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October 21, 2021

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, 2021, and have issued our report thereon dated October 21, 2021. 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 7, 2021. 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 2 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 2021. 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 significant difficulties dealing with management in performing and completing our audit.

10/13/2021

### 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. We are pleased to report there are no such misstatements.

We have attached an uncorrected misstatement of the combined general purpose financial statements. Management has determined that its effect is immaterial 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 October 21, 2021.

#### *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

**Prior Year Items Addressed**

- The Organization implemented a training to employees on Cyber Security as well as utilizes an outsourced technical support team to monitor and alert the Organization of possible concerns and threats to the computer systems.
- The Organization updated its Employee Handbook to contain a policy that explicitly names the protections that are afforded to whistle-blowers, who to contact when an issue arises, and procedures that the Organization will follow if an issue has been reported.
- The Organization did not have any old outstanding items on its bank reconciliations.

**Current Year Item - Immaterial Instance of Non-Compliance**

*End of Year Report*

As part of our compliance testing required by the Department of Elementary and Secondary Education (DESE), we noted two errors reported in the fiscal year 2020 Charter School End of Year Report (CSEYO Report):

1. The School improperly listed that the fiscal year 2020 audit was issued in accordance with Uniform Guidance reported on Tab 5 of the CSEYO Report and;
2. The School incorrectly listed the square footage amount for the building reported on Tab 7 of the CSEYO Report.

We recommend the School correct these errors before filing the fiscal year 2021 CSEYO Report.

**Current Year Item - Best Practice Recommendation**

*Procurement Policy*

As the Organization continues to grow and receive additional Federal funding, management should adopt a procurement policy that is in accordance with Uniform Guidance requirements. Organizations receiving Federal grants and contracts are required to maintain an effective procurement system and must have written procurement policy and procedures that reflect the Uniform Guidance (UG) issued by the U.S. Office of Management and Budget (OMB). Failure to comply with the requirements will result a noncompliance finding in the future. Management should review the procurement standards, determine the impact on the Organization and develop a plan for compliance. To comply with Federal requirements, management should include the following attributes in its procurement policy:

- Procedures to avoid acquisition of unnecessary or duplicative items.
- Procedures to award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of the contract.
- Procedures to maintain records sufficient to detail the history of procurement.
- Documentation of the methods of procurement used, including the dollar threshold (i.e. micro-purchase, small purchase, sealed bids, competitive proposals, etc.).

Other Matters - Comments, Observations and Recommendations (Continued)

**Current Year Item - Best Practice Recommendation (Continued)**

*Procurement Policy (Continued)*

- Policy must include all necessary affirmative steps to assure that small and minority businesses (SMB), women's business enterprises (WBE), and labor surplus area firms are used when possible.
- Policy must include procedures to perform timely, cost and price analysis for every procurement action in excess of the simplified acquisition threshold
- Procedures to address issues arising out of procurements, such as: source evaluation, protests, disputes, and claims.

Other Matters for Your Information

***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 (fiscal year 2022).

In order to estimate how this change will affect your organization, you should summarize all of your leases and consider the impact the new standard will have on your combined general purpose financial statements. If the impact on your statement of net position is potentially significant, you may want to:

- Look at the impact of these changes to your revenues and expenses and the subsequent impact on any contracts, compensation agreements, etc.
- Consider if it still makes sense to lease instead of buying the asset.
- Estimate the effect of this change on the timing of your revenues and expenses and re-forecast your financial results to see the full impact of the change.

Other Matters for Your Information (Continued)

**Statement on Auditing Standards – Auditor’s Reports**

In an effort to increase the informational value and relevance of the auditor’s report for users, the AICPA’s Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, in May 2019. SAS No. 134 contains many substantive changes including:

- Opinion section is now required to be presented first in the auditor’s report and the basis for opinion section is required to follow the opinion section.
- A statement is added to the auditor’s report indicating that the auditor is required to be independent of the entity and meet the auditor’s other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audit.
- Enhanced auditor reporting relating to going concern, including a description of the respective responsibilities of management and the auditor for going concern.
- Expanded description of the auditor’s responsibilities, including professional judgement and professional skepticism, and communications with those charged with governance.
- A new auditing standard is created to address the auditor’s responsibility to communicate Key Audit Matters (KAM) when the auditor is engaged to do so. Communicating KAM in the auditor’s report will provide transparency about the audit to the combined general purpose financial statement users. Examples of KAM may include capital asset impairment, uncertain tax positions, revenue recognition, capital asset and inventory valuation. The communication of KAM does not alter the opinion on the combined general purpose financial statements taken as a whole.
- Clarified the relationship between Emphasis-of-Matter (EOM) paragraphs and the communication of KAM.
- Principal changes relate to form and content of the auditor’s report when the opinion is modified consistent with the requirements in the existing standards.

ASB also issued SAS No. 135, *Omnibus Statement on Auditing Standards - 2019*, and SAS No. 137, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*, in May 2019 and July 2019, respectively. The amendments in SAS No. 135 are intended to enhance audit quality by heightening the auditor’s focus on related parties and transactions and creating new communication requirements for the auditor in communicating significant unusual transactions to those charged with governance, such as difficult or contentious matters for which the auditor consulted outside the engagement team and uncorrected misstatements that could cause future material misstatements.

SAS No. 137 addresses the auditor’s responsibilities relating to other information, whether financial or nonfinancial, included in an entity’s annual report. SAS No. 137 also requires a separate section to be included in the auditor’s report addressing such additional information.

The effective date of these new SASs is for audits of non-public company financial statements for periods ending on or after December 15, 2021.

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  
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October 21, 2021  
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This information is intended solely for the use of the Boards of Trustees, the Finance Committee 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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LIBERTAS ACADEMY CHARTER SCHOOL

Uncorrected Misstatements Report  
June 30, 2021

PAJE #	Adjustment Accounts	Journal Entry		Description of Audit Difference	Combined General Purpose Financial Statement Effect			
		Debit	Credit		Total Assets	Total Liabilities	Total Net Position	Change in Net Position
1	Unrestricted revenue Restricted net position	\$ 14,345 -	\$ - 14,345	To properly state releases of restricted grants for the year ended June 30, 2021.	\$ - -	\$ - -	\$ - 14,345	\$ (14,345) -
					<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,345</u>	<u>\$ (14,345)</u>

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