School held total liabilities of \$762,159 and \$615,198 at June 30, 2019 and 2018, respectively, which consisted of payables and accrued expenses.

Total net position for the School was \$2,958,970 and \$2,047,164 at June 30, 2019 and 2018, respectively, of which \$2,435,507 and \$1,397,708 was unrestricted and \$523,463 and \$649,456 was investment in capital assets, respectively.

The School earned total operating revenues of \$11,288,183 and \$10,403,643, (excluding on-behalf pension and in-kind transportation), for the years ended June 30, 2019 and 2018, respectively.

The School had total operating expenses of \$10,376,377 and \$10,039,416, (excluding on-behalf pension and in-kind transportation), for the years ended June 30, 2019 and 2018, respectively.

The School incurred net income of \$911,806 and \$364,227 for the years ended June 30, 2019 and 2018, respectively.

Budgetary Highlights

For the fiscal year ended June 30, 2019, the School incurred \$10,376,377 in actual expenditures (excluding on-behalf pension and in-kind transportation), compared to budgeted expenditures of \$10,549,988.

COLLEGIATE CHARTER SCHOOL OF LOWELL

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2019 and 2018

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 \$12,242 in per pupil funding in fiscal year 2019, versus \$12,825 in per pupil funding in fiscal year 2018. This represents 92% and 88% of the School's revenue for the years ended June 30, 2019 and 2018, respectively. In addition, the School received various federal and Commonwealth of Massachusetts grants, which totaled \$478,470 and \$475,937 in fiscal years June 30, 2019 and 2018, respectively.

Other Financial Factors

On June 16, 2015, the School entered into a lease agreement with Commons Wealth, LLC to rent a building at 1857 Middlesex Street, Lowell, MA. This lease began on July 1, 2016 and will end on June 30, 2023. Rent expense for fiscal years ended 2019 and 2018 was \$1,800,000 each fiscal year.

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.

COLLEGIATE CHARTER SCHOOL OF LOWELL

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 1,926,816	\$ 1,649,754
Federal and state receivables.....	936,435	186,612
Prepaid rent.....	<u>334,415</u>	<u>176,540</u>
Total current assets.....	3,197,666	2,012,906
Capital assets, net.....	<u>523,463</u>	<u>649,456</u>
TOTAL ASSETS.....	<u>\$ 3,721,129</u>	<u>\$ 2,662,362</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accrued expenses.....	\$ 564,857	\$ 549,242
Accounts payable.....	<u>197,302</u>	<u>65,956</u>
Total liabilities.....	<u>762,159</u>	<u>615,198</u>
Net position		
Net investment in capital assets.....	523,463	649,456
Unrestricted.....	<u>2,435,507</u>	<u>1,397,708</u>
Total net position.....	<u>2,958,970</u>	<u>2,047,164</u>
TOTAL LIABILITIES AND NET POSITION.....	<u>\$ 3,721,129</u>	<u>\$ 2,662,362</u>

See notes to financial statements.

COLLEGIATE CHARTER SCHOOL OF LOWELL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

for the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Student tuition.....	\$ 10,367,061	\$ 9,160,307
Federal and state grants.....	478,470	475,397
School lunch program.....	307,962	204,846
Student services and other.....	134,690	141,590
On-behalf pension.....	783,779	734,972
In-kind transportation.....	400,250	
State transportation reimbursement.....		421,503
Total operating revenues.....	<u>12,472,212</u>	<u>11,138,615</u>
Operating expenses		
Salaries.....	3,651,462	3,201,400
Payroll taxes.....	198,849	129,887
Fringe benefits.....	434,165	374,188
Management license fee.....	1,451,389	1,341,453
Grant programs.....	481,595	472,989
Classroom and other supplies.....	488,030	627,865
School lunch program.....	358,349	274,901
Depreciation.....	172,120	161,348
Repairs, maintenance and supplies.....	248,814	239,471
Building repairs and maintenance.....	39,806	39,518
Occupancy costs.....	2,348,803	2,168,822
Office supplies, postage and expense.....	14,951	12,987
Computer expense.....	55,048	42,320
Professional services.....	90,373	92,484
Insurance expense.....	22,550	15,857
Payroll service charge.....	30,505	26,876
Extended day expenses.....	69,420	79,936
Staff development.....	21,168	18,239
Board of trustees expense.....	14,955	9,730
Advertising.....	17,197	15,242
Telephone.....	5,245	4,135
Utilities.....	141,288	136,569
Miscellaneous.....	20,295	31,919
On-behalf pension.....	783,779	734,972
In-kind transportation.....	400,250	
Transportation expense.....		521,280
Total operating expenses.....	<u>11,560,406</u>	<u>10,774,388</u>
Change in net position.....	911,806	364,227
Net position, beginning of year.....	<u>2,047,164</u>	<u>1,682,937</u>
Net position, end of year.....	<u>\$ 2,958,970</u>	<u>\$ 2,047,164</u>

See notes to financial statements.

COLLEGIATE CHARTER SCHOOL OF LOWELL

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from student tuition.....	\$ 9,538,173	\$ 9,160,307
Receipts from federal and state grants.....	295,679	585,216
Receipts from lunch program.....	307,962	204,846
Receipts from other income.....	134,690	141,590
Payments to employees.....	(3,127,487)	(3,183,063)
Payments to vendors and suppliers.....	<u>(6,825,828)</u>	<u>(6,207,302)</u>
Net cash provided by operating activities.....	<u>323,189</u>	<u>701,594</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets.....	<u>(46,127)</u>	<u>(387,920)</u>
Net cash used in capital and related financing activities.....	<u>(46,127)</u>	<u>(387,920)</u>
Increase in cash and cash equivalents.....	277,062	313,674
Cash and cash equivalents, beginning of year.....	<u>1,649,754</u>	<u>1,336,080</u>
Cash and cash equivalents, end of year.....	<u><u>\$ 1,926,816</u></u>	<u><u>\$ 1,649,754</u></u>
Reconciliation of the change in net position to net cash provided by operating activities:		
Adjustments to reconcile the change in net position to net cash provided by operating activities:		
Change in net position.....	\$ 911,806	\$ 364,227
Depreciation.....	172,120	161,348
(Increase) decrease in operating assets		
Grants receivable.....	(749,823)	302,726
Prepaid rent.....	(157,875)	(151,540)
Increase (decrease) in operating liabilities		
Accounts payable	131,346	43,065
Accrued expenses.....	<u>15,615</u>	<u>(18,232)</u>
Net cash provided by operating activities.....	<u><u>\$ 323,189</u></u>	<u><u>\$ 701,594</u></u>

See notes to financial statements.

COLLEGIATE CHARTER SCHOOL OF LOWELL

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

Collegiate Charter School of Lowell (the “School”) (formerly known as Lowell Collegiate Charter 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’s charter was most recently renewed in 2018 and expires June 30, 2023.

The School has one location in Lowell, Massachusetts and offers children in the city of Lowell in kindergarten through grade 8, a public supported academic education. During fiscal year 2019, the School served 847 students in kindergarten through grade 8 (2018 – kindergarten through grade 7 and 756 students).

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.

COLLEGIATE CHARTER SCHOOL OF LOWELL

NOTES TO FINANCIAL STATEMENTS, Continued

Cash and Cash Equivalents

For the purposes of the Statements of Net Position and the Statements 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 \$172,120 and \$161,348 was recorded for each of the years ended June 30, 2019 and 2018, 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.

COLLEGIATE CHARTER SCHOOL OF LOWELL

NOTES TO FINANCIAL STATEMENTS, Continued

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
FDIC insured deposits	\$ 250,000	\$ 250,000
DIF insured deposits	<u>1,889,602</u>	<u>1,432,153</u>
	<u>\$ 2,139,602</u>	<u>\$ 1,682,153</u>

4. Capital Assets

Changes in capital assets during fiscal years 2019 and 2018 are as follows:

	<u>Balance</u> <u>6/30/2018</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance</u> <u>6/30/2019</u>
Equipment	\$ 141,232			\$ 141,232
Computer equipment	126,931	\$ 21,951		148,882
Furniture and fixtures	310,059	24,176		334,235
Leasehold improvements	<u>415,439</u>			<u>415,439</u>
Total capital assets	<u>993,661</u>	<u>46,127</u>		<u>1,039,788</u>
Less accumulated depreciation	<u>344,205</u>	<u>172,120</u>		<u>516,325</u>
Net capital assets	<u>\$ 649,456</u>	<u>\$ (125,993)</u>	<u>\$</u>	<u>\$ 523,463</u>

	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance</u> <u>6/30/2018</u>
Equipment	\$ 56,637		\$ 84,595	\$ 141,232
Computer equipment	90,172	\$ 36,759		126,931
Furniture and fixtures	265,790	44,269		310,059
Leasehold Improvements	<u>193,142</u>	<u>306,892</u>	<u>(84,595)</u>	<u>415,439</u>
Total capital assets	<u>605,741</u>	<u>387,920</u>		<u>993,661</u>
Less accumulated depreciation	<u>182,857</u>	<u>161,348</u>		<u>344,205</u>
Net capital assets	<u>\$ 422,884</u>	<u>\$ 226,572</u>	<u>\$</u>	<u>\$ 649,456</u>

COLLEGIATE CHARTER SCHOOL OF LOWELL

NOTES TO FINANCIAL STATEMENTS, Continued

5. Related Parties

The School has a management contract with a related party, Springfield Education Management LLC (SEM), 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, 2023, and may be renewed for an additional five years, by agreement of both parties. The fees amounted to \$1,451,389 and \$1,341,453 for the years ended June 30, 2019 and 2018, respectively. The School owed SEM \$122,636 at June 30, 2019, which is included in accounts payable in the Statement of Net Position. The School owed SEM \$160,680 at June 30, 2018, which is included in accrued expenses in the Statement of Net Position.

The School purchases a majority of their text books and miscellaneous items from Sabis Educational Systems (SES), a related party to SEM. The School owed SES \$586 and \$1,835 at June 30, 2019 and 2018 respectively, which was included in accounts payable in the Statement of Net Position.

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

	<u>2019</u>	<u>2018</u>
License Fee	\$ 829,365	\$ 766,544
Management Fee	622,024	574,909
Text books and other	<u>355,632</u>	<u>380,473</u>
	<u>\$ 1,807,021</u>	<u>\$ 1,721,926</u>

The School compensated a spouse of one of the members of the board a total of \$2,402 for janitorial services during the fiscal year 2018.

6. Concentration of Revenue

DESE provided 95% and 94% of the funding to the School for the years ended June 30, 2019 and 2018, respectively, through a per pupil reimbursement, Federal and Commonwealth of Massachusetts grants, and transportation reimbursement.

COLLEGIATE CHARTER SCHOOL OF LOWELL

NOTES TO FINANCIAL STATEMENTS, Continued

7. Operating Leases

The School has a lease agreement with Commons Wealth, LLC to rent the building at 1857 Middlesex Street, Lowell, MA. This lease began on July 1, 2016 and will end on August 14, 2023. Beginning in fiscal year 2018, rent was payable at \$150,000 per month. Rent expense under this lease amounted to \$1,800,000 in both 2019 and 2018. Future lease payments are \$1,800,000 per year for the next 4 fiscal years, and \$300,000 in fiscal year 2023.

In 2019, the School entered into a lease agreement with Northern Business Machines, Inc. to rent office equipment. Rent is payable on a month-to-month basis in the amount of \$2,400 per month for 60 months. Total rent expense for the year ended June 30, 2019 was \$28,593. (2018 – \$23,582)

8. 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 vest fully 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 creditable 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.

The MTRS retirement plan, under GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, is required by statute to determine the net pension liability for all participants. The net pension liability for the retirement plan at the June 30, 2018 measurement date was determined by an actuarial valuation prepared as of January 1, 2018 rolled forward to June 30, 2018. The school's share of MTRS net pension liability is \$7,734,495.

9. On-behalf Payments

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the School is required to recognize its proportional share of pension revenue and expenses, as reported by MTRS, as on-behalf payments in their financial statements. As of June 30, 2019, the School recognized \$783,779 of on-behalf revenues and expenses (2018 - \$734,972).

COLLEGIATE CHARTER SCHOOL OF LOWELL

NOTES TO FINANCIAL STATEMENTS, Continued

10. Donated Transportation

For the year ended June 30, 2019, the School received \$400,250 in donated transportation from the City of Lowell School District. In fiscal 2018, the School provided their own busing.

11. Subsequent Events

The School has evaluated subsequent events through October 31, 2019, the date the financial statements were available to be issued.

COLLEGIATE CHARTER SCHOOL OF LOWELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2019

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education:			
Pass-through from Massachusetts Department of Education:			
Title I - Grants to Local Educational Agencies.....	84.010	305-224879-2019-3503	\$ 218,880
Special Education - Grants to States.....	84.027	240-225014-2019-3503	193,568
Title IIA - Improving Teacher Quality State Grants.....	84.367	140-224880-2019-3503	28,241
Title III - English Language Acquisition State Grants.....	84.365	180-224881-2019-3503	25,303
Title IV - School Support and Academic Enrichment Program.....	84.424	309-224882-2019-3503	<u>15,602</u>
Total U.S. Department of Education.....			<u>481,594</u>
U.S. Department of Agriculture:			
Pass-through from Massachusetts Department of Education:			
Child Nutrition Cluster			
National School Lunch Program.....	10.555	09-160-CS-59	217,333
School Breakfast Program.....	10.553	09-160-CS-59	<u>88,336</u>
Total Child Nutrition Cluster.....			<u>305,669</u>
Total U.S. Department of Agriculture.....			<u>305,669</u>
Total Expenditures of Federal Awards.....			<u>\$ 787,263</u>

See notes to schedule of expenditures of federal awards.

COLLEGIATE CHARTER SCHOOL OF LOWELL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2019

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Collegiate Charter School of Lowell under programs of the federal government for the year ended June 30, 2019. 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 the Collegiate Charter School of Lowell, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Collegiate Charter School of Lowell.

2. **Summary of Significant Accounting Policies**

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Indirect Cost Rate**

Collegiate Charter School of Lowell has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.



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
Collegiate Charter School of Lowell

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 Collegiate Charter School of Lowell, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Collegiate Charter School of Lowell's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Collegiate Charter School of Lowell'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 Collegiate Charter School of Lowell's internal control. Accordingly, we do not express an opinion on the effectiveness of Collegiate Charter School of Lowell'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 Collegiate Charter School of Lowell'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.

MP P.C.

Springfield, Massachusetts
October 31, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of
Collegiate Charter School of Lowell

Report on Compliance for Each Major Federal Program

We have audited Collegiate Charter School of Lowell's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Collegiate Charter School of Lowell's major federal programs for the year ended June 30, 2019. Collegiate Charter School of Lowell's major federal programs are identified in the summary of Auditors' 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 applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Collegiate Charter School of Lowell'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 Collegiate Charter School of Lowell'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 Collegiate Charter School of Lowell's compliance.

Opinion on Each Major Federal Program

In our opinion, Collegiate Charter School of Lowell 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, 2019.

Report on Internal Control over Compliance

Management of Collegiate Charter School of Lowell 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 Collegiate Charter School of Lowell'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 Collegiate Charter School of Lowell's internal control over compliance.

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

MP P.C.

Springfield, Massachusetts
October 31, 2019

COLLEGIATE CHARTER SCHOOL OF LOWELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2019

SUMMARY OF AUDITORS' RESULTS

1. The Auditors' report expresses an unmodified opinion on whether the financial statements of Collegiate Charter School of Lowell were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Collegiate Charter School of Lowell, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.
5. The Auditors' report on compliance for major federal award programs for Collegiate Charter School of Lowell expresses an unmodified opinion on the major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as the major programs were Title I 84.010 and Child Nutrition Cluster 10.553 and 10.555.
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. Collegiate Charter School of Lowell is not a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

COLLEGIATE CHARTER SCHOOL OF LOWELL

SCHEDULE OF PRIOR AUDIT FINDINGS

for the year ended June 30, 2019

Finding 2018-001

Condition:

The employees' contributions to the MTRS were not paid in a timely manner. The School failed to submit four 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.



ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Collegiate Charter School of Lowell or its designated committee or individual, have voted to accept the representations of management and the expression of the opinions made by MP, P.C. as embodied in the financial statements and independent auditors' reports for the years ended June 30, 2019 and 2018.

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, 2019 and 2018.

Board President or Treasurer or Other Designated Person

Katherine McAvail 10/31/2019
CCSL Board President

10/31/2019

Date