

Lowell Community Charter Public School
and
Lowell Community Charter School Friends, Inc.
Combined Financial Statements,
Independent Auditors' Reports in Accordance with
Governmental Auditing Standards and the Uniform Guidance
June 30, 2019

Lowell Community Charter Public School

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Trustees of
Lowell Community Charter Public School
Lowell Community Charter School Friends, Inc.

Report on the Combined Financial Statements

We have audited the accompanying combined statement of net position of Lowell Community Charter Public School (the School) and Lowell Community Charter School Friends, Inc. (a nonprofit organization) (collectively, the Organization) as of and for the year ended June 30, 2019, and the related combined statements of revenues, expenses, and changes in net position and cash flow for the year then ended and the related notes to the combined financial statements, which collectively comprise the Organization's combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2019, and the changes in its combined net position and combined cash flows for the year 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 4 through 8 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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.

Report on Summarized Comparative Information

We have previously audited the Organization's fiscal year 2018 combined financial statements, and our report dated October 23, 2018 expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's combined financial statements. The accompanying schedule of expenditures of federal awards is presented for 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*, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the combined 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 October 15, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Organization's internal control over financial reporting and compliance.

Daniel Dennis & Company LLP

*Dedham, Massachusetts
October 15, 2019*

Lowell Community Charter Public School
Management's Discussion and Analysis
June 30, 2019 (Unaudited)

The following discussion and analysis of Lowell Community Charter Public School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2019, with comparative information for fiscal year 2018. Please read it in conjunction with the School's combined financial statements and the related notes, which begin on page 9.

The School as a Whole

The School was established on March 9, 1999 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws 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 (ESE). The charter for the School was recently renewed for the period of July 1, 2015 through June 30, 2020. The School currently serves 800 students in grades K-1 through eight. At capacity, the School serves 800 students.

Financial Reporting Entity

As required by generally accepted accounting principles, and in conformance with Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and subsequently amended by GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* and GASB No. 80, *Blending Requirements for Certain Component Units – an amendment to GASB Statement No. 14*, the School evaluated its potential component unit and determined Lowell Community Charter School Friends, Inc. (Friends) is a component unit of the School and should be presented as a blended component unit in the combined financial statements. The School and its blended component unit, Friends, are referred to collectively as the Organization.

Using This Annual Report

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

Lowell Community Charter Public School
Management's Discussion and Analysis - *Continued*
June 30, 2019 (Unaudited)

Financial Statements

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

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 the net amount of the 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 combined financial statements will be able to evaluate the Organization's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the Organization'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 Organization. This statement is also a good source for readers to determine how much the Organization owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Combined Statement of Revenues, Expenses and Changes in Net Position* reports the financial (revenue and expenses) activities of the Organization and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of the Organization 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 *Combined Statement of Net Position* are based on the activity presented in this statement. This statement helps to determine whether the Organization had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

Lowell Community Charter Public School
Management's Discussion and Analysis - *Continued*
June 30, 2019 (Unaudited)

Financial Statements – continued

The *Combined Statement of Cash Flows* provides information about the Organization'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 Organization's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

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

Supplemental Information

The *Schedule of Expenditures of Federal Awards* is presented for the purposes of additional analysis as required by the *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 26 of this report.

Financial Highlights – Charter School

The following financial highlights are from fiscal year 2019 with comparative information from fiscal year 2018:

- The School held total assets of \$14,493,027 and \$14,289,087 at June 30, 2019 and 2018, respectively, of which \$11,188,116 and \$11,481,733, respectively, were net capital assets, and the majority of the remaining assets consisted of cash accounts and accounts receivable. The decrease in total assets was mainly due to the decrease in cash.
- The School held total liabilities of \$11,049,704 and \$11,233,678 at June 30, 2019 and 2018, respectively. In fiscal year 2019, \$1,233,346 was current and \$9,816,358 was non-current, which related to the long-term portion of the mortgages and bond payables. In fiscal year 2018, \$1,119,007 was current and \$10,114,671 was non-current, which related to the long-term portion of the mortgages and bond payables. The decrease was mainly due to the required principal payments on outstanding debt.
- Total net position for the School was \$3,443,323 and \$3,055,409 as of June 30, 2019 and 2018, respectively. Net position at June 30, 2019 and 2018 consists of net investment in capital assets of \$942,818 and \$950,379, respectively, and the remaining balance is unrestricted net position of \$2,500,505 and \$2,105,030, respectively. The increase in net position was due to the surplus in fiscal year 2019.

Lowell Community Charter Public School
Management's Discussion and Analysis - *Continued*
June 30, 2019 (Unaudited)

Financial Highlights – Charter School – *continued*

- The School earned total revenues of \$14,528,139 and \$13,901,288 for the years ended June 30, 2019 and 2018, of which 99%, respectively, were operating revenues and 1% were from non-operating revenues (private grants, contributions, etc.), respectively. The increase in total revenues was mainly due to an increase in tuition, federal and state grants, on-behalf fringe benefits and city provided transportation services – in kind.
- The School had total expenses of \$14,140,225 and \$13,333,781 for the years ended June 30, 2019 and 2018, respectively. The decrease is comprised of a net decrease in salaries and office supplies and an increase in professional development and educational supplies.
- The School had change in net position of \$387,914 and \$567,507 for the years ended June 30, 2019 and 2018, respectively. In fiscal year 2019, the change in net position was comprised of operating income of \$595,128 and non-operating loss of \$207,214. In fiscal year 2018, the change in net position was comprised of operating income of \$818,992 and non-operating loss of \$251,485.

Budgetary Highlights

For the fiscal year ended June 30, 2019, the School incurred \$11,891,976 in actual expenditures, excluding \$2,248,249 of on-behalf and in-kind expenses, compared to the budgeted expenditures of \$12,219,371. The major reason for the decrease between the budgeted and actual expenses was a reduction in salaries and related expenses. Actual revenue excluding on behalf and in-kind expenses for the School was \$12,279,890 compared to budgeted revenue of \$12,411,146. The major reason for the decrease was the net result of an increase in federal and state contract revenue, and decreases in tuition, Medicaid reimbursement and before and after school program revenues.

The School budgeted tuition for fiscal years 2019 and 2018 based on enrollment of 800 for each year, using the average per pupil rate from the sending districts of the previous year.

School's Financial Activities

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE) and is based on a standard rate per pupil. The School received \$10,613,124 in per pupil funding in fiscal year 2019, versus \$10,399,722 in per pupil funding in fiscal year 2018. This represents 73% and 75% 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 \$1,405,981 and \$1,289,593, for fiscal years 2019 and 2018, respectively.

Debt Obligations

The School has a \$750,000 line of credit with an interest rate of 3.75%. The line of credit was not utilized by the School in fiscal year 2019 or 2018.

Lowell Community Charter Public School
Management's Discussion and Analysis - *Continued*
June 30, 2019 (Unaudited)

Mortgage Obligation

On June 16, 2015, the School and Friends, entered into a \$10,315,000 mortgage and security agreement between the Massachusetts Development Finance Agency, Massachusetts Development Finance Agency Qualified Zone Academy Bonds (QZAB) and Boston Private Bank in order to purchase the School building located at 206 Jackson Street in Lowell, Massachusetts. This consists of a \$7,015,000 mortgage and a \$3,300,000 construction note.

On June 16, 2015, the School and Friends entered into a \$1,000,000 Seller's Note with the original owner of the building, James T. Lichoulas of Appleton Mills No. 5 Realty Trust.

Current Known Facts, Decisions, and Conditions

The School is operating at capacity.

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, you may contact the Business Office of Lowell Community Charter Public School at (978) 323-0800, extension 131, or send an inquiry to the School at 206 Jackson Street, Lowell, MA 01852.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Combined Statement of Net Position
With Combining Information For the Year Ended June 30, 2019
With Summarized Comparative Totals For the Year Ended June 30, 2018

	<i>Lowell Community Charter Public School</i>	<i>Lowell Community Charter School Friends, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2019</i>	<i>Memorandum Only Summarized Comparative June 30, 2018</i>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,874,768	\$ 58,844	\$ 1,933,612	\$ 2,349,489
Accounts receivable	1,034,143	-	1,034,143	183,492
Prepaid expenses	-	-	-	15,885
Total current assets	<u>2,908,911</u>	<u>58,844</u>	<u>2,967,755</u>	<u>2,548,866</u>
Noncurrent Assets:				
Cash and cash equivalents, restricted	396,000	-	396,000	264,000
Capital assets, net	11,188,116	-	11,188,116	11,481,733
Total noncurrent assets	<u>11,584,116</u>	<u>-</u>	<u>11,584,116</u>	<u>11,745,733</u>
Total assets	<u>\$ 14,493,027</u>	<u>\$ 58,844</u>	<u>\$ 14,551,871</u>	<u>\$ 14,294,599</u>
Liabilities and Net Position				
Current Liabilities:				
Accounts payable	\$ 187,542	\$ -	\$ 187,542	\$ 94,471
Accrued expenses	616,864	-	616,864	607,853
Deferred revenue	-	11,436	11,436	-
Mortgage payable - Boston Private - current portion	201,053	-	201,053	194,366
Mortgage payable - Lichoulas - current portion	95,887	-	95,887	90,317
Sinking fund - QZAB bond	132,000	-	132,000	132,000
Total current liabilities	<u>1,233,346</u>	<u>11,436</u>	<u>1,244,782</u>	<u>1,119,007</u>
Noncurrent Liabilities:				
Mortgage payable - Boston Private - net of current portion	6,078,482	-	6,078,482	6,280,908
Mortgage payable - Lichoulas - net of current portion	569,876	-	569,876	665,763
Bond payable - QZAB	3,168,000	-	3,168,000	3,168,000
Total noncurrent liabilities	<u>9,816,358</u>	<u>-</u>	<u>9,816,358</u>	<u>10,114,671</u>
Total liabilities	<u>11,049,704</u>	<u>11,436</u>	<u>11,061,140</u>	<u>11,233,678</u>
Net Position:				
Net investment in capital assets	942,818	-	942,818	950,379
Unrestricted	2,500,505	47,408	2,547,913	2,110,542
Total net position	<u>3,443,323</u>	<u>47,408</u>	<u>3,490,731</u>	<u>3,060,921</u>
Total liabilities and net position	<u>\$ 14,493,027</u>	<u>\$ 58,844</u>	<u>\$ 14,551,871</u>	<u>\$ 14,294,599</u>

See accompanying notes to the combined financial statements.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Combined Statement of Revenues, Expenses and Changes in Net Position
With Combining Information For the Year Ended June 30, 2019
With Summarized Comparative Totals For the Year Ended June 30, 2018

	<i>Lowell Community Charter Public School</i>	<i>Lowell Community Charter School Friends, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2019</i>	<i>Memorandum Only Summarized Comparative June 30, 2018</i>
<i>Operating revenues:</i>				
Tuition	\$ 10,613,124	\$ -	\$ 10,613,124	\$ 10,399,722
Federal and state grants	792,555	-	792,555	742,508
Nutrition revenue	613,426	-	613,426	547,085
Medicaid reimbursement	45,557	-	45,557	92,031
Before and after school programs	86,397	-	86,397	66,551
On-behalf fringe benefits	1,671,361	-	1,671,361	1,567,579
City provided transportation services - in kind	576,888	-	576,888	379,665
	<u>14,399,308</u>	<u>-</u>	<u>14,399,308</u>	<u>13,795,141</u>
<i>Operating expenses:</i>				
Salaries	7,468,070	-	7,468,070	7,134,559
Payroll taxes	308,041	-	308,041	314,560
Fringe benefits and staff development	1,064,671	-	1,064,671	1,050,110
Office supplies and expenses	234,593	127	234,720	148,973
Professional development	96,262	-	96,262	117,261
Dues, subscriptions and licenses	49,236	-	49,236	49,783
Recruitment/advertising	6,196	-	6,196	5,168
Contracted and professional services	292,854	1,250	294,104	247,577
Instructional technology	212,960	-	212,960	164,246
Educational services, supplies and expenses	350,872	-	350,872	337,508
Depreciation	396,879	-	396,879	443,514
Food services	414,572	-	414,572	401,701
Athletic and student services	31,775	-	31,775	33,677
Telephone and utilities	275,480	-	275,480	220,676
Maintenance of buildings and grounds	51,243	-	51,243	49,633
Facilities and occupancy costs	271,240	-	271,240	283,534
Insurance	30,637	-	30,637	26,425
City provided transportation services - in kind	576,888	-	576,888	379,665
On-behalf fringe benefits	1,671,361	-	1,671,361	1,567,579
Miscellaneous	350	684	1,034	-
	<u>13,804,180</u>	<u>2,061</u>	<u>13,806,241</u>	<u>12,976,149</u>
Operating income	<u>595,128</u>	<u>(2,061)</u>	<u>593,067</u>	<u>818,992</u>
<i>Nonoperating revenues/(expenses):</i>				
Contributions and other income	40,887	123,693	164,580	107,468
Contribution from Foundation/(to the School)	79,750	(79,750)	-	-
Interest expense	(312,682)	-	(312,682)	(332,837)
Interest income	8,194	14	8,208	1,590
Fundraising expense	(23,363)	-	(23,363)	(24,795)
	<u>(207,214)</u>	<u>43,957</u>	<u>(163,257)</u>	<u>(248,574)</u>
Change in net position	387,914	41,896	429,810	570,418
Net position, beginning of the year	<u>3,055,409</u>	<u>5,512</u>	<u>3,060,921</u>	<u>2,490,503</u>
Net position, end of the year	<u>\$ 3,443,323</u>	<u>\$ 47,408</u>	<u>\$ 3,490,731</u>	<u>\$ 3,060,921</u>

See accompanying notes to the combined financial statements.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Combined Statement of Cash Flows
With Combining Information For the Year Ended June 30, 2019
With Summarized Comparative Totals For the Year Ended June 30, 2018

	<i>Lowell Community Charter Public School</i>	<i>Lowell Community Charter School Friends, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2019</i>	<i>Memorandum Only Summarized Comparative June 30, 2018</i>
Cash flows from operating activities:				
Receipts from tuition reimbursement	\$ 9,767,081	\$ -	\$ 9,767,081	\$ 10,399,722
Receipts from grants	1,390,828	-	1,390,828	1,305,568
Other receipts and reimbursements	142,499	11,436	153,935	268,282
Payments to employees	(8,831,771)	-	(8,831,771)	(8,447,979)
Payments to vendors, suppliers and food program	<u>(2,154,064)</u>	<u>(57,311)</u>	<u>(2,211,375)</u>	<u>(2,155,478)</u>
Net cash provided by/(used in) operating activities	<u>314,573</u>	<u>(45,875)</u>	<u>268,698</u>	<u>1,370,115</u>
Cash flows from non capital financing activities:				
Non-operating receipts	128,831	123,707	252,538	109,058
Non-operating disbursements	<u>(23,363)</u>	<u>(79,750)</u>	<u>(103,113)</u>	<u>(24,795)</u>
Net cash provided by non capital financing activities	<u>105,468</u>	<u>43,957</u>	<u>149,425</u>	<u>84,263</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(103,262)	-	(103,262)	(60,062)
Payments of interest	(312,682)	-	(312,682)	(332,837)
Payments on mortgage payables	<u>(286,056)</u>	<u>-</u>	<u>(286,056)</u>	<u>(272,380)</u>
Net cash used in capital and related financing activities	<u>(702,000)</u>	<u>-</u>	<u>(702,000)</u>	<u>(665,279)</u>
Change in cash and cash equivalents	(281,959)	(1,918)	(283,877)	789,099
Cash and cash equivalents, beginning of year	<u>2,552,727</u>	<u>60,762</u>	<u>2,613,489</u>	<u>1,824,390</u>
Cash and cash equivalents, end of year	<u>\$ 2,270,768</u>	<u>\$ 58,844</u>	<u>\$ 2,329,612</u>	<u>\$ 2,613,489</u>
Reconciliation of operating income/(loss) to net cash provided by/(used in) operating activities:				
Change in net position from operations	\$ 595,128	\$ (2,061)	\$ 593,067	\$ 818,992
<i>Adjustments to reconcile change in operating income/(loss) to net cash provided by/(used in) operating activities:</i>				
Depreciation	396,879	-	396,879	443,514
<i>Change in operating assets and liabilities:</i>				
Accounts receivable	(850,651)	-	(850,651)	70,425
Prepaid expenses	15,885	-	15,885	19,490
Due from related party	55,250	(55,250)	-	-
Deferred revenue	-	11,436	11,436	-
Accounts payable	93,071	-	93,071	(33,556)
Accrued expenses	<u>9,011</u>	<u>-</u>	<u>9,011</u>	<u>51,250</u>
Net cash provided by/(used in) operating activities	<u>\$ 314,573</u>	<u>\$ (45,875)</u>	<u>\$ 268,698</u>	<u>\$ 1,370,115</u>

See accompanying notes to the combined financial statements.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**

Notes to Combined Financial Statements

June 30, 2019

1. Nature of Organization

Lowell Community Charter Public School (the School) was established on March 9, 1999 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 charter for the School was most recently renewed in 2015 and expires on June 30, 2020. DESE provided approximately 83% and 85% of the funding to the School for the years ended June 30, 2019 and 2018, respectively, through a per pupil reimbursement and Federal and Commonwealth of Massachusetts grants.

The School is located in Lowell, Massachusetts and offers children, from K-1 through eighth grade, a public supported academic education.

The School's mission is:

- to engage students in a learning environment in order to enhance interdisciplinary studies and foster critical thinking skills.
- and cultivate children's shared respect for each other, their community and the world around us.
- to graduate creative, confident, and independent thinkers, global citizens and leaders who give back to their community.

The combined financial statements of the primary government consist of the following:

Primary government

- Lowell Community Charter Public School (the School) – operates as an elementary and middle school in Lowell, Massachusetts and serves 800 students from pre-kindergarten through eighth grade. The School is operating at capacity.
- Lowell Community Charter School Friends, Inc. (the Friends) is a legally separate, tax-exempt organization that acts primarily as a fundraising organization to supplement the resources of the School. Friends is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Because these restricted resources can only be used by or for the benefit of the School, Friends is considered a component unit of the School and is presented as a blended component unit. Friends also owns the building where the School is housed, however the School is responsible for the mortgage.

The School and its blended component unit, Friends, are collectively referred to as the Organization.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

2. *Summary of Significant Accounting Policies*

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

Financial Reporting Entity

As required by generally accepted accounting principles, and in conformance with the Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and subsequently amended by GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, the School evaluated its potential component unit to determine the reporting entity.

The reporting entity consists of the School and Friends, its blended component unit, (total which is considered the primary government). Component units are legally separate organizations for which the board is financially accountable for or other organizations whose nature and significant relationship with the School are such that exclusion would cause the combined financial statements to be misleading or incomplete. The School is financially accountable if it appoints a majority of Friend's board and (1) is able to impose its will on Friends, or (2) there is a potential to provide specific financial benefit or to impose a burden on the School.

Friends was evaluated and is included as a blended component unit. Friends, although a legally separate entity, is in substance, part of the School's operations and so financial data is combined and reported within the financial data of the primary government for the respective fiscal year.

Friends is a non-profit organization that reports under Financial Accounting Standards Board (FASB) accounting standards, including *Accounting Standards Codification 958 (ASC 958)*, *Financial Reporting for Non-Profit Organizations*. As such, certain revenue recognition criteria and financial presentation features are different from GASB revenue recognition and financial presentation features. No modifications have been made to Friend's financial information in the School's reporting entity for those differences.

Complete financial statements for Lowell Community Charter School Friends, Inc. can be obtained from the School's Business Office.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

2. *Summary of Significant Accounting Policies – Continued*

Financial Statement Presentation

The School, in accordance with GASB Statement No. 34 – *Basic Financial Statements – 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 combined financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

Basis of Accounting

The accrual basis of accounting is used for all governmental entities that operate as a business type entity. Accordingly, revenue is recognized when earned, grant revenue is recognized when all eligibility requirements are met 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 Organization has elected to apply the provisions of all relevant pronouncements of FASB that do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Tax Status

The School was established under a charter granted by DESE 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.

Friends is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from State income taxes under Section 830 CMR 63.38T.1 of Massachusetts General Laws. For the year ended June 30, 2019, Friends had no unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these combined financial statements.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

2. *Summary of Significant Accounting Policies – Continued*

Tax Status – continued

Friends evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable federal or state authority. Friends has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2019 returns and believes they are more-likely-than-not to be sustained if examined by federal or state tax authorities. Friends' returns are subject to examination by federal and state tax authorities for up to a three year period after the returns have been filed (fiscal years 2016-2018).

Cash and Cash Equivalents

For the purpose of the *Combined Statement of Net Position* and the *Combined Statement of Cash Flows*, the Organization considers all short-term investments with an original maturity of three months or less and certificates of deposits to be cash equivalents. As of June 30, 2019 and 2018, the Organization held \$396,000 and \$264,000 of cash equivalents, respectively.

Grants and Accounts Receivable

Grants and accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At June 30, 2019 and 2018, no allowance for doubtful accounts has been recorded, as management considers all grants and accounts receivable to be fully collectible. All grant costs claimed are subject to review and final acceptance by the U.S. Department of Education, other associated Federal organizations and the Commonwealth of Massachusetts grantor agencies.

Operating Revenue and Expenses

The School

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, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The Foundation

Operating revenue and expenses generally result from fundraising on behalf of the School. The principal operating revenues include private grants and contributions. Operating expenses include contributions to the School, fundraising expenses, and administrative expenses. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

2. *Summary of Significant Accounting Policies – Continued*

Capital Assets

Acquisitions of property and equipment are recorded at cost if purchased, or at fair market value at the date of donation. Capital assets purchased or donated with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for computer equipment, 5 years for other equipment and curriculum materials, 7 years for furniture and fixtures and 40 years for buildings and building improvements.

Classification of Net Position

Net position of the Organization is classified into three components – net investment in capital assets, restricted and unrestricted.

- The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets.
- The restricted component of net position consists of restricted assets when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Organization’s policy is to first apply restricted resources when an expense is incurred for the purpose for which both restricted and unrestricted resources are available.
- The unrestricted component of net position is the net amount of assets and liabilities that are not included in the net investment in capital assets or the restricted component of net position.

Fair Value of Financial Instruments

The Organization’s financial instruments, none of which are held for trading purposes, include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and unearned revenues. The Organization estimates that the fair value of all financial instruments at June 30, 2019 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements, due to their short term nature. The recorded values of the mortgages and bonds payable approximate their fair values, as their interest rates approximate market rates.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

2. *Summary of Significant Accounting Policies – Continued*

Compensated Absences

Employees of the School are categorized as either ten or twelve-month employees. Full time twelve-month employees are entitled to two weeks' vacation per year. Days are accrued at the rate of 6.67 hours per month. Employees are entitled to three weeks after completion of four full consecutive years of employment and hours will accrue at the rate of 10 hours per month in the fifth year. Full-time academic employees are eligible for a maximum of ten sick days per year, up to five days may be converted to personal days. Full-time administrative employees are eligible for a maximum of twelve sick days per year, up to six days may be converted to personal days. All employees are only allowed to carry forward 5 days of sick and personal time to the next year. Unused sick and personal days are not paid upon termination of employment. When an employee terminates employment with the Organization they will forfeit any accumulated time. The Organization's policy is to recognize the costs of compensated sick time when paid to employees.

On-Behalf Payments

The School recognizes its proportional share of pension revenue and expense, as reported by Massachusetts Teachers' Retirement System (the MTRS), as on-behalf payments in the *Combined Statements of Revenues, Expenses, and Changes in Net Position*.

In-Kind Contributions

The School receives donated services in support of the School. Donated services are recorded at fair value. Donates services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if they were not donated are recorded as in-kind contributions in the combined financial statements. Donated services such as fund-raising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the combined financial statements.

Summarized Comparative Information

The combined financial statements include certain prior year's summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain 2018 amounts have been reclassified to conform to the 2019 combined financial statement presentation.

New Accounting Pronouncements

During fiscal year 2019, the Organization implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 clarifies which liabilities the Organization should include in its note disclosures related to debt and requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. Additionally, GASB 88 requires the additional disclosure of debt-related information. The GASB is effective for fiscal years beginning after June 15, 2018.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

3. *Deposits with Financial Institutions*

The Organization maintained its cash accounts at more than one financial institution. These 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. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. The Organization monitors the credit-worthiness of the financial institution in which it deposits money.

As required by Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures* the following represents a summary of deposits as of June 30, June 30, 2019 and 2018:

	<i>2019</i>	<i>2018</i>
Fully insured deposits	\$ 500,000	\$ 500,000
Uncollateralized	<u>1,974,361</u>	<u>2,329,649</u>
Total	<u>\$ 2,474,361</u>	<u>\$ 2,829,649</u>

4. *Restricted Cash*

Sinking Fund

The School was required to establish a sinking fund with the Massachusetts Development Finance Agency (MDFA) in accordance with the loan and security agreement which will be used to repay the MDFA Qualified Zone Academy Bonds (QZAB) loan at the maturity date, July, 2040. Annual payments of \$132,000 are required beginning in fiscal year 2017. The balance in the sinking fund at June 30, 2019 and 2018 was \$396,000 and \$264,000 respectively.

5. *Grants and Accounts Receivable*

Grants and accounts receivable at June 30, 2019 and 2018 are as follows:

	<i>2019</i>	<i>2018</i>
Commonwealth of Massachusetts	<u>\$ 1,034,143</u>	<u>\$ 183,492</u>

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

6. Capital Assets

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

	<i>Balance</i> <i>July 1, 2018</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2019</i>
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 60,062	\$ -	\$ 60,062	\$ -
Land	<u>701,320</u>	<u>-</u>	<u>-</u>	<u>701,320</u>
Total capital assets not being depreciated	<u>761,382</u>	<u>-</u>	<u>60,062</u>	<u>701,320</u>
<i>Capital assets being depreciated</i>				
Building	7,714,530	-	-	7,714,530
Building improvements	3,648,043	155,549	-	3,803,592
Furniture and equipment	287,899	7,775	-	295,674
Curriculum materials	396,186	-	241,487	154,699
Computers	<u>652,231</u>	<u>-</u>	<u>529,292</u>	<u>122,939</u>
Total capital assets being depreciated	<u>12,698,889</u>	<u>163,324</u>	<u>770,779</u>	<u>12,091,434</u>
<i>Less accumulated depreciation</i>				
Building	578,589	192,863	-	771,452
Building improvements	247,134	124,682	-	371,816
Furniture and equipment	193,165	26,424	-	219,589
Curriculum materials	324,611	35,716	241,487	118,840
Computers	<u>635,039</u>	<u>17,194</u>	<u>529,292</u>	<u>122,941</u>
Total accumulated depreciation	<u>1,978,538</u>	<u>396,879</u>	<u>770,779</u>	<u>1,604,638</u>
Capital assets, net	<u>\$ 11,481,733</u>	<u>\$ (233,555)</u>	<u>\$ (60,062)</u>	<u>\$ 11,188,116</u>
	<i>Balance</i> <i>July 1, 2017</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2018</i>
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ -	\$ 60,062	\$ -	\$ 60,062
Land	<u>701,320</u>	<u>-</u>	<u>-</u>	<u>701,320</u>
Total capital assets not being depreciated	<u>701,320</u>	<u>60,062</u>	<u>-</u>	<u>761,382</u>
<i>Capital assets being depreciated</i>				
Building	7,714,530	-	-	7,714,530
Building improvements	3,648,043	-	-	3,648,043
Furniture and equipment	287,899	-	-	287,899
Curriculum materials	396,186	-	-	396,186
Computers	<u>652,231</u>	<u>-</u>	<u>-</u>	<u>652,231</u>
Total capital assets being depreciated	<u>12,698,889</u>	<u>-</u>	<u>-</u>	<u>12,698,889</u>
<i>Less accumulated depreciation</i>				
Building	385,726	192,863	-	578,589
Building improvements	134,551	112,583	-	247,134
Furniture and equipment	166,367	26,798	-	193,165
Curriculum materials	280,135	44,476	-	324,611
Computers	<u>568,245</u>	<u>66,794</u>	<u>-</u>	<u>635,039</u>
Total accumulated depreciation	<u>1,535,024</u>	<u>443,514</u>	<u>-</u>	<u>1,978,538</u>
Capital assets, net	<u>\$ 11,865,185</u>	<u>\$ (383,452)</u>	<u>\$ -</u>	<u>\$ 11,481,733</u>

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

7. *Accounts Payable and Accrued Expenses*

Accounts payable and accrued expenses at June 30, June 30, 2019 and 2018 are as follows:

	<i>2019</i>	<i>2018</i>
Payables to vendors	\$ 187,542	\$ 94,471
Accrued salaries and benefits	<u>616,864</u>	<u>607,853</u>
Total	<u>\$ 804,406</u>	<u>\$ 702,324</u>

8. *Mortgage and Note Payable*

On June 16, 2015, the School entered into a \$10,315,000 mortgage and security agreement between the MDFA (Issuer) and Boston Private Bank (Bond owner) in order to purchase the School building located at 206 Jackson Street in Lowell, Massachusetts. This consists of a \$7,015,000 MDFA revenue bond and a \$3,300,000 MDFA QZAB bond.

MDFA Revenue Bond - Boston Private

Commencing on July 16, 2015, the mortgage calls for 300 monthly payments of principal and interest in the amount of \$35,890, maturing on June 16, 2040. The current interest rate is 3.65%. This bond is one of an issue of bonds under Massachusetts General Laws, Chapter 23G. The loan is collateralized by all real, tangible and intangible property. The mortgage contains various financial and non-financial covenants. At June 30, 2019 and 2018, the outstanding principal balance was \$6,279,535 and \$6,475,274, respectively. For the years ended June 30, 2019 and 2018, interest expense was \$236,317 and \$243,372, respectively.

MDFA QZAB Bond - Boston Private

The MDFA QZAB loan matures in July 2040, bears interest at .84% and requires annual payments in the amount of \$132,000 into a sinking fund which will be used to repay the loan at maturity (Note 4 and Note 17). The loan is cross collateralized with the \$7,015,000 loan.

The mortgage payments, including bond principal, due over the next five years and thereafter in five year increments are as follows:

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Sinking Fund</i>	<i>Total</i>
2020	\$ 201,053	\$ 229,629	\$ 132,000	\$ 562,682
2021	209,250	221,432	132,000	562,682
2022	217,127	213,556	132,000	562,683
2023	225,300	205,383	132,000	562,683
2024	233,241	197,442	132,000	562,683
2024-2028	1,307,150	846,262	660,000	2,813,412
2029-2033	1,572,532	580,906	660,000	2,813,438
2034-2038	1,891,737	261,674	660,000	2,813,411
2039-2041	<u>422,145</u>	<u>8,537</u>	<u>264,000</u>	<u>694,682</u>
Total	<u>\$ 6,279,535</u>	<u>\$ 2,764,821</u>	<u>\$ 2,904,000</u>	<u>\$ 11,948,356</u>

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

8. *Mortgage and Note Payable – Continued*

On June 16, 2015, the School and Friends entered into a \$1,000,000 Seller's Note with the original owner of the building, James T. Lichoulas of Appleton Mills No. 5 Realty Trust. Commencing on July 1, 2015, 120 monthly payments of principal and interest are due in the amount of \$11,102, maturing on June 15, 2025. The current interest rate is 6%.

The note payments due over the next five years and in the aggregate is as follows:

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ 95,887	\$ 37,337	\$ 133,224
2021	101,801	31,423	133,224
2022	108,080	25,144	133,224
2023	114,746	25,144	139,890
2024	121,824	11,401	133,225
2025	123,425	3,887	127,312
Total	<u>\$ 665,763</u>	<u>\$ 134,336</u>	<u>\$ 800,099</u>

Changes in the Organization's long-term liabilities for the year ended June 30, 2019 and 2018 are as follows:

	<i>July 1, 2018</i>	<i>Increase</i>	<i>Decreases</i>	<i>June 30, 2019</i>	<i>Due within one year</i>
Boston Private	\$ 6,475,274	\$ -	\$ (195,739)	\$ 6,279,535	\$ 201,053
Lichoulas	756,080	-	(90,317)	665,763	95,887
QZAB Bond	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>3,300,000</u>	<u>132,000</u>
Long-term debt	<u>\$ 10,531,354</u>	<u>\$ -</u>	<u>\$ (286,056)</u>	<u>\$ 10,245,298</u>	<u>\$ 428,940</u>

	<i>July 1, 2017</i>	<i>Increase</i>	<i>Decreases</i>	<i>June 30, 2018</i>	<i>Due within one year</i>
Boston Private	6,662,584	\$ -	\$ (187,310)	\$ 6,475,274	\$ 194,366
Lichoulas	841,150	-	(85,070)	756,080	90,317
QZAB Bond	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>3,300,000</u>	<u>132,000</u>
Long-term debt	<u>\$ 10,803,734</u>	<u>\$ -</u>	<u>\$ (272,380)</u>	<u>\$ 10,531,354</u>	<u>\$ 416,683</u>

9. *Line of Credit*

The School has a \$750,000 demand line of credit with Boston Private Bank, with an interest rate of 3.75%. The line is secured by the assets of the School. There was no balance due as of June 30, 2019 or 2018.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

10. Lease Commitments

Land and Building

In June 2015, Friends (the Lessor), purchased the land and building located at 206 Jackson Street, Lowell, Massachusetts (the Property) and immediately entered into a 281 month lease agreement with the School (the lessee). The monthly payment for the first 120 months is approximately \$47,000 and approximately \$36,000 for the remaining 161 months. The lease is on a triple net basis and requires the School to pay all operating costs relating to the facility. Friends, who currently holds the deed, did not provide any resources to acquire the Property and does not receive any economic benefit from the Property or any leasing arrangement. In accordance with the GASB codification, accounting for leases between related parties shall be the same as for similar leases between unrelated parties, except in cases where it is clear that the terms of the transaction have been significantly affected by the fact that the lessee and lessor are related. In such cases the classification and or accounting shall be modified as necessary to recognize economic substance rather than legal form. Therefore, the School has treated the lease transaction as if it has purchased the land and building from Friends, as this reflects the economic substance of the transaction.

11. Retirement Plan

The Commonwealth of Massachusetts provides for retirement benefits to the School's eligible teachers through the Massachusetts Teachers' Retirement System (the MTRS), a contributory retirement system administered by the Massachusetts Teachers' Retirement Board. The MTRS is governed by Massachusetts General Laws (M.G.L.), Chapter 32, as well as regulations contained in the Code of Massachusetts Regulations (CMR). Oversight is provided by a seven member board. The MTRS issues a publicly available annual report that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

This retirement plan requires an employee contribution of five, seven, eight, or eleven percent (depending on the plan and the employment date) of the employee's compensation. The School is not assessed under this plan. This retirement system is a contributory defined benefit plan covering all the employees deemed eligible. Members of the plan become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 55 and upon attaining 20 years of service.

The plan also provides for retirement at age 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.

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. At June 30, 2019 and 2018, the School's share of MTRS net pension liability was \$16,493,336 and \$15,019,023, respectively.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

12. *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 combining financial statements. As of June 30, 2019 and 2018, the School recognized \$1,671,361 and \$1,567,579, respectively, of on-behalf revenues and expenses.

13. *Contingencies*

Grant Funding

The School is subject to audit of its Federal and State grants and contracts and as such, if determined that funds are not expended in accordance with the grant and contract agreements, the grantor agency has the right to recapture these funds. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined and management does not anticipate any. Therefore, no adjustment has been made to the combined financial statements.

Cumulative Surplus Revenue

Effective July 1, 2010 any cumulative surplus revenue generated by the School must comply with M.G.L. Chapter 71, Section 89 (as amended by Chapter 12 of the Acts of 2010 under Section 7(hh)). In accordance with this legislation and subsequent DESE regulations, if the School's cumulative surplus revenue, as defined, exceeds 20% of its operating budget and its budgeted capital costs for the succeeding fiscal year, the amount in excess of said 20% shall be returned by the School to the sending district or districts and the Commonwealth in proportion to their share of tuition paid during the fiscal year. Management does not anticipate any repayment for fiscal year 2019.

14. *City Provided Transportation*

The Lowell School District is required to provide transportation to any Lowell student who attends the School. Based upon information provided by the business department of the local school district, the fair value of this transportation for the years ended June 30, 2019 and 2018 was estimated to be approximately \$576,888 and \$379,665, respectively.

15. *Related Party Transactions*

See Note 10 regarding the lease agreement between the School and Friends.

For the years ended June 30, 2019 and 2018, the School received \$79,750 and \$55,250, respectively, from Friends, which consisted of donations, fundraising income and private grants that are meant to offset costs for the School.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2019

16. *Concentration – Revenue*

For the years ended June 30, 2019 and 2018, DESE provided 83% and 85%, respectively, of the Organization’s total revenue through Federal and Commonwealth funding.

17. *Commitments*

The School is required to make annual deposits of \$132,000 to a sinking fund, which will be used to repay the QZAB loan (Note 4 and Note 8).

18. *Subsequent Events*

The Organization has evaluated subsequent events through October 15, 2019, which is the date the combined financial statements were issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the *Combined Statement of Net Position* date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the *Combined Statement of Net Position* date, which are necessary to disclose to keep the combined financial statements from being misleading.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<i>Federal Grantor (Pass-Through Grantor) Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Title I Grants to Local Education Agencies	84.010	305-246370-2019-0456	\$ 271,925
Title I Grants to Local Education Agencies	84.010	305-246379-2018-0456	<u>5,189</u>
Total Title I Grants			<u>277,114</u>
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	240-217128-2019-0456	198,016
Special Education - Grants to States (IDEA, Part B)	84.027	240-217128-2018-0456	42,222
Special Education - Preschool Grants (IDEA Preschool)	84.173	262-217129-2019-0456	<u>5,405</u>
Total Special Education Cluster			<u>245,643</u>
English Language Acquisition State Grants	84.365	180-246368-2019-0456	<u>58,021</u>
Supporting Effective Instruction State Grants	84.367	140-246369-2019-0456	32,608
Supporting Effective Instruction State Grants	84.367	140-246369-2018-0456	<u>109</u>
Total Supporting Effective Instruction State Grants			<u>32,717</u>
Charter Schools	84.282	537-231943-2019-0456	<u>121,600</u>
Student Support and Academic Enrichment Program	84.424	309-246367-2019-0456	<u>19,860</u>
Total U.S. Department of Education			<u>754,955</u>
<i>U.S. Department of Agriculture</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Child Nutrition Cluster			
School Breakfast Program	10.555	09-160-CS-22	431,843
National School Lunch Program	10.553	09-160-CS-22	<u>171,117</u>
Total Child Nutrition Cluster			<u>602,960</u>
Total U.S. Department of Agriculture			<u>602,960</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,357,915</u></u>

See accompanying notes to schedule of federal expenditures.

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

1. *Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lowell Community Charter Public School and Lowell Community Charter School Friends, Inc. (collectively, the Organization) under programs of the Federal government for the year ended June 30, 2019. The information in the 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 Organization, it is not intended to and does not present the combined net position, change in net position, or cash flows of the Organization.

2. *Summary of Significant Accounting Policies*

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.

The Organization has elected to use the 10-percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

3. *Subrecipients*

There were no pass through federal awards to subrecipients by the Organization during fiscal year 2019.

**REPORT ON COMPLIANCE AND
INTERNAL CONTROL IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS**



DANIEL DENNIS & Co
Certified Public Accountants

*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 Community Charter Public School and
Lowell Community Charter School Friends, 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 combined statement of net position of Lowell Community Charter Public School and Lowell Community Charter School Friends, Inc. (a non-profit organization) (collectively, the Organization), as of and for the year ended June 30, 2019, and the combined statements of revenues, expenses and changes in net position and cash flows, and the related notes to the combined financial statements, which comprise the Organization's combined financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combined 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 might 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 Organization's combined 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 the combined 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Dennis & Company LLP

Dedham, Massachusetts

October 15, 2019

**REPORT IN ACCORDANCE
WITH
THE UNIFORM GUIDANCE**



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required by the Uniform Guidance

To The Board of Trustees
**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**

Report on Compliance for Each Major Federal Program

We have audited Lowell Community Charter Public School's and Lowell Community Charter School Friends, Inc.'s (collectively, the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2019. The Organization's major federal program is 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 the Organization's major federal program 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 (CFR) 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Organization'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.

Daniel Dennis & Company LLP

Dedham, Massachusetts

October 15, 2019

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiency identified that is not considered to be a material weakness? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ yes X no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Program</i>
	Child Nutrition Cluster
10.553	<i>School Breakfast Program</i>
10.555	<i>National School Lunch Program</i>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Lowell Community Charter Public School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2019

Section II – FINANCIAL STATEMENT FINDINGS

A. Deficiencies in Internal Control over Financial Reporting

None

B. Material Fraud and Noncompliance with Provisions of Laws and Regulations

None

C. Material Noncompliance with Provisions of Contracts and Grant Agreements

None

D. Material Abuse

None

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

**Lowell Community Charter Public School and
Lowell Community Charter School Friends, Inc.**
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2019

No Prior Year Findings

BOARD ACCEPTANCE LETTER



206 Jackson Street Lowell, MA 01852

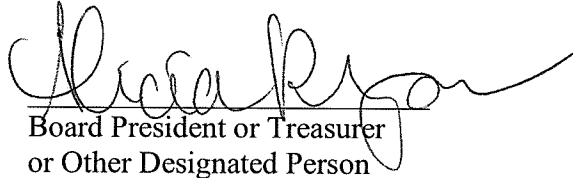
Phone (978) 323-0800

Fax (978) 323-4600

www.lccps.org

ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Lowell Community Charter Public School and Lowell Community Charter School Friends, Inc. or its designated committee or individual, have voted to accept the representations of management and the expression of the opinions made by Daniel Dennis & Company LLP as embodied in the combined financial statements and independent auditors' reports for the year ended June 30, 2019. We also certify that the representations made by management and the disclosures in the combined 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 period ended June 30, 2019.

 Board President
Board President or Treasurer
or Other Designated Person

10/15/2019
Date October 15, 2019