



**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND  
CAPE COD LIGHTHOUSE CHARTER SCHOOL  
EDUCATION FOUNDATION, INC.**

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Contents  
June 30, 2021 and 2020

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	<u>Pages</u>
<b>Unmodified Opinion on Combined General Purpose Financial Statements Accompanied by Other Information - Governmental Entity .....</b>	1 - 1A
<b>Management’s Discussion and Analysis .....</b>	2 - 4
<b>Combined General Purpose Financial Statements:</b>	
Combined Statements of Net Position .....	5
Combined Statements of Revenues, Expenses and Changes in Net Position .....	6
Combined Statements of Cash Flows .....	7
Notes to Combined General Purpose Financial Statements .....	8 - 17
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....</b>	18 - 19



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**Unmodified Opinion on Combined General Purpose Financial Statements Accompanied  
by Other Information - Governmental Entity**

Independent Auditor's Report

To the Boards of Trustees of  
Cape Cod Lighthouse Charter School and Cape Cod Lighthouse  
Charter School Education Foundation, Inc.:

**Report on the Combined General Purpose Financial Statements**

We have audited the accompanying combined general purpose financial statements of Cape Cod Lighthouse Charter School (a Massachusetts charter school) (the School) and Cape Cod Lighthouse Charter School Education Foundation, Inc. (a Massachusetts corporation, not for profit) (the Foundation) (collectively, the Organization), which comprise the combined statements of net position as of June 30, 2021 and 2020, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the combined general purpose financial statements.

***Management's Responsibility for the Combined General Purpose Financial Statements***

Management is responsible for the preparation and fair presentation of these combined general purpose 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 general purpose financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these combined general purpose financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the combined general purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined general purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined general purpose 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 general purpose 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 general purpose 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 general purpose financial statements referred to on page one present fairly, in all material respects, the combined net position of Cape Cod Lighthouse Charter School and Cape Cod Lighthouse Charter School Education Foundation, Inc. as of June 30, 2021 and 2020, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 2 through 4 be presented to supplement the basic combined general purpose financial statements. Such information, although not a part of the basic combined general purpose financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic combined general purpose 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 basic combined general purpose financial statements, and other knowledge we obtained during our audit of the basic combined general purpose 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 September 20, 2021, 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 for the year ended June 30, 2021. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*AAFCPA, Inc.*

Westborough, Massachusetts  
September 20, 2021

## CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE CHARTER SCHOOL EDUCATION FOUNDATION, INC.

Management's Discussion and Analysis  
June 30, 2021 and 2020

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This discussion and analysis of the financial performance of Cape Cod Lighthouse Charter School (the School) provides an overview of the School's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the School's combined general purpose financial statements, which begin on page 5.

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

The School received its charter on December 9, 1994, to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded for a five-year period and is subject to renewal at the discretion of the Commonwealth of Massachusetts Board of Education. The School is now chartered through June 2025. The School operated grades six through eight with an enrollment of 254 students in fiscal year 2021.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as clarified by GASB Statement No. 61, *The Financial Reporting Entity: "Omnibus"*, the School discretely presents financial information of the Cape Cod Lighthouse Charter School Education Foundation, Inc. (the Foundation), a related nonprofit organization, in its combined general purpose financial statements. GASB defines component units as legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship to a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Foundation acts primarily as a fundraising organization to supplement resources of the School. Although the School does not control the timing or amounts of receipts from the Foundation, the majority of resources that it holds, and revenue earned thereon, are restricted to activities of the School. Because these restricted resources can only be used by or for the benefit of the School, the Foundation is considered a component unit of the School and is discretely presented in the School's combined general purpose financial statements.

### **Using This Annual Report**

This annual report consists of a series of combined general purpose 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 School is considered a special purpose government entity that engages in only business-type activities. Financial activity of the School is recorded in an Enterprise Fund within the Proprietary Fund group. In accordance with GASB No. 34, the School issues a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements provide information about the financial activities of the School as a whole. This annual report also contains notes to the combined general purpose financial statements that provide additional information that is essential to a full understanding of information provided in the basic combined general purpose financial statements.

### **General Purpose Financial Statements**

The Statement of Net Position presents the assets, liabilities and net position of the School as a whole as of the end of the fiscal year. It is a point-in-time financial statement, the purpose of which in this case is to present a fiscal snapshot of the School at the end of its 2021 fiscal year. The Statement of Net Position includes year-end information concerning current and non-current assets, current and non-current liabilities, and net position. Net position, which represent the difference between assets and liabilities, are displayed in three components: invested in capital assets, restricted net position and unrestricted net position. Net position invested in capital assets consist of capital assets net of accumulated depreciation and related debt.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Management's Discussion and Analysis  
June 30, 2021 and 2020

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**General Purpose Financial Statements (Continued)**

Net position is reported as restricted when there are limitations on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations. Unrestricted net position represents all other net position, those that do not meet the definition of restricted or invested in capital assets. Over time, financial statement readers will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing increases and decreases in net position to determine if the fiscal health is improving or deteriorating. When evaluating the overall fiscal health of the School, readers also should consider non-financial factors such as changes in economic conditions and new or changed charter school-related laws and regulations. The Statement of Net Position is also a good source of information about how much the School owes to vendors and creditors, and assets available that might be used to satisfy those liabilities.

The Statement of Revenues, Expenses and Changes in Net Position reports financial activities (revenue and expenses) of the School over a period of time, in this case a fiscal year. These activities are divided into two categories: operating and general revenue. Operating activities include all financial activities associated with the operation of the School and its related programs. General revenue includes unrestricted resources. Changes in net position near the bottom of this statement indicates to readers whether the School had sufficient revenue to cover expenses during the reporting period, which is to say that it represents the net increase or decrease to net position as a result of current-year operations. Changes in total net position presented on the Statement of Net Position are based on activity presented in this statement.

The Statement of Cash Flows provides information about the School's cash receipts and payments during the reporting period. It presents cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital 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 cash balance during the reporting period?". This statement is an important tool in helping readers assess the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

**Financial Highlights – The School**

The following financial highlights are for the fiscal year 2021, with comparative information from fiscal year 2020.

- The School held total assets of \$5,548,009 and \$5,556,139 at June 30, 2021 and 2020, respectively, of which \$4,218,963 and \$4,363,374 were net capital assets, respectively. The majority of the remaining assets consisted of cash, grants and accounts receivable and prepaid expenses.
- The School held total liabilities of \$3,174,470 and \$3,418,719 at June 30, 2021 and 2020, respectively.
- Unrestricted net position for the School was \$719,739 and \$325,790 at June 30, 2021 and 2020, respectively. Invested in capital net position was \$1,653,800 and \$1,811,630 at June 30, 2021 and 2020, respectively.
- The School earned total revenues of \$5,549,707 and \$4,832,131 for the years ended June 30, 2021 and 2020, respectively, of which approximately 97.72% and 99.56% were operating revenues for the years ended June 30, 2021 and 2020, respectively, and approximately 2.28% and .44% for the years ended June 30, 2021 and 2020, respectively, were from general revenues (contributions, miscellaneous income, interest income, etc.).
- The School had total expenses of \$5,313,588 and \$5,001,368 for the years ended June 30, 2021 and 2020, respectively.
- The School's changes in unrestricted net position were \$236,119 and \$(169,237) for the years ended June 30, 2021 and 2020, respectively.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Management's Discussion and Analysis  
June 30, 2021 and 2020

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**Budgetary Highlights**

The School's fiscal year 2021 budget was submitted to the Massachusetts Department of Elementary and Secondary Education during the summer of 2020. Budgeted expenses for the year were \$4,027,525 compared to actual expenses of \$5,313,588, resulting in a difference of \$1,286,063. This difference was due in part to the School not including non-cash activity, most notably depreciation and amortization and in-kind pension, in its budget (\$1,188,565). There were also additional expenditures incurred in response to the COVID-19 pandemic as funded by a number of grants. Budgeted revenue for the year was \$4,037,069 compared to actual income of \$5,549,707, resulting in a difference of \$1,512,638. This difference was mainly due in part to an unbudgeted in-kind pension of \$1,044,154. The remaining difference was a result of tuition funding changes based on actual attendance as well as unanticipated additional grant funding in response to the COVID-19 outbreak. The School budgeted tuition for fiscal years 2021 and 2020 based on enrollment of 243 students for each year, respectively, using the average per-pupil rate from the sending districts of the previous year plus 1.5% for both years.

**The School's Financial Activities**

The majority of the School's funding is received from the Commonwealth of Massachusetts, Department of Elementary and Secondary Education and is based on a standard rate per-pupil. The School received \$4,131,196 in per-pupil funding in fiscal year 2021. This represents approximately 74% of the School's total revenue. In addition, the School received various Federal and state grants, which totaled \$229,216 in fiscal year 2021, representing 4% of the School's total revenue.

**Contacting the School's Financial Management**

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

CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.

Combined Statements of Net Position  
June 30, 2021 and 2020

	2021			2020		
	Enterprise Fund - School	Component Unit - Foundation	Total (Memorandum Only)	Enterprise Fund - School	Component Unit - Foundation	Total (Memorandum Only)
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 1,054,562	\$ 276,027	\$ 1,330,589	\$ 679,760	\$ 236,777	\$ 916,537
Current portion of restricted reserves	46,172	-	46,172	45,948	-	45,948
Grants and accounts receivable	65,058	-	65,058	90,947	-	90,947
Prepaid expenses and other	43	288	331	23,202	288	23,490
Total current assets	1,165,835	276,315	1,442,150	839,857	237,065	1,076,922
Restricted Reserves, net of current portion	163,211	-	163,211	352,908	-	352,908
Capital Assets, net	4,218,963	-	4,218,963	4,363,374	-	4,363,374
Total assets	<u>\$ 5,548,009</u>	<u>\$ 276,315</u>	<u>\$ 5,824,324</u>	<u>\$ 5,556,139</u>	<u>\$ 237,065</u>	<u>\$ 5,793,204</u>
<b>Liabilities and Net Position</b>						
Current Liabilities:						
Current portion of bonds payable	\$ 188,235	\$ -	\$ 188,235	\$ 176,044	\$ -	\$ 176,044
Accounts payable and accrued expenses	372,545	-	372,545	439,315	-	439,315
Accrued interest	27,379	1,250	28,629	28,804	-	28,804
Total current liabilities	588,159	1,250	589,409	644,163	-	644,163
Bonds Payable, net of current portion	2,586,311	-	2,586,311	2,774,556	-	2,774,556
Total liabilities	3,174,470	1,250	3,175,720	3,418,719	-	3,418,719
Net Position:						
Unrestricted	719,739	271,828	991,567	325,790	237,065	562,855
Net invested in capital assets	1,653,800	-	1,653,800	1,811,630	-	1,811,630
Restricted program funds - expendable	-	3,237	3,237	-	-	-
Total net position	2,373,539	275,065	2,648,604	2,137,420	237,065	2,374,485
Total liabilities and net position	<u>\$ 5,548,009</u>	<u>\$ 276,315</u>	<u>\$ 5,824,324</u>	<u>\$ 5,556,139</u>	<u>\$ 237,065</u>	<u>\$ 5,793,204</u>

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Combined Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Enterprise Fund - School	Component Unit - Foundation	Total (Memorandum Only)	Enterprise Fund - School	Component Unit - Foundation	Total (Memorandum Only)
<b>Operating Revenue:</b>						
Per-pupil tuition	\$ 4,131,196	\$ -	\$ 4,131,196	\$ 3,771,266	\$ -	\$ 3,771,266
In-kind pension	1,044,154	-	1,044,154	928,225	-	928,225
Grants - government	229,216	-	229,216	80,509	-	80,509
Program fees and other	18,742	-	18,742	30,842	-	30,842
Transfer between funds	-	9,000	9,000	-	17,754	17,754
Total operating revenue	<u>5,423,308</u>	<u>9,000</u>	<u>5,432,308</u>	<u>4,810,842</u>	<u>17,754</u>	<u>4,828,596</u>
<b>Operating Expenses:</b>						
Personnel and related:						
Salaries	2,963,074	-	2,963,074	2,883,886	-	2,883,886
Payroll taxes and fringe benefits	1,590,310	-	1,590,310	1,462,549	-	1,462,549
Total personnel and related	<u>4,553,384</u>	<u>-</u>	<u>4,553,384</u>	<u>4,346,435</u>	<u>-</u>	<u>4,346,435</u>
Direct student costs:						
Instructional program expenses	75,976	-	75,976	99,523	-	99,523
Technology	67,874	-	67,874	30,440	-	30,440
Program supplies	16,379	-	16,379	12,413	-	12,413
Travel	1,924	-	1,924	37,427	-	37,427
Total direct student costs	<u>162,153</u>	<u>-</u>	<u>162,153</u>	<u>179,803</u>	<u>-</u>	<u>179,803</u>
Occupancy:						
Building operating costs and utilities	121,752	-	121,752	50,671	-	50,671
Maintenance	106,719	-	106,719	42,175	-	42,175
Interest, net	96,682	-	96,682	105,026	-	105,026
Total occupancy	<u>325,153</u>	<u>-</u>	<u>325,153</u>	<u>197,872</u>	<u>-</u>	<u>197,872</u>
Other operating costs:						
Insurance	40,966	-	40,966	41,227	-	41,227
Professional fees	37,128	3,455	40,583	32,720	2,021	34,741
Dues and subscriptions	18,920	-	18,920	11,536	-	11,536
Grant expense	4,016	13,003	17,019	1,546	30,545	32,091
Minor furniture and equipment	10,673	-	10,673	7,360	-	7,360
Office supplies	7,601	-	7,601	11,092	-	11,092
Miscellaneous	3,452	3,758	7,210	2,072	8,346	10,418
Recruitment and professional development	2,880	-	2,880	10,884	-	10,884
Printing and postage	2,285	-	2,285	2,771	-	2,771
Telephone	566	-	566	535	-	535
Total other operating costs	<u>128,487</u>	<u>20,216</u>	<u>148,703</u>	<u>121,743</u>	<u>40,912</u>	<u>162,655</u>
Depreciation	<u>144,411</u>	<u>-</u>	<u>144,411</u>	<u>155,515</u>	<u>-</u>	<u>155,515</u>
Total operating expenses	<u>5,313,588</u>	<u>20,216</u>	<u>5,333,804</u>	<u>5,001,368</u>	<u>40,912</u>	<u>5,042,280</u>
Changes in net position from operations	<u>109,720</u>	<u>(11,216)</u>	<u>98,504</u>	<u>(190,526)</u>	<u>(23,158)</u>	<u>(213,684)</u>
<b>General Revenue:</b>						
Miscellaneous	114,522	-	114,522	10,472	-	10,472
Contributions - undesignated	10,488	45,671	56,159	6,198	51,424	57,622
Interest	1,389	308	1,697	4,619	337	4,956
Total general revenue	<u>126,399</u>	<u>45,979</u>	<u>172,378</u>	<u>21,289</u>	<u>51,761</u>	<u>73,050</u>
Changes in net position before restricted program net position	<u>236,119</u>	<u>34,763</u>	<u>270,882</u>	<u>(169,237)</u>	<u>28,603</u>	<u>(140,634)</u>
<b>Restricted Program Net Position:</b>						
Grants and contributions	-	12,237	12,237	-	9,055	9,055
Transfer between funds - general	-	(9,000)	(9,000)	-	(17,754)	(17,754)
Changes in restricted program net position	-	3,237	3,237	-	(8,699)	(8,699)
Changes in net position	<u>236,119</u>	<u>38,000</u>	<u>274,119</u>	<u>(169,237)</u>	<u>19,904</u>	<u>(149,333)</u>
<b>Net Position:</b>						
Beginning of year	<u>2,137,420</u>	<u>237,065</u>	<u>2,374,485</u>	<u>2,306,657</u>	<u>217,161</u>	<u>2,523,818</u>
End of year	<u>\$ 2,373,539</u>	<u>\$ 275,065</u>	<u>\$ 2,648,604</u>	<u>\$ 2,137,420</u>	<u>\$ 237,065</u>	<u>\$ 2,374,485</u>

CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.

Combined Statements of Cash Flows  
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Enterprise Fund - School	Component Unit - Foundation	Total (Memorandum Only)	Enterprise Fund - School	Component Unit - Foundation	Total (Memorandum Only)
<b>Cash Flows from Operating Activities:</b>						
Receipts for tuition	\$ 4,131,196	\$ -	\$ 4,131,196	\$ 4,060,054	\$ -	\$ 4,060,054
Receipts from government grants	280,477	-	280,477	75,510	-	75,510
Receipts from donors	10,488	57,908	68,396	6,198	60,479	66,677
Receipts from interest subsidy	75,935	-	75,935	106,616	-	106,616
Receipts from other sources	33,014	308	33,322	50,645	337	50,982
Employee compensation and related	(3,489,468)	-	(3,489,468)	(3,367,619)	-	(3,367,619)
Payments for interest	(198,208)	-	(198,208)	(209,726)	-	(209,726)
Payments for supplies and services	(482,051)	(18,966)	(501,017)	(401,192)	(40,911)	(442,103)
Net cash provided by operating activities	<u>361,383</u>	<u>39,250</u>	<u>400,633</u>	<u>320,486</u>	<u>19,905</u>	<u>340,391</u>
<b>Cash Flows from Investing Activities:</b>						
Withdrawals from restricted reserves	564,262	-	564,262	613,864	-	613,864
Deposit to and interest earned on restricted reserves	(374,789)	-	(374,789)	(939,484)	-	(939,484)
Net cash provided by (used in) investing activities	<u>189,473</u>	<u>-</u>	<u>189,473</u>	<u>(325,620)</u>	<u>-</u>	<u>(325,620)</u>
<b>Cash Flows from Financing Activities:</b>						
Principal payments of bonds payable	(176,054)	-	(176,054)	(164,138)	-	(164,138)
<b>Net Change in Cash and Cash Equivalents</b>	<u>374,802</u>	<u>39,250</u>	<u>414,052</u>	<u>(169,272)</u>	<u>19,905</u>	<u>(149,367)</u>
<b>Cash and Cash Equivalents:</b>						
Beginning of year	<u>679,760</u>	<u>236,777</u>	<u>916,537</u>	<u>849,032</u>	<u>216,872</u>	<u>1,065,904</u>
End of year	<u>\$ 1,054,562</u>	<u>\$ 276,027</u>	<u>\$ 1,330,589</u>	<u>\$ 679,760</u>	<u>\$ 236,777</u>	<u>\$ 916,537</u>
<b>Cash Flows from Operating Activities:</b>						
Changes in net position	\$ 236,119	\$ 38,000	\$ 274,119	\$ (169,237)	\$ 19,904	\$ (149,333)
Adjustments to reconcile changes in net position to net cash provided by operating activities:						
Depreciation	144,411	-	144,411	155,515	-	155,515
Changes in operating assets and liabilities:						
Grants and accounts receivable	25,889	-	25,889	290,417	-	290,417
Prepaid expenses and other	23,159	-	23,159	5,985	1	5,986
Accounts payable and accrued expenses	(68,195)	1,250	(66,945)	37,806	-	37,806
Net cash provided by operating activities	<u>\$ 361,383</u>	<u>\$ 39,250</u>	<u>\$ 400,633</u>	<u>\$ 320,486</u>	<u>\$ 19,905</u>	<u>\$ 340,391</u>

The accompanying notes are an integral part of these combined general purpose statements.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**1. ORGANIZATION AND OPERATIONS**

Cape Cod Lighthouse Charter School (the School) was granted its charter by the Commonwealth of Massachusetts (the Commonwealth) under Chapter 71, Section 89 of the General Laws of Massachusetts effective December 9, 1994. The School's charter is subject to renewal every five years by the Commonwealth of Massachusetts, Department of Elementary and Secondary Education (DESE) and has been renewed through June 30, 2025.

The School's primary purpose is to provide a supportive and challenging learning environment for middle school students in the Cape Cod area of Massachusetts. As a state chartered organization, the School is not subject to Federal or state income taxes. Donors may deduct contributions made to the School within Internal Revenue Code (IRC) regulations.

Cape Cod Lighthouse Charter School Education Foundation, Inc. (the Foundation) was formed in May 1999 to benefit and support, financially, the functions of the School. The Foundation solicits, receives, and administers funds for the operation and maintenance of the School. The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the requirements of the IRC.

The School and the Foundation each appoint their respective Board of Trustees. The Foundation's activities consist of raising funds on behalf of the School. Due to this factor, the general purpose financial statements of the School and the Foundation (collectively referred to as the Organization) are presented on a combined basis (see Note 2).

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation - GASB Standards**

The accompanying combined general purpose financial statements were prepared on the accrual basis of accounting. Because the School is a quasi-public corporation, its accounting policies and financial statement presentation are governed by standards issued by the Governmental Accounting Standards Board (GASB). The School follows GASB Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"*. GASB Statement No. 34 outlines financial reporting requirements for state and local governments. The School is considered a special purpose government organization that conducts only business-type activities within the meaning of GASB Statement No. 34 and, therefore, only has enterprise funds within its proprietary fund.

Consistent with the provisions of GASB Statement Nos. 14 and 39, as clarified by GASB Statement No. 61, *The Financial Reporting Entity: "Ominibus"* an amendment to GASB Statement Nos. 14 and 39, the Foundation is presented in these combined general purpose financial statements as a component unit of the School. The "memorandum only total" is presented in accordance with GASB Statement No. 14. This represents the combined totals of the School and the Foundation without the eliminations of inter-company balances and transactions.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

The accrual method 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. Grants and contributions are recognized when all eligible requirements are met.

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 Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

**Fair Value Measurements**

The Organization follows the accounting and disclosure standards pertaining to GASB 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All of the Organization's assets which are valued at fair value are done so using Level 1 inputs.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Classification of Net Position**

***Unrestricted*** - Represent the portion of expendable funds that are used to support the operations, including funds for which the donor-imposed restrictions have been met in accordance with funding agreements.

***Net Invested in Capital Assets*** - Represents the net book value of capital assets and other resources restricted for capital, net of related debt.

***Restricted Program Funds - Expendable*** - Include all funds received from or committed by donors to fund specific programs, which have not yet been expended. These funds were program restricted at June 30, 2021. There were no restricted funds at June 30, 2020.

**Revenue Recognition**

Per-pupil tuition and grant revenue are recorded as services are provided and costs are incurred. The Commonwealth of Massachusetts Executive Office of Administration and Finance calculates per-pupil tuition reimbursement which is paid to the School by DESE.

Unrestricted grants and contributions are recorded when they are received or unconditionally committed. Gifts of cash and other assets are recorded as restricted program funds, if they are received or unconditionally committed with donor stipulations that limit the use of the donated assets. When a stipulated purpose restriction is accomplished, donor restricted program funds are reported in the combined statements of revenues, expenses and changes in net position as a transfer between funds.

Program fees and all other income are recorded when earned.

**Allowance for Doubtful Accounts**

An allowance for doubtful accounts is recorded on receivable balances which management believes may not be collectible. The allowance is based on past experience with the donor or funder and current economic trends. There were no such allowance for doubtful accounts at June 30, 2021 and 2020.

**Estimates**

The preparation of combined general purpose financial statements in accordance with principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets and Depreciation**

Capital assets are recorded at cost, if purchased, or fair value at the time of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. The Organization capitalizes items over \$2,500 with an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and improvements	15 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	7 years

Land is not depreciated.

The School purchases classroom supplies, which include textbooks, literature and other materials, to carry on educational activities. These purchases are expensed in the year of acquisition.

**Cash and Cash Equivalents**

For the purpose of the combined statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

**In-kind Pension and Services**

The School receives the benefit of retirement payments made by the Commonwealth on behalf of the School (see Note 9).

The School also receives other donated services from a variety of volunteers. No amounts have been recognized in the accompanying combined general purpose financial statements, since these services do not meet the criteria for recording in accordance with U.S. GAAP.

**Subsequent Events**

Subsequent events have been evaluated through September 20, 2021, which is the date the combined general purpose financial statements were available to be issued. Events that met the criteria for disclosure have been disclosed in the accompanying combined general purpose financial statements (see Note 11).

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

**3. CAPITAL ASSETS**

Capital assets for the School consist of the following:

<u>June 30, 2021</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Balance June 30, 2021</u>
Capital assets:			
Building and improvements	\$ 4,303,690	\$ -	\$ 4,303,690
Land	905,000	-	905,000
Furniture and equipment	182,901	-	182,901
Vehicles	<u>118,862</u>	<u>-</u>	<u>118,862</u>
Total capital assets	<u>5,510,453</u>	<u>-</u>	<u>5,510,453</u>
Less - accumulated depreciation:			
Building and improvements	892,056	111,278	1,003,334
Furniture and equipment	171,601	12,301	183,902
Vehicles	<u>83,422</u>	<u>20,832</u>	<u>104,254</u>
Total accumulated depreciation	<u>1,147,079</u>	<u>144,411</u>	<u>1,291,490</u>
Capital assets, net	<u>\$ 4,363,374</u>	<u>\$ (144,411)</u>	<u>\$ 4,218,963</u>
<u>June 30, 2020</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Balance June 30, 2020</u>
Capital assets:			
Building and improvements	\$ 4,303,690	\$ -	\$ 4,303,690
Land	905,000	-	905,000
Furniture and equipment	182,901	-	182,901
Vehicles	<u>118,862</u>	<u>-</u>	<u>118,862</u>
Total capital assets	<u>5,510,453</u>	<u>-</u>	<u>5,510,453</u>
Less - accumulated depreciation:			
Building and improvements	775,106	116,950	892,056
Furniture and equipment	154,532	17,069	171,601
Vehicles	<u>61,926</u>	<u>21,496</u>	<u>83,422</u>
Total accumulated depreciation	<u>991,564</u>	<u>155,515</u>	<u>1,147,079</u>
Capital assets, net	<u>\$ 4,518,889</u>	<u>\$ (155,515)</u>	<u>\$ 4,363,374</u>

**4. FUNDING**

The School receives significant funding from the Commonwealth and the Federal government for its tuition and grant revenue. This funding is subject to audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the statements of net position of the School as of June 30, 2021 and 2020, or on the changes in its net position for the years then ended.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**4. FUNDING (Continued)**

For the years ended June 30, 2021 and 2020, the School received approximately 100% and 99%, respectively, of its total operating revenue from the Commonwealth and the Federal government.

**5. LEASES**

During fiscal year 2021, the School entered into an agreement to lease office equipment. The lease requires equal monthly payments aggregating \$371 through October 2025. Prior to this agreement, the School leased certain office equipment with monthly payments totaling \$329. Total lease expense under these agreements was \$4,330 and \$3,948 for the years ended June 30, 2021 and 2020, respectively, which is included in minor furniture and equipment in the accompanying combined statements of revenues, expenses and changes in net position. The future minimum lease payments over the remainder of the lease terms are as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2022	\$ 4,457
2023	\$ 4,457
2024	\$ 4,457
2025	\$ 4,457
2026	\$ 1,486

**6. DEPOSITS AND INVESTED RISK**

The School's and the Foundation's deposits are insured under the Federal Deposit Insurance Corporation's and Depositors Insurance Fund's coverages within certain limits.

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

	<u>2021</u>		<u>2020</u>	
	<u>School</u>	<u>Foundation</u>	<u>School</u>	<u>Foundation</u>
Fully insured	\$ 1,263,945	\$ 276,027	\$ 908,355	\$ 236,777
Uninsured	-	-	<u>170,261</u>	-
	<u>\$ 1,263,945</u>	<u>\$ 276,027</u>	<u>\$ 1,078,616</u>	<u>\$ 236,777</u>

**7. GRANTS AND ACCOUNTS RECEIVABLES**

The School's grants and accounts receivables are due from the following at June 30, 2021 and 2020, and are expected to be collected within one year:

	<u>2021</u>	<u>2020</u>
Federal government	66%	20%
The Commonwealth of Massachusetts	30	80
Other	<u>4</u>	-
	<u>100%</u>	<u>100%</u>

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses are comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Accrued salaries and benefits	89%	74%
Payables to vendors	11	2
Payables to the Commonwealth	-	24
	<u>100%</u>	<u>100%</u>

**9. RETIREMENT PLANS**

The School's teaching staff and certain administrators participate individually in the Massachusetts Teachers' Retirement System (MTRS). The School is not legally required to contribute to MTRS. All full-time teaching staff and administrators are covered by and must participate in MTRS. These qualified employees and the School are exempt from Federal social security taxes. Benefits vest fully after ten years of full-time employment. An employee may receive retirement benefits after twenty years of service or ten years of service having attained the age of 55. Covered employees are required by state statute to contribute 8% to 11% of their salaries, depending on their date of hire, and an additional 2% of their salary in excess of \$30,000 to the plan. The Commonwealth is required to make actuarially determined contributions to maintain the financial integrity of the retirement system. The School follows GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 (GASB 27)*, which requires the School to recognize its proportionate share of pension expense and in-kind revenue, "on behalf of payments", related to MTRS, as reported by the Commonwealth. In accordance with GASB 68, the School's arrangement meets the definition of a special funding situation, whereby the School does not contribute to MTRS and the Commonwealth is required to make actuarially determined contributions to maintain the financial integrity of the retirement system. The School's proportionate share of MTRS's pension expense, as calculated under GASB 68, was \$1,044,154 and \$928,225 for the years ended June 30, 2021 and 2020, respectively, which is included in in-kind pension revenue and payroll taxes and fringe benefits in the accompanying combined statements of revenues, expenses and changes in net position. The School's proportionate share of MTRS's net pension liability was \$8,453,711 and \$7,654,370 at the measurement dates selected by the Commonwealth of June 30, 2020 and 2019, respectively. In accordance with the special funding situation under GASB 68, this amount has not been recorded in the accompanying combined general purpose financial statements.

The School also has a salary reduction plan (an IRC Section 403(b) plan), whereby employees may make elective tax deferred contributions to the plan. The School will match 2% for every 1% of employee contributions up to a maximum of 2%. The School's contributions vest immediately. The School contributed \$55,570 and \$53,579 for the years ended June 30, 2021 and 2020, respectively, which are included in payroll taxes and fringe benefits in the accompanying combined statements of revenues, expenses and changes in net position.

**10. PROFESSIONAL DEVELOPMENT**

The School incurs expenditures for the purpose of providing professional development to staff and teachers. The School expended \$2,132 and \$10,734 during fiscal years 2021 and 2020, respectively, for professional development, which are included in recruitment and professional development in the accompanying combined statements of revenues, expenses and changes in net position.

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

**11. COLLECTIVE BARGAINING AGREEMENT**

The School has signed a collective bargaining agreement which expired on August 31, 2021. Approximately 92% of the School's employees are covered under this agreement. Subsequent to June 30, 2021, this agreement was extended through August 31, 2022.

**12. BONDS PAYABLE**

The Organization entered into a loan and trust agreement with the Massachusetts Development Finance Agency (MDFA), as issuer, and a financial institution, as trustee, to issue \$2,762,176 in Qualified School Construction Bonds (QSCB), Cape Cod Lighthouse Charter School Issue, Series 2011A, and \$1,197,824 in Revenue Bonds, Cape Cod Lighthouse Charter School Issue, Series 2011B (collectively, Bonds). The proceeds of these Bonds were used to finance the acquisition and rehabilitation of the School's facility. The Bonds matures on November 1, 2026.

Bonds payable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Series 2011A QSCB payable to MDFA, bearing interest at 7.62%. During fiscal years 2021 and 2020, the School incurred interest of \$159,998 and \$168,800, respectively. Interest is subsidized through a program under the American Recovery and Reinvestment Act of 2009, which provides reimbursement of interest paid by the School up to 5% by the U.S. Treasury. During fiscal years 2021 and 2020, the School earned reimbursements of \$101,526 and \$104,700, respectively. The total interest reimbursement is netted with the bond's interest expense. The School is required to pay quarterly installments of principal and interest based on a twenty-year amortization schedule, through November 2026, to a bank which was appointed as trustee by MDFA. The bond is secured by a first mortgage on the property and substantially all assets of the School and the Foundation.	\$ 1,990,051	\$ 2,108,972
Series 2011B bond payable to MDFA, bearing interest at 4.62%. Under this agreement, the School is required to pay monthly installments of principal and interest based on a twenty-year amortization schedule, through November 2026, to a bank which was appointed as trustee by MDFA. During fiscal years 2021 and 2020, the School incurred interest of \$38,210 and \$40,926, respectively. The bond is secured by a first mortgage on the property and substantially all assets of the School and the Foundation.	<u>784,495</u> <u>2,774,546</u> <u>188,235</u>	<u>841,628</u> <u>2,950,600</u> <u>176,044</u>
Less - current portion	<u>\$ 2,586,311</u>	<u>\$ 2,774,556</u>

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**12. BONDS PAYABLE (Continued)**

Future payments of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 188,235	\$ 185,621	\$ 373,856
2023	\$ 201,309	\$ 172,547	\$ 373,856
2024	\$ 214,910	\$ 158,946	\$ 373,856
2025	\$ 230,344	\$ 143,512	\$ 373,856
2026	\$ 246,483	\$ 127,373	\$ 373,856
2027	\$ 1,693,265	\$ 56,024	\$ 1,749,289

As part of the bonds payable, the School must maintain a debt service reserve fund (see Note 14). These funds are used for the repayment of debt, subject to review and approval from the bank. The School must comply with various covenants as defined in the bond agreements. The School was in compliance with these covenants at June 30, 2021. The bonds are subject to a prepayment penalty equivalent to the yield maintenance costs incurred by the bank.

**13. LINE OF CREDIT**

The School has a working capital line of credit agreement with a bank which allows for borrowings up to \$250,000 at June 30, 2021 and 2020. Borrowings are due on demand and interest is payable monthly at bank's prime rate (3.25% at June 30, 2021 and 2020), plus 0.50%, with a floor of 4.00%. This line of credit is secured by the School's grants and accounts receivables. There was no outstanding balance under this agreement at June 30, 2021 and 2020. Per the terms of the agreement, the School is required to pay down the entire balance by December 31<sup>st</sup> each year. The School must comply with various covenants as defined in the agreements. The School was in compliance with these covenants at June 30, 2021.

**14. RESTRICTED RESERVES**

The School is required to maintain debt service funds on deposit with a trustee pursuant to its bonds payable (see Note 12). This fund is invested in checking and money market accounts.

The debt service reserve fund was established to ensure the payment of principal and interest relating to the Bonds as defined in the agreements. The balance in the account was \$46,172 and \$45,948 as of June 30, 2021 and 2020, respectively.

During fiscal year 2020, as a condition for issuance of a debt covenant waiver by the bank, the School was required to make a deposit into an account with the bank. During fiscal year 2021, the bank allowed the School to make a certain debt service payment from this account. The remaining balance of \$163,211 as of June 30, 2021, is expected to be held in this account through the Bonds' maturity (see Note 12) and, therefore, the account balance has been reflected as a long-term asset in the accompanying combined statement of net position

**CAPE COD LIGHTHOUSE CHARTER SCHOOL AND CAPE COD LIGHTHOUSE  
CHARTER SCHOOL EDUCATION FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements  
June 30, 2021 and 2020

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**15. CUMULATIVE SURPLUS REVENUE**

Effective July 1, 2010, any cumulative surplus revenue generated by the School must comply with M.G.L.c.71. Section 89 (as amended by Chapter 12 of the Acts of 2010 under Section 8 (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 state in proportion to their share of tuition paid during the fiscal year.

As of June 30, 2021 and 2020, the School's cumulative surplus revenue was less than 20%; however, the calculation is subject to DESE review and approval. Management does not anticipate any material change in the calculation.

**16. CONTINGENCIES**

During fiscal year 2020, COVID-19 was recognized as a global pandemic and continued into fiscal year 2021. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the School's operations and financial position. As a result, the adverse impact COVID-19 will have on the School's businesses, operating results, cash flows, and financial condition is uncertain. The financial impact to the School, if any, cannot be reasonably estimated at this time.

**17. RELATED PARTY TRANSACTIONS**

Two employees of the School serve on the Board of Trustees. These employees are not compensated for their role on the Board. Also, during fiscal year 2021, the School purchased supplies totaling \$162 from a company owned by a Board member.

**18. RECLASSIFICATIONS**

Certain amounts in the fiscal year 2020 combined general purpose financial statements have been reclassified to conform with the fiscal year 2021 presentation.



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**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Combined General Purpose Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Boards of Trustees of  
Cape Cod Lighthouse Charter School and Cape Cod Lighthouse  
Charter School Education Foundation, 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 general purpose financial statements of Cape Cod Lighthouse Charter School and Cape Cod Lighthouse Charter School Education Foundation, Inc. (collectively, the Organization), which comprise the combined statement of net position as of June 30, 2021, 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 general purpose financial statements, and have issued our report thereon dated September 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined general purpose financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined general purpose 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 Organization's combined general purpose 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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's combined general purpose 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 general purpose 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*AAFCPA, Inc.*

Westborough, Massachusetts  
September 20, 2021