

Marblehead Community Charter Public School

Finance Committee Presentation

October 21, 2020



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October 21, 2020

**To the Finance Committee of  
Marblehead Community Charter Public School and  
Marblehead Charter Education Fund, Inc.**

We have audited the combined financial statements of Marblehead Community Charter Public School and the Marblehead Charter Education Fund, Inc. (the Organization) for the year ended June 30, 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 June 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*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 financial statements. No new accounting policies were adopted and the application of existing policies were not changed during 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 financial statements in the proper period.

Accounting estimates are an integral part of the combined 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Organization's combined financial statements were:

Management's allocation of expenditures to grants. The allocation methodology used is based on management's estimate of the equitable share of expenditures applicable to each grant.

The amount of on-behalf fringe benefit payments recorded in accordance with GASB No. 68. in the Statements of Revenues, Expenses and Change and Net Position. This is an estimate based on the report provided by the Massachusetts Teachers Retirement System.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the combined financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the combined financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the combined financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined financial statements or the auditors' 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.

### *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 financial statements or a determination of the type of auditors' 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

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the combined financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the information and use of 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,

Daniel Dennis & Company LLP

**Marblehead Community Charter Public School**  
*June 30, 2020*

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Ref.	Financial Statement Effect—Amount of Over- (Under-) statement of:					
				Total Assets	Total Liabilities	Fund Balance/Net Position	Revenues	Expn.	Change in Fund Balance/ Net Position
Prepaid Expense is understated	F	Health Ins paid in June 2020 covered period 6/15/20 - 7/15/20, however no prepaid was recorded for amount related to 7/1/20-7/14/20, fiscal year 2021.	7208	(13,259)		(13,259)		13,259	(13,259)
Total				-13,259	0	-13,259	0	13,259	-13,259
Financial statement caption totals				4,304,634	3,957,127	347,507	3,979,797	3,909,136	70,661
Current year AD as % of F/S captions (iron curtain method)				-0.31%	0.00%	-3.82%	0.00%	0.34%	-18.76%

**Conclusion:** Based on the results of the evaluation performed above, as well as the consideration of qualitative factors and misstatements by nature or circumstances, uncorrected audit differences, individually and in the aggregate,  do  do not cause the financial statements of opinion unit taken as a whole to be materially misstated.

# **SUMMMARY OF AUDITORS' REPORTS**

## SUMMMARY OF AUDITORS' REPORTS

### *Independent Auditors' Report*

- Unmodified Opinion on the Combined Financial Statements
- No Opinion on Management's Discussion and Analysis (Unaudited Information)

### *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*

- No material weaknesses over financial reporting
- No reportable instances of non-compliance

### *Prior Year Audit Results*

- No material weaknesses over financial reporting
- No reportable instances of non-compliance



# **FINANCIAL RATIO PROFILE**

## Marblehead Community Charter Public School

June 30, 2020

<i>Ratio</i>	<i>2020</i>	<i>2019</i>	<i>2019 State Average**</i>	<i>Low Risk</i>	<i>Moderate Risk</i>	<i>High Risk</i>
<b>Current Ratio</b> <i>measures short term financial health</i>	1.67:1	1.58:1	3.60:1	>=1.5	Between 1.0 and 1.5	< 1.0
<b>Unrestricted Days Cash</b> <i>measures how many days a school can pay its expenses without another inflow of cash</i>	62 days	15 days	67 days	>=60 days	Between 30 and 60 days	< 30 days
<b>Percentage of Program Paid by Tuition</b> <i>measures percentage of expenses funded by tuition</i>	93%	90%	91%	>=90%	Between 75% and 90%	< 75%
<b>Percentage of Program Paid by Tuition &amp; Federal Grants</b> <i>measures percentage of expenses funded by tuition and federal grants</i>	95%	91%	96%	>=90%	Between 75% and 90%	< 75%
<b>Percentage of Total Revenue Expended on Facilities</b> <i>measures percentage of revenue that is spent on operation and maintenance</i>	11%	10%	14%	<= 15%	Between 15% and 30%	> 30%
<b>Change in Net Position Percentage</b> <i>measures school's cash management efficiency</i>	2.0%	-1.3%	0.4%	Positive %	Between -2% and 0%	< -2%
<b>Debt to Asset</b> <i>measures extent of reliance on borrowed funds to finance its operations</i>	0.92	0.94	0.55	< = .9	Between .9 and 1	> 1
Enrollment	208	230	566			

\*\* Calculated by DESE based on the financial information in the 2019 end of year reports.

Marblehead Community Charter Public School  
*Discussion Items*

FUTURE CONSIDERATIONS

- Monitor the debt covenants
- Resolution to the liability for the unpaid unemployment claims
- Monitor the extent of additional Federal funding due to COVID-19
  - Federal expenditures in excess of \$750,000 will trigger the single audit requirement
- GASB Updates
  - GASB 87 - Leases – *Postponed until fiscal year 2022*

Due Dates

- Audit Report – November 1<sup>st</sup>
- End of Year Report – December 2<sup>nd</sup>
- Form 990 and Form PC for the Fund – November 15<sup>th</sup>