



# MCCPS Board of Trustees

## Finance Committee Meeting - Joint Meeting with the Board

Published on October 16, 2020 at 5:43 PM EDT

### Date and Time

Wednesday October 21, 2020 at 8:00 AM EDT

### Agenda

	Purpose	Presenter	Time
<b>I. Opening Items</b>			<b>8:00 AM</b>
Opening Items			
<b>A. Record Attendance and Guests</b>		R Herve	5 m
<b>B. Call the Meeting to Order</b>		R Herve	1 m
<b>C. Approve Outstanding previous Finance committee meeting minutes</b>	Approve Minutes	Rodolphe Herve	3 m
Approve minutes for Finance Committee Meeting on September 23, 2020			
<b>D. Presentation of MCCPS Audit Report</b>	Vote	Colleen D'Alfonso	30 m
Ms. Colleen D'Alfonso, Partner at Daniel Dennis & Co will present the audit report of the MCCPS & Marblehead Charter Education Fund for the year ended June 30, 2020. This report has to be reviewed by Fincom before being reviewed and adopted by the MCCPS Board.			
<b>II. Finance - Financial Statement Review</b>			<b>8:39 AM</b>
Finance			
<b>A. Committee review of Previous Month's Financial Statements</b>	Discuss	Jeff Barry	45 m
Documents to be attached when available			
<b>III. Other Business</b>			<b>9:24 AM</b>
<b>A. Other discussion points</b>	Discuss	R Herve	5 m
<b>IV. Closing Items</b>			<b>9:29 AM</b>
<b>A. Adjourn Meeting</b>	Vote		

## Cover Sheet

### Approve Outstanding previous Finance committee meeting minutes

**Section:** I. Opening Items  
**Item:** C. Approve Outstanding previous Finance committee meeting minutes  
**Purpose:** Approve Minutes  
**Submitted by:**  
**Related Material:** Minutes for Finance Committee Meeting on September 23, 2020

DRAFT



## MCCPS Board of Trustees

### Minutes

#### Finance Committee Meeting

---

**Date and Time**

Wednesday September 23, 2020 at 8:00 AM

**Location**

Join Zoom Meeting

<https://us02web.zoom.us/j/88061974142?pwd=WTMzaW9JcUVYMGVVCb1hTNS84eFpFZz09>

Meeting ID: 880-6197-4142

Password: 8929

---

**Committee Members Present**

Artie Sullivan (remote), Jeff Barry (remote), Julie Santosus (remote), Karl Smith (remote), NDack Toure (remote), Peter Cohen (remote), Rodolphe Herve (remote)

**Committee Members Absent**

Jeremy Bumagin, Richard Doron

**Committee Members Arrived Late**

Karl Smith

---

**I. Opening Items****A. Record Attendance and Guests****B. Call the Meeting to Order**

In light of the ongoing COVID-19 coronavirus outbreak, Governor Baker issued an emergency Order on March 12, 2020, allowing public bodies greater flexibility in utilizing technology in the conduct of meetings under the Open Meeting Law. This committee makes a motion to accept this Executive Order for this meeting of the Finance Committee, on Sep 23, 2020. The committee VOTED to approve the motion.

Rodolphe Herve made a motion to open meeting.

Jeff Barry seconded the motion.

The committee **VOTED** to approve the motion.

**Roll Call**

Artie Sullivan Aye  
Rodolphe Herve Aye  
Karl Smith Absent  
Julie Santosus Aye  
Jeremy Bumagin Absent  
Jeff Barry Aye  
Peter Cohen Aye  
Susan Hauck No  
Richard Doron Absent  
NDack Toure Aye

Rodolphe Herve called a meeting of the Finance Committee of MCCPS Board of Trustees to order on Wednesday Sep 23, 2020 @ 8:03 AM.

Karl Smith arrived late.

**C. Approve Outstanding previous Finance committee meeting minutes**

Jeff Barry made a motion to approve minutes.

Julie Santosus seconded the motion.

The committee **VOTED** to approve the motion.

**Roll Call**

Julie Santosus Aye  
Artie Sullivan Aye  
Rodolphe Herve Aye  
Karl Smith Absent  
NDack Toure Aye  
Jeff Barry Aye  
Peter Cohen Aye  
Jeremy Bumagin Absent  
Richard Doron Absent

**II. Finance - Financial Statement Review**

**A. Committee review of Previous Month's Financial Statements**

For the second month in a row the state paid \$227,399 as well as the additional payment of \$24,763. It is detailed as "charter school reimbursements to cities". There has been no notification about any errors or overpayments. The DESE has not updated FY21 PPE data since the original projections from January.

Current Enrollment is 208 due to unplanned attrition b/w 6th and 7th grade. As budget was made for 210 kids, we will continue every effort to recruit in 7th and 8th grade. We will report enrollment to the state in October and DESE will update payments to the school in December.

Teaching Force is an exciting new program, bringing teaching methods from the Netherlands, which MCCPS is the first in the US to implement. The cost of the program would be \$10K this year and \$20K next year, subject to further negotiations. For now, the \$10K year 1 spend would be funded as follows: \$2500 via a donation from the MCCPS Head of School, \$2500 from the Fund, \$3670 grant, leaving a \$1,330 gap. Grants will continue to be sought for this program. Stipends for the staff to participate in this program will also need to be funded.

The School's Food Service Dept is up and running and providing meals for families that qualify for free breakfast & lunch, and also community families who want to take advantage of the program.

The school will be reimbursed \$2.33 for each breakfast and \$4.09 for each lunch served. We will run separate P&Ls to track the profitability of the Food Service program.

### III. Other Business

#### A. Other discussion points

None

### IV. Closing Items

#### A. Adjourn Meeting

Rodolphe Herve made a motion to adjourn.

Jeff Barry seconded the motion.

The committee **VOTED** to approve the motion.

##### Roll Call

Jeremy Bumagin Absent

Artie Sullivan Aye

Rodolphe Herve Aye

Julie Santosus Aye

Jeff Barry Aye

Karl Smith Aye

Richard Doron Absent

NDack Toure Aye

Peter Cohen Absent

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 9:02 AM.

Respectfully Submitted,  
Rodolphe Herve

---

### Documents used during the meeting

- 2020\_08\_19\_finance\_committee\_meeting\_minutes.pdf
- FinCom notes August.docx
- MCCPS-Aug-2020-Financial Statements v1.xlsx

# Cover Sheet

## Presentation of MCCPS Audit Report

**Section:** I. Opening Items  
**Item:** D. Presentation of MCCPS Audit Report  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:** FY20 draft audit.pdf  
Marblehead Debt Covenants (1).pdf

**Draft for Review**

**Marblehead Community Charter Public School  
and  
Marblehead Charter Education Fund, Inc.**

Combined Financial Statements and  
Independent Auditors' Report in Accordance with  
Government Auditing Standards

June 30, 2020

**Marblehead Community Charter Public School**  
**Marblehead Charter Education Fund, Inc.**  
June 30, 2020

**Draft for Review**

*Table of Contents*

	<i>Page</i>
Independent Auditors' Report	1
Management Discussion and Analysis	3
Financial Statements:	
Combined Statement of Net Position	8
Combined Statement of Revenues, Expenses, and Changes in Net Position	9
Combined Statement of Cash Flows	10
Notes to the Combined Financial Statements	11
Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23
Schedule of Findings and Responses	26
Schedule of Prior Year Audit Findings	28
Board Acceptance Letter	30





Draft for Review

*Independent Auditors' Report*

The Board of Trustees  
**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

**Report on the Combined Financial Statements**

We have audited the accompanying combined statement of net position of Marblehead Community Charter Public School (a governmental entity) and Marblehead Charter Education Fund, Inc. (a nonprofit organization) (collectively, the Organization) as of and for the year ended June 30, 2020, and the related combined statements of revenues, expenses and changes in net position and cash flows 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, 2020, and the respective changes in its combined financial position and combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Draft for Review

***Other Matters******Report on Summarized Comparative Information***

We have previously audited the Organization's fiscal year 2019 combined financial statements, and our report dated October 22, 2019, 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, 2019, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **October XX, 2020**, 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**October XX, 2020**

## Marblehead Community Charter Public School

### Management's Discussion and Analysis

June 30, 2020 (Unaudited)

**Draft for Review**

The following management discussion and analysis of Marblehead 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, 2020, with comparative totals for fiscal year 2019. Please read this in conjunction with the School's combined financial statements and the related notes, which begin on page 8.

#### **The School as a Whole**

The School received their initial charter in June 1994 to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded in five-year increments and is subject to renewal by the Commonwealth of Massachusetts Department Elementary and Secondary Education (DESE). The School's charter was renewed during fiscal year 2020 and is effective for the five year period ending June 30, 2025. The charter renewal includes one condition, for which the School must comply. During fiscal years 2020 and 2019, the School operated grades four through eight and the enrollment was comprised of approximately 208 and 230 students, respectively, for each fiscal year. The School's maximum enrollment approved by the DESE is 230 students.

The School's mission is: *to foster a community that empowers children to become capable, self-determining, fully engaged individuals who are critical and creative thinkers committed to achieving their highest intellectual, artistic, social, emotional, and physical potential. The School is dedicated to involving learning from, participating in, and serving our school community and the community at large.*

#### **Financial Reporting Entity**

As required by generally accepted accounting principles, and in conformance with the *Government Accounting Standards Board (GASB) Statements No. 14, The Financial Reporting Entity* and *GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units and subsequently amended by GASB Statement 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*, the School evaluated its potential component unit and determined that Marblehead Charter Education Fund, Inc. (Fund) was 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, the Fund, 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 *GASB Statement No. 34 - Basic Financial Statement – 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 Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Organization 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 and other information which provides additional information that is essential to a full understanding of the information provided in the combined financial statements.

**Marblehead Community Charter Public School**  
 Management's Discussion and Analysis - *Continued*  
 June 30, 2020 (Unaudited)

**Draft for Review**

**Financial Statements**

The *Combined Statement of Net Position* presents the assets, liabilities and net position of the Organization as a whole, as of the end of the fiscal year and is a point-in-time financial statement. The purpose of the *Combined Statement of Net Position* is to present a fiscal snapshot of the Organization to the readers of the 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. Net position represents the difference between all other elements in a statement of net 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 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 and liabilities 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 Revenues, Expenses and Changes in 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 fiscal year and its net increase or net decrease in net position based on current year operations.

**Marblehead Community Charter Public School**  
 Management's Discussion and Analysis - *Continued*  
 June 30, 2020 (Unaudited)

**Draft for Review**

**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.

**Financial Highlights**

The following financial highlights are for the fiscal year ended June 30, 2020 and will provide comparative information for fiscal year 2019:

- The School held total assets of \$4,304,634 and \$4,278,379 at June 30, 2020 and 2019, respectively, of which \$3,734,238 and \$3,828,905, respectively were capital assets, net and the majority of the remaining assets consisted of cash. The increase in total assets was due to the increase in cash generated from operations.
- The School had total liabilities of \$3,957,127 and \$4,001,533 at June 30, 2020 and 2019, respectively. At June 30, 2020, \$341,352 was current and \$3,615,775 was noncurrent. At June 30, 2019, \$284,019 was current and \$3,717,514 was noncurrent. The decrease in total liabilities was mainly due to the payment of mortgage principal.
- Total net position for the School was \$347,507 and \$276,864 at June 30, 2020 and 2019, respectively, of which \$332,513 and \$265,855, respectively was unrestricted. In addition, for the years ended June 30, 2020 and 2019, the School had \$14,994 and \$10,991, respectively, in net position, which was related to net investments in capital assets. The increase in the net position is due to the current year surplus.
- The School earned total revenues of \$3,332,363 and \$3,576,718, excluding on-behalf fringe benefits, for the years ended June 30, 2020 and 2019, respectively of which 98%, were operating revenues and approximately 2%, were non-operating revenues (private grants, contributions, etc.) for both fiscal years ended June 30, 2020 and 2019. The decrease in revenue is due to the decrease in per pupil tuition, due to a lower enrollment in fiscal year 2020 and a decrease in food service and student activities revenue resulting from the transition to a remote learning environment in response to the COVID-19 pandemic.

**Marblehead Community Charter Public School**  
Management’s Discussion and Analysis - *Continued*  
June 30, 2020 (Unaudited)

**Draft for Review**

**Financial Highlights - *Continued***

- The School had total expenses of \$3,261,702 and \$3,630,875, excluding on-behalf fringe benefits, for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, total expenses include operating expenses of \$3,767,340 and \$4,039,276, excluding on-behalf fringe benefits, respectively, and non-operating expenses of \$141,796 and \$137,015, respectively. The decrease is mainly due to a decrease in salary resulting from a decreased enrollment and a decrease in professional services during fiscal year 2020.
- The School had an increase in net position of \$70,661 and a decrease in net position of \$54,157 for the years ended June 30, 2020 and 2019 respectively. In fiscal year 2020, the change in net position was comprised of operating income of \$142,183 and a non-operating loss of \$71,522. In fiscal year 2019, the change in net position was comprised of an operating income of \$11,883 and a non-operating loss of \$66,040.

**Budgetary Highlights**

The School’s annual budget for the year ended June 30, 2002 was approved by the Board of Trustees (the Board). For the fiscal year ended June 30, 2020, the School incurred \$3,261,702 in actual expenditures, excluding on-behalf fringe benefits, compared to budgeted expenditures of \$3,153,437. **The School was over budget by \$108,265 due to .....**

**The School budgeted tuition for fiscal year 2020 based on projected enrollment of 230 students, utilizing the average per pupil rate from the sending districts projected by DESE for fiscal year posted on the DESE Charter School web site.**

**The Board of Trustees is in the final stages of developing a new strategic plan, which will provide a road map for the immediate future of the School. It is anticipated that the School will establish a Capital Campaign during fiscal year 2021 to enable us to bring this vision to life.**

**School’s Financial Activities**

The majority of the School’s funding was received from DESE and is based on a standard per pupil rate. The School received \$3,025,960 in per pupil funding in fiscal year 2020 compared to \$3,195,223 in per pupil funding in fiscal year 2019. This represent approximately 91% and 89% of the School’s revenue for the fiscal years ended June 30, 2020 and 2019, respectively. In addition, the School received various government grants, which totaled \$74,237 and \$60,434 for fiscal years 2020 and 2019, respectively.

**Current Known Facts, Decisions and Conditions**

***COVID-19***

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. As a result, the School transitioned into a remote working and learning environment for the remainder of fiscal year 2020. The School anticipates remaining, at least partially, in the remote working and learning environment for the start of the 2020-2021 school year. The extent to which COVID-19 may impact the School’s activities will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain the virus.

**Marblehead Community Charter Public School**  
Management's Discussion and Analysis - *Continued*  
June 30, 2020 (Unaudited)

**Draft for Review**

**Contacting the School's Financial Management**

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

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**  
Combined Statement of Net Position  
With Combining Information as of June 30, 2020  
With Summarized Comparative Totals as of June 30, 2019

Draft for Review

	<i>Marblehead Community Charter Public School</i>	<i>Marblehead Charter Education Fund, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2020</i>	<i>Memorandum Only Summarized Comparative June 30, 2019</i>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash	\$ 535,236	\$ 4,708	\$ 539,944	\$ 156,606
Tuition and accounts receivable	35,160	50	35,210	281,691
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,594</u>
Total current assets	<u>570,396</u>	<u>4,758</u>	<u>575,154</u>	<u>457,891</u>
<b>Noncurrent Assets:</b>				
Capital assets, net	<u>3,734,238</u>	<u>-</u>	<u>3,734,238</u>	<u>3,828,905</u>
Total noncurrent assets	<u>3,734,238</u>	<u>-</u>	<u>3,734,238</u>	<u>3,828,905</u>
Total assets	<u>\$ 4,304,634</u>	<u>\$ 4,758</u>	<u>\$ 4,309,392</u>	<u>\$ 4,286,796</u>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 9,943	\$ -	\$ 9,943	\$ -
Accrued expenses	81,691	-	81,691	62,298
Accrued payroll	146,249	-	146,249	121,321
Note payable - current	<u>103,469</u>	<u>-</u>	<u>103,469</u>	<u>100,400</u>
Total current liabilities	<u>341,352</u>	<u>-</u>	<u>341,352</u>	<u>284,019</u>
<b>Noncurrent Liabilities:</b>				
Note payable	<u>3,615,775</u>	<u>-</u>	<u>3,615,775</u>	<u>3,717,514</u>
Total noncurrent liabilities	<u>3,615,775</u>	<u>-</u>	<u>3,615,775</u>	<u>3,717,514</u>
Total liabilities	<u>3,957,127</u>	<u>-</u>	<u>3,957,127</u>	<u>4,001,533</u>
<b>Net Position:</b>				
Net investment in capital assets	14,994	-	14,994	10,991
Unrestricted	<u>332,513</u>	<u>4,758</u>	<u>337,271</u>	<u>274,272</u>
Total net position	<u>347,507</u>	<u>4,758</u>	<u>352,265</u>	<u>285,263</u>
Total liabilities and net position	<u>\$ 4,304,634</u>	<u>\$ 4,758</u>	<u>\$ 4,309,392</u>	<u>\$ 4,286,796</u>

*See accompanying notes to combined financial statements.*



**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**  
Combined Statement of Revenues, Expenses, and Changes in Net Position  
With Combining Information For the Year Ending June 30, 2020  
With Summarized Comparative Totals For the Year Ending June 30, 2019

Draft for Review

	<i>Marblehead Community Charter Public School</i>	<i>Marblehead Charter Education Fund, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2020</i>	<i>Memorandum Only Summarized Comparative June 30, 2019</i>
<b>Operating revenues:</b>				
Tuition	\$ 3,025,960	\$ -	\$ 3,025,960	\$ 3,195,223
Federal grants	74,237	-	74,237	60,434
Food service	71,517	-	71,517	105,089
Other revenues	58,452	164	58,616	81,143
Student activities	31,923	-	31,923	63,854
On-behalf fringe benefits	647,434	-	647,434	545,416
Total operating revenues	3,909,523	164	3,909,687	4,051,159
<b>Operating expenses:</b>				
Salaries	2,172,038	-	2,172,038	2,272,814
Payroll taxes	100,173	-	100,173	102,137
Fringe benefits	378,664	-	378,664	379,113
Occupancy	49,217	-	49,217	55,776
Professional services	31,974	-	31,974	126,176
Insurance	28,717	-	28,717	28,060
Student supplies and materials	103,072	-	103,072	118,610
Student activities	22,034	-	22,034	60,922
Office	26,877	-	26,877	33,089
Food service	44,439	-	44,439	64,179
Training and development	14,904	-	14,904	20,011
Repairs and maintenance	50,479	-	50,479	83,582
On-behalf fringe benefits	647,434	-	647,434	545,416
Depreciation	94,667	-	94,667	94,668
Contracted services	-	1,943	1,943	52,632
Miscellaneous	2,651	45	2,696	2,168
Total operating expenses	3,767,340	1,988	3,769,328	4,039,353
Operating income	142,183	(1,824)	140,359	11,806
<b>Nonoperating revenues/(expenses):</b>				
Rental income	20,172	-	20,172	17,891
Contributions	1,585	16,265	17,850	20,803
Interest income	112	11	123	103
Fundraising income	20,405	10,717	31,122	40,056
Fundraising expense	-	(828)	(828)	(1,332)
Contributions from Fund/(to School)	28,000	(28,000)	-	-
Other expense	(16,036)	-	(16,036)	(7,938)
Interest expense	(125,760)	-	(125,760)	(129,077)
Total net nonoperating expenses	(71,522)	(1,835)	(73,357)	(59,494)
Change in net position	70,661	(3,659)	67,002	(47,688)
Net position, beginning of the year	276,846	8,417	285,263	332,951
Net position, end of the year	\$ 347,507	\$ 4,758	\$ 352,265	\$ 285,263

*See accompanying notes to combined financial statements.*

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**  
Combined Statement of Cash Flows  
With Combining Information For the Year Ended June 30, 2020  
With Summarized Comparative Totals For the Year Ended June 30, 2019

Draft for Review

	<i>Marblehead</i>		<i>Memorandum Only</i>	
	<i>Community Charter</i>	<i>Marblehead Charter</i>	<i>Total Primary</i>	<i>Memorandum Only</i>
	<i>Public School</i>	<i>Educational Fund, Inc.</i>	<i>Government</i>	<i>Summarized</i>
			<i>June 30, 2020</i>	<i>Comparative</i>
			<i>June 30, 2019</i>	
<b>Cash flows from operating activities:</b>				
Receipts from tuition	\$ 3,305,362	\$ -	\$ 3,305,362	\$ 2,915,821
Receipts from governmental grants	39,077	-	39,077	60,434
Receipts from food service program	73,756	-	73,756	102,850
Receipts from other	90,375	164	90,539	148,050
Payments to employees	(2,585,234)	-	(2,585,234)	(2,774,488)
Payments to suppliers and vendors	(366,147)	(1,988)	(368,135)	(656,538)
Net cash provided by/(used in) operating activities	557,189	(1,824)	555,365	(203,871)
<b>Cash flows from investing activities:</b>				
Interest income	112	11	123	103
Net cash provided by investing activities	112	11	123	103
<b>Cash flows from non capital financing activities:</b>				
Non-operating receipts	70,162	26,982	97,144	79,420
Non-operating disbursements	(16,036)	(28,828)	(44,864)	(9,270)
Net cash provided by financing activities	54,126	(1,846)	52,280	70,150
<b>Cash flows from capital and financing activities:</b>				
Payments of loan principal	(98,670)	-	(98,670)	(95,353)
Interest expense	(125,760)	-	(125,760)	(129,077)
Net cash used in capital and financing activities	(224,430)	-	(224,430)	(224,430)
Net increase/(decrease) in cash	386,997	(3,659)	383,338	(358,048)
Cash, beginning of year	148,239	8,367	156,606	514,654
Cash, end of year	\$ 535,236	\$ 4,708	\$ 539,944	\$ 156,606
<b>Reconciliation of operating income to net cash (used in)/ provided by in operating activities:</b>				
Operating income	\$ 142,183	\$ (1,824)	\$ 140,359	\$ 11,806
<i>Adjustments to reconcile total net operating income to net cash provided by/(used in) operating activities:</i>				
Depreciation	94,667	-	94,667	94,668
<i>Changes in operating assets and liabilities:</i>				
Grants and accounts receivable	246,481	-	246,481	(278,588)
Prepaid rent and prepaid expenses	19,594	-	19,594	(6,806)
Accounts payable	9,943	-	9,943	(169)
Accrued expenses	44,321	-	44,321	(24,782)
Net cash provided by/(used in) operating activities	\$ 557,189	\$ (1,824)	\$ 555,365	\$ (203,871)

*See accompanying notes to combined financial statements.*

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements

June 30, 2020

**Draft for Review**

***1. Nature of Organization***

Marblehead Community Charter Public School (the School) was formed in 1994 after receiving its charter from the Commonwealth of Massachusetts under Chapter 71, Section 89 of the General Laws of Massachusetts. The School's charter is awarded in five year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts' Department of Elementary and Secondary Education (DESE). The School's charter was most recently renewed in fiscal year 2020 and expires on June 30, 2025. The charter renewal includes one condition for which the School must comply, see Note 12 for more information. DESE provided approximately 93% and 91% of the funding to the School for the years ended June 30, 2020 and 2019, respectively, through a per pupil reimbursement and Federal and Commonwealth of Massachusetts grants.

The School is located in Marblehead, Massachusetts and offers children primarily residing in Marblehead and Swampscott, in grades four through eight, a public supported academic education.

The School's mission is: *to foster a community that empowers children to become capable, self determining, fully engaged individuals who are critical and creative thinkers committed to achieving their highest intellectual, artistic, social, emotional, and physical potential. The School is dedicated to involving learning from, participating in, and serving our school community and the community at large.*

The combined financial statements consist of the following:

Primary Government

- Marblehead Community Charter Public School (the School) – operates as a middle school in Marblehead, Massachusetts and at capacity can serve 230 students in grades four through eight.
- Marblehead Charter Education Fund, Inc. (the Fund) – is a legally separate, tax-exempt organization that acts primarily as a fundraising organization to supplement the resources of the School. The Fund 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, the Fund is considered a component unit of the School and is presented as a blended component unit.

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

***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:

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*  
June 30, 2020

**Draft for Review**

**2. *Summary of Significant Accounting Policies – Continued***

*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 Statement 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* the School evaluated its potential component unit to determine the reporting entity.

The reporting entity consists of the School and its blended CU, the Fund. 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 the Fund’s board members and (1) is able to impose its will on the Fund, or (2) there is a potential to provide specific financial benefit to or impose a burden on the School.

The Fund was evaluated and is included as a blended component unit. The blended component unit, although a legally separate entity, is in substance, part of the School’s operations and therefore, the financial data is combined and reported within the financial data of the primary government.

The Fund 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’s revenue recognition and financial presentation features. No modifications have been made to the Fund’s financial information for those differences.

Complete financial statements for the Fund can be obtained from the School’s Business Office.

*Financial Statement Presentation*

The School, in accordance with *GASB Statement No. 34 - Basic Financial Statement – and Management’s Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, all of the financial activity is recorded in the enterprise fund.

*Basis of Accounting*

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

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*  
June 30, 2020

**Draft for Review**

**2. *Summary of Significant Accounting Policies – Continued***

*Basis of Accounting - Continued*

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

*Tax Status*

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

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund is also exempt from Massachusetts income taxes, except for income taxes on unrelated business income, if any. For the years ended June 30, 2020 and 2019, the Fund had no unrelated business income.

The Fund evaluates its 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. The Fund has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2020 returns and believes they are more-likely-than not to be sustained if examined by federal or state tax authorities. The Fund's returns are subject to examination by federal and state tax authorities for up to a three year period after the returns have been filed (2017 - 2019).

*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 to be cash equivalents. As of June 30, 2020 and 2019, the Organization did not hold any cash equivalents.

*Capital Assets*

Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 39 years for building, 3 years for computer hardware and software, 5 years for office equipment and office furniture, and 10 years for equipment.

*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. Receivables are written off when deemed uncollectible. At June 30, 2020 and 2019, no allowance for doubtful accounts had been recorded, as management considers all receivables to be fully collectible.

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*  
June 30, 2020

**Draft for Review**

**2. *Summary of Significant Accounting Policies – Continued***

*Operating Revenue and Expenses*

Operating revenue and expenses generally result from providing educational and instructional services in connection with the Organization'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.

*Classification of Net Position*

The following are the net position classifications:

- Net Investment in Capital Assets – book value of capital assets net of any related debt
- Restricted – amounts that can be spent only for specific purposes because of externally imposed restrictions by grantors or contributors
- Unrestricted Net Position – portion of funds to support operations

The Organization applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

*Use of Estimates*

The preparation of the 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 expenses during the reporting period. Actual results could differ from those estimates.

*Compensated Absences*

Employees of the School are entitled to paid vacations and paid holidays, depending on the job classification, length of service, and other factors. Any unused absences not used by fiscal year end are not paid out and therefore the School does not accrue for these.

*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 Statement of Revenues, Expenses, and Changes in Net Position*.

*Reclassifications*

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**  
Notes to Combined Financial Statements - *Continued*  
June 30, 2020

Draft for Review

**2. Summary of Significant Accounting Policies – Continued**

*Summarized Comparative Information*

The combined financial statements include certain prior-year summarized comparative information in total but not by individual reporting entity. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s combined financial statements for the fiscal year ended June 30, 2019, from which the summarized information was derived.

**3. Deposits with Financial Institutions**

The Organization maintained its cash accounts at two financial institutions. 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. In addition, one of the financial institutions is a Massachusetts Chartered Savings Bank that maintains additional insurance through the Depositors Insurance Fund, a private industry sponsored insurance company.

As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. The following represents a summary of deposits as of June 30, 2020 and 2019:

	<i>2020</i>	<i>2019</i>
Fully insured deposits	\$ 556,146	\$ 236,209
Uncollateralized	<u>2,599</u>	<u>299</u>
Total	<u>\$ 558,745</u>	<u>\$ 236,508</u>

**4. Tuition and Accounts Receivable**

Tuition and accounts receivable at June 30, 2020 and 2019 are as follows:

	<i>2020</i>	<i>2019</i>
Commonwealth of Massachusetts	\$ 35,160	281,641
Other	<u>50</u>	<u>50</u>
Total	<u>\$ 35,210</u>	<u>\$ 281,691</u>

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*  
June 30, 2020

**Draft for Review**

**5. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2020 and 2019 are as follows:

	<i>2020</i>	<i>2019</i>
Payables to vendors	\$ 50,921	\$ 46,329
Payroll and fringe	<u>186,962</u>	<u>137,290</u>
Total	<u>\$ 237,883</u>	<u>\$ 183,619</u>

**6. Capital Assets**

The following are the capital assets as of June 30, 2020 and 2019:

*School*

	<i>Balance July 1, 2019</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2020</i>
<i>Capital assets not being depreciated</i>				
Land	\$ 687,400	\$ -	\$ -	\$ 687,400
Total capital assets not being depreciated	<u>687,400</u>	<u>-</u>	<u>-</u>	<u>687,400</u>
<i>Capital assets being depreciated</i>				
Building	3,562,600	-	-	3,562,600
Building improvements	33,184	-	-	33,184
Equipment and computers	<u>66,648</u>	<u>-</u>	<u>-</u>	<u>66,648</u>
Total capital assets being depreciated	<u>3,662,432</u>	<u>-</u>	<u>-</u>	<u>3,662,432</u>
<i>Less accumulated depreciation</i>				
Building	441,519	91,349	-	532,868
Building improvements	12,761	3,318	-	16,079
Equipment and computers	<u>66,647</u>	<u>-</u>	<u>-</u>	<u>66,647</u>
Total accumulated depreciation	<u>520,927</u>	<u>94,667</u>	<u>-</u>	<u>615,594</u>
Capital assets, net	<u>\$ 3,828,905</u>	<u>\$ (94,667)</u>	<u>\$ -</u>	<u>\$ 3,734,238</u>
	<i>Balance July 1, 2018</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2019</i>
<i>Capital assets not being depreciated</i>				
Land	\$ 687,400	\$ -	\$ -	\$ 687,400
Total capital assets not being depreciated	<u>687,400</u>	<u>-</u>	<u>-</u>	<u>687,400</u>
<i>Capital assets being depreciated</i>				
Building	3,562,600	-	-	3,562,600
Building improvements	33,184	-	-	33,184
Equipment and computers	<u>86,648</u>	<u>-</u>	<u>(20,000)</u>	<u>66,648</u>
Total capital assets being depreciated	<u>3,682,432</u>	<u>-</u>	<u>(20,000)</u>	<u>3,662,432</u>
<i>Less accumulated depreciation</i>				
Building	350,170	91,349	-	441,519
Building improvements	9,442	3,319	-	12,761
Equipment and computers	<u>86,647</u>	<u>-</u>	<u>(20,000)</u>	<u>66,647</u>
Total accumulated depreciation	<u>446,259</u>	<u>94,668</u>	<u>(20,000)</u>	<u>520,927</u>
Capital assets, net	<u>\$ 3,923,573</u>	<u>\$ (94,668)</u>	<u>\$ -</u>	<u>\$ 3,828,905</u>



**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*

June 30, 2020

**Draft for Review**

**7. Mortgage Payable**

The School entered into a \$4,250,000 mortgage agreement with a financial institution during fiscal year 2015 at a fixed interest rate of 3.29% through August 2024, then adjusted annually to the Federal Home Loan Bank of Boston advance rate plus .50% through August 2044.

The mortgage is secured by the property located on 17 Lime Street, Marblehead, Massachusetts and substantially all assets of the School. The mortgage is also guaranteed by the Fund. The mortgage agreement contains provisions that upon the occurrence and continuance of any Event of Default, the financial institution may declare the mortgage amount then outstanding to be due and payable immediately. The Organization is required to maintain a debt service coverage ratio of 1.00 measured annually and a maximum loan to value ratio of 80% measured periodically. **The School was not in compliance with the maximum loan to value ratio, and the School's debt service coverage ratio was below that required by the financial institution at June 30, 2020. The bank has waived the covenant requirement for fiscal year 2020.**

The following summarizes the long term debt activity of the Organization for the year ended June 30, 2020 and 2019:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
June 30, 2020	<u>\$ 3,817,914</u>	<u>\$ -</u>	<u>\$ 98,670</u>	<u>\$ 3,719,244</u>	<u>\$ 103,469</u>
June 30, 2019	<u>\$ 3,913,267</u>	<u>\$ -</u>	<u>\$ 95,353</u>	<u>\$ 3,817,914</u>	<u>\$ 100,400</u>

Interest expense was \$125,760 and \$129,077 for the years ended June 30, 2020 and 2019, respectively.

Aggregate maturities of the long-term debt for the term of the loan are as follows:

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 103,469	\$ 120,677	\$ 224,146
2022	106,925	117,212	224,137
2023	110,497	113,630	224,127
2024	114,187	109,930	224,117
2025	118,325	106,105	224,430
2026-2030	653,613	468,537	1,122,150
2031-2035	770,307	351,843	1,122,150
2036-2040	907,837	214,313	1,122,150
2041-2045	834,084	56,071	890,155
Total	<u>\$ 3,719,244</u>	<u>\$ 1,658,318</u>	<u>\$ 5,377,562</u>

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*  
June 30, 2020

**Draft for Review**

**8. Line of Credit**

The School has a \$300,000 line of credit with a financial institution expiring on December 31, 2020. Advances on this line of credit are payable on demand and carried an interest rate of 1% over the prime rate, which was 3.75% and 6% at June 30, 2020 and 2019, respectively. The line of credit is collateralized by a security interest in substantially all business assets of the School and is guaranteed by the Fund. The outstanding balance on the line of credit for both years ended June 30, 2020 and 2019 was \$0. Interest paid during fiscal years 2020 and 2019 was \$0.

**9. Operating Lease Commitments**

The School leased certain office equipment under non-cancelable operating leases that expire between March 2019 and March 2022.

Rent expense on the leases was \$13,719 and \$14,925 during the years ended June 30, 2020 and 2019, respectively. The following represents minimum lease payments for the remaining term of the leases:

<i>Fiscal Year</i>	<i>Amount</i>
2021	\$13,437
2022	\$ 8,149

**10. Retirement Plan**

*Massachusetts Teachers Retirement System*

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.

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*  
June 30, 2020

**Draft for Review**

**10. Retirement Plan – Continued**

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, 2019 measurement date was determined by an actuarial valuation prepared as of January 1, 2019 rolled forward to June 30, 2019. At June 30, 2020 and 2019, the School's share of MTRS net pension liability was \$5,338,900 and \$5,382,282, respectively.

**11. 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 combined financial statements. As of June 30, 2020 and 2019, the School recognized \$647,434 and \$545,416, respectively of on-behalf revenues and expenses.

**12. Contingencies**

*Conditional Charter Renewal*

During fiscal year 2020, the School's charter was renewed with one condition. The condition is as follows:

By August 1, 2020, the School must submit for DESE approval a plan that ensures that enrollment from outside of Marblehead does not exceed 20 percent of the School's total population by June 30, 2025, and a corresponding charter amendment request for the School's maximum enrollment, enrollment policy, and any other relevant material terms. Alternatively, the School may submit an amendment request that reflects the School's actual enrollment pattern.

Subsequent to year end, the School submitted a charter amendment to address the condition above, however as of the date of the issuance of the combined financial statements, the amendment had not been approved by DESE.

*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 therefore no adjustment has been recorded in the accompanying combined financial statements.

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*  
June 30, 2020

**Draft for Review**

**12. Contingencies – Continued**

*Cumulative Surplus Revenue*

Effective July 1, 2010, any cumulative surplus revenue generated by the School must comply with M.G.L. c. 71, §89 (as amended by Chapter 12 of the Acts of 2010 under §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 in fiscal year 2020.

*Unemployment Insurance*

Previously to January 1, 2010, the School was self-insured in regards to unemployment insurance with the Commonwealth of Massachusetts. As of June 30, 2020 and 2019, the combined financial statements include a liability of \$40,978 payable to the Commonwealth of Massachusetts for unpaid unemployment claims. The actual amount due to the Commonwealth inclusive of interest, if any, cannot be determined as of June 30, 2020.

*COVID-19*

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. As a result, the School transitioned into a remote working and learning environment. The extent to which COVID-19 may impact the School’s activities will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain the virus.

**13. Related Party Transactions**

During fiscal year 2020 and 2019, the Fund donated \$28,000 and \$0, respectively to the School.

**14. Concentrations**

During fiscal year 2020 and 2019, DESE provided 93% and 91%, respectively for both fiscal years of the Organization’s revenue through Federal and Commonwealth funding respectively.

**15. Rental Income**

In fiscal years, 2020 and 2019, the School leased out approximately 900 square feet of the building and parking spaces for elderly housing and residents in the neighborhood. Related rental income for the fiscal years ended June 30, 2020 and 2019 was \$20,172 and \$17,891, respectively.

The minimum rental income over the term of the leases are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2021	\$ 2,522

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Notes to Combined Financial Statements - *Continued*

June 30, 2020

**Draft for Review**

***16. Subsequent Events***

The Organization has evaluated subsequent events through **October XX, 2020**, which is the date the combined financial statements were available to be issued. There are no recognized subsequent events, 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.

**Draft for Review**

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



# Draft for Review

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance  
And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards*

The Board of Trustees  
**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, 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 Marblehead Community Charter Public School and the Marblehead Charter Education Fund, Inc., (collectively, the Organization), as of and for the year ended June 30, 2020, 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 collectively comprise the Organization's combined financial statements, and have issued our report thereon dated **October XX, 2020**.

### **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 controls) as a basis for determining 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

**Draft for Review**

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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*October XX, 2020*



**Draft for Review**

**SCHEDULE OF FINDINGS AND  
RESPONSES**

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

Schedule of Findings and Responses  
For the Year Ended June 30, 2020

**Draft for Review**

No Current Year Findings

# Draft for Review

## **SCHEDULE OF PRIOR YEAR FINDINGS**

**Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**  
Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2020

**Draft for Review**

No Prior Year Findings

**Draft for Review**

**BOARD ACCEPTANCE LETTER**

# Draft for Review

## ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Marblehead Community Charter Public School and Marblehead Charter Education Fund, 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, 2020.

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, 2020.

---

Board President or Treasurer  
or Other Designated Person

Open Date, 2020

Marblehead Community Charter Public School, Inc.

Loan Covenant Calculations

6/30/2020

	<i>Amounts</i>
<b>Debt Service Coverage Ratio (Requirement 1.25)</b>	
Change in Combined Net Position	67,002
Plus Interest Expense	125,760
Plus Depreciation and Amortization Expense	94,667
Plus Unrealized Losses on Investments	-
Minus Unrealized Gains on Investments	-
Minus Capital Expenditures not Financed or Funded through Capital Campaign Proceeds	-
	<u>287,429</u>
Scheduled Principal and Interest Payments - debt	224,146
Scheduled Principal and Interest Payments - capital leases	-
Total debt Service	<u>224,146</u>
Debt Service Coverage Ratio	1.28
Compliance	YES

(p) Minimum Debt Service Coverage Ratio. The Borrower shall maintain a Debt Service Coverage Ratio of at least 1.25 to 1.0 at all times, such covenant to be tested annually by the Bondowner on a trailing twelve (12) month basis, based upon the annual audited Financial Information, commencing with the fiscal year ending on June 30, 2014 and continuing for each fiscal year end thereafter.

**Maximum Loan to Value Ratio (80%)**

Land	687,400
Building	<u>3,562,600</u>
	4,250,000
Value of the Debt	<u>3,719,244</u>
Maximum Loan to Value Ratio	88%
Compliance	NO

(q) Maximum Loan to Value Ratio. The Borrower shall maintain a Loan to Value Ratio of not greater than eighty percent (80%), such covenant to be tested at any time by the Bondowner. The Lender and/or the Bondowner may, from time to time, order updated Appraisals of the Mortgaged Property, and the cost of such Appraisals shall be paid by the Borrower.

# Cover Sheet

## Committee review of Previous Month's Financial Statements

**Section:** II. Finance - Financial Statement Review  
**Item:** A. Committee review of Previous Month's Financial Statements  
**Purpose:** Discuss  
**Submitted by:**  
**Related Material:** FinCom notes SEPTEMBER.docx  
MCCPS-Sep-2020-Financial Statements v1.xlsx



## FinCom notes September, 2020

*ALL HAIL KARL SMITH!*



\* The September tuition check came in at \$287,354 and should be based on 222 students. There was no additional payment this time.

$\$287,354 \times 12 = \$3,448,248$   
 $\$3,448,248 / 222 = \$15,532.65$ , or the current PPE  
 $\$15,532.65 \times 210^* = \$3,261,857$   
FY21 budgeted state allocation = \$3,086,095

Needless to say there are many moving parts yet to be known re the PPEs.

Once again it is likely we'll build up cash and then spend it down after the state allocation adjusts.

\* The October 15<sup>th</sup> data submission to the state should reflect a student population of 210 (the data point is October 1<sup>st</sup>, today is the 8<sup>th</sup>). Peter can update enrollment. □

\* As of the 8<sup>th</sup> we have not heard from FEMA about the grant. The 15<sup>th</sup> will mark 45 days since submission and was the far-end of the projected approval period.

\* **Adjustment to August financials:** the first \$10K payment on the HVAC project has been moved from General Fund to the appropriate Grant. The HVAC project is now complete, as is the switch to touchless faucets in all bathrooms & the nurse's office.

\* MCEF Balance Sheet thru September is included

## September 2020 Financials

### Revenue

Student Success Fund

Premium reimbursement from Tufts: \$7,153.52 (FY20, 75% = \$5,365.14)

### Expenses

Salaries Line 5045 – Specialist: this is the bulk of our new hires

Salaries Line 5050 – Guidance: this adds our new School Adjustment Counselor (Jessica)

5240 is our SPED software eStar (annual)

5242 is PowerSchool annual subscription

5320 Maintenance includes: the last 1/3 for the new tile floors, \$780 for the annual fire alarm inspection and \$985 for a floor machine.

You'll also see Custodial Service and Electric start to resume normal amounts.

### All Classes

It will take a few months to straighten out the Fed/State grant funding as most of the deadlines have crossed fiscal years due to Covid.

We have started incurring costs against our Friends grants...those expenses are reimbursable.

Detailed grant information is postponed until the November FinCom.

### Food Service Dept.

Cash balance at 6/30/20 = \$4,302.68

All meals served are reimbursable at the 2020 Free & Reduced rates. This includes all of the breakfasts & lunches picked up by our families every Thursday.

Through the end of September the kitchen has served 1,564 meals. These will be submitted for reimbursement as soon as the Commonwealth's revised online reimbursement system is ready.

782 breakfasts x \$2.33 (reimb rate) = \$1,822.06

782 lunches x \$4.09 = \$3,198.38

At 9/30/20 there is an outstanding A/R of \$5,020.44

## Attachments

The following files are attached to this PDF: You will need to open this document in an application that supports attachments (i.e. [Adobe Reader](#)) in order to access these files.

MCCPS-Sep-2020-Financial Statements v1.xlsx