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September 15, 2020

To the Boards of Trustees and Management of
Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc:

We have audited the combined general purpose financial statements of Libertas Academy Charter School and Friends of Libertas Academy Charter School, Inc. (collectively, the Organization) for the year ended June 30, 2020, and have issued our report thereon dated September 15, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Required Communications

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the combined general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combined general purpose financial statements in the proper period.

Accounting estimates are an integral part of the combined general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the combined general purpose financial statements were:

- The estimated useful lives of capital assets, which are based on management's expectation of the period of time the class of asset will provide future economic benefit to the Organization.
- The value of in-kind revenues and expenses, which is based upon the estimated value assigned to them by the donating organizations.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the combined general purpose financial statements taken as a whole.

The combined general purpose financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties dealing with management in performing and completing our audit.

09/02/2020

Required Communications (Continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management concurs with and has corrected the attached material misstatements detected as a result of audit procedures.

The attached schedule summarizes uncorrected misstatements of the combined general purpose financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the combined general purpose financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's combined general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the combined general purpose financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the combined general purpose financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the combined general purpose financial statements or to the combined general purpose financial statements themselves.

Other Matters – Comments, Observations and Recommendations

Current Year Items

Outstanding Checks

There were seven checks to one vendor included as reconciling items on the bank reconciliations that had been outstanding for more than six months. The outstanding checklist should be reviewed monthly, the nature of old checks investigated, and corrective action should be taken. Consideration regarding compliance with the Massachusetts unclaimed property laws should also be analyzed.

Computer System Review

As we have seen in recent months with changes to a remote workforce, there continues to be increasing threats that the Organization's computer systems may be vulnerable to attacks from such cyber criminals. In addition, phishing schemes are getting more creative using social engineering. Management should implement as many procedures and safeguards as possible to offset these threats. A review of the Organization's Cyber Health, consistent employee training and a review of cyber insurance policies are prudent. All organizations must know where they have vulnerabilities and a regular annual review is encouraged. Cyber Health must be an annual review and process as hackers get more and more sophisticated each year. We can help the Organization reduce risk in this area and develop an annual cyber review.

Whistle-Blower Policy

The Sarbanes-Oxley Act (the Act) was designed to add new governance standards for the corporate sector to rebuild public trust in publicly held companies. While the majority of this act deals directly with for-profit corporations, two standards in the Act, whistle-blower protection, cover non-profit corporations. The Act also made it a criminal offense to punish whistle-blowers. The Organization should adopt a policy allowing for a venue for whistle-blowers, including a contact person to report to, a procedure to follow-up on any matters brought to the attention of the Organization, as well as a prohibition against punishing whistle-blowers.

Other Matters for Your Information

Coronavirus: Business Impacts and Planning

The Coronavirus pandemic (COVID-19) is impacting our lives and businesses in a way that none of us has experienced before. The global economy is certainly impacted, and businesses and individuals are reacting to an uncharted situation that continues to evolve rapidly. Certainly, health and safety are our primary concerns. Business leaders have been forced to make difficult decisions related to employees, customers, and planning.

Management should consider the following:

- Prepare a monthly financial forecast for the remainder of your fiscal year. The forecast should consider what impact this has on your revenues, cash flows, and financial performance. Your forecasts should also include contingency plans in case this situation extends out to identify what you should do and when.
- Make sure your management team and governance are engaged and in constant communication to strategize.

Other Matters for Your Information (Continued)

Coronavirus: Business Impacts and Planning (Continued)

- Consider obtaining financing to support sustainability. There are loans available through the U.S. Small Business Administration and through several states that offer economic support to help small businesses and nonprofits address emergency needs due to the disruption caused by COVID-19.
- Revisit your current and future investing strategy and liquidity needs.
- Track and monitor the impact this pandemic is having on your revenues and expenses. The Federal government's potential stimulus provisions could be beneficial to your business.
- Review insurance policies to evaluate whether there is any coverage that would apply to any of your losses.

In addition, management needs to consider the accounting and financial statement disclosure implications resulting from the Coronavirus outbreak, including, but not limited to, fair value measurement, assets impairment, revenue recognition, leases, accounting estimates, and loss contingency.

AAFCPAs is available to help you understand the economic impact the Coronavirus is having on current operations and finances as well as your long-term sustainability.

New Lease Accounting Standard

In June 2017, Governmental Accounting Standards Board (GASB) issued Statement 87, *Leases*. This guidance applies to most leases with a term of over twelve months. These leases will now be recognized on the statement of net position of both the lessee and the lessor at the present value of payments expected to be made during the lease term. For leases with a term of twelve months or less, lease payments will continue to be recorded as expenses.

In accordance with this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The lease liability decreases as lease payments are made, and the lessee also recognizes interest expense. The right-to-use lease asset is amortized over the lease term.

A lessor is required to recognize a lease receivable and a deferred inflow of resources. The lease receivable decreases as lease payments are made, and the lessee also recognizes interest revenue. The deferred inflow of resources is recognized as rental revenue, usually over the lease term. In addition, the lessor keeps the capital asset on their books and continues to amortize it and evaluate it for impairment.

For leases with related parties, the accounting under this standard is the same as third-party leases except in cases in which it is clear that the terms of the transaction have been significantly affected by the fact that the lessee and lessor are related.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to defer the effective date of the lease guidance for organizations for an additional eighteen months. Therefore, the new lease standard is effective for fiscal years beginning after June 15, 2021. Early application is still allowed.

If you have any questions or need further assistance with these items, please contact a member of your audit service team.

The Boards of Trustees and Management of
Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.
September 15, 2020
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This information is intended solely for the use of the Boards of Trustees and management of the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

AAFCPAs, Inc.
Certified Public Accountants

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Client: **11057 - Libertas Academy Charter School**
 Engagement: **11057 - Libertas Academy Charter School**
 Period Ending: **6/30/2020**
 Trial Balance: **TB-02 - Friends Trial Balance**
 Workpaper:

Account	Description	W/P Ref	Debit	Credit	P&L Effect
	Unadjusted changes in operating and invested in capital funds (unrestricted) net position				\$ 11,117
Adjusting Journal Entries JE # 1		SSTT-01			
To tie out beginning net assets and properly record a fiscal year 2020 restricted gift.					
43450	Individual Contributions		1,600.00		(1,600)
30390	Unrestricted Net Assets			1,600.00	
Total			<u><u>1,600.00</u></u>	<u><u>1,600.00</u></u>	
	Total Adjusting Journal Entries		<u><u>1,600.00</u></u>	<u><u>1,600.00</u></u>	
	Total All Journal Entries		<u><u>\$ 1,600.00</u></u>	<u><u>\$ 1,600.00</u></u>	
	Adjusted changes in operating and invested in capital funds (unrestricted) net position				\$ <u><u>9,517</u></u>

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Client: **11057 - Libertas Academy Charter School**
Engagement: **11057 - Libertas Academy Charter School**
Period Ending: **6/30/2020**
Trial Balance: **TB-01 - Trial Balance**
Workpaper: **AJE Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
	Unadjusted changes in operating and invested in capital funds (unrestricted) net position				\$ 50,033
Adjusting Journal Entries JE # 1		12			
	To properly record in-kind meals provided by Sodexo at June 30, 2020.				
5350	Food Services		15,929.00		
4413b	Contributions in kind - other			15,929.00	
Total			<u>15,929.00</u>	<u>15,929.00</u>	-
Adjusting Journal Entries JE # 2		12			
	Client proposed entry to properly record in-kind transportation at June 30, 2020.				
5330	Student Transportation		6,750.00		
4413b	Contributions in kind - other			6,750.00	
Total			<u>6,750.00</u>	<u>6,750.00</u>	-
	Total Adjusting Journal Entries		<u>22,679.00</u>	<u>22,679.00</u>	
	Total All Journal Entries		<u>\$ 22,679.00</u>	<u>\$ 22,679.00</u>	
	Adjusted changes in operating and invested in capital funds (unrestricted) net position				\$ <u>50,033</u>

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LIBERTAS ACADEMY CHARTER SCHOOL

Uncorrected Misstatements Report
June 30, 2020

PAJE #	Adjustment Accounts	Journal Entry		Description of Audit Difference	Financial Statement Effect		
		Debit	Credit		Total Assets	Total Liabilities	Change in Net Position
1	Grants - Federal	\$ 2,632	\$ -	To properly record Title I MTRS funding and related receivable for the year ended June 30, 2020.	\$ -	\$ -	\$ (2,632)
1	Accounts Receivable	-	2,632		(2,632)	-	-
2	MTRS Liability	8,324	-	To properly state MTRS accrual and related expense as of and for the year ended June 30, 2020.	-	(8,324)	-
2	MTRS Expense	-	8,324		-	-	8,324
Net Unadjusted Audit Differences - Current Year					<u>\$ (2,632)</u>	<u>\$ (8,324)</u>	<u>\$ 5,692</u>

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