

**New Heights Charter School of Brockton
and
Friends of New Heights Foundation, Inc.**

Combined Financial Statements and
Independent Auditors' Reports in Accordance with
Governmental Auditing Standards and the Uniform Guidance

June 30, 2021

**New Heights Charter School of Brockton
and
Friends of New Heights Foundation, Inc.**
June 30, 2021

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Trustees
**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**

Report on the Combined Financial Statements

We have audited the accompanying combined statement of net position of New Heights Charter School of Brockton (a governmental entity) and Friends of New Heights Foundation, Inc., (a nonprofit organization) (collectively, the Organization) as of and for the year ended June 30, 2021, and the related combined statements of revenues, expenses and changes in net position and cash flow 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, 2021, and the respective changes in its combined financial position and combined cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Organization's combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 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. The purpose of that report is solely 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 Organization's internal control over financial reporting and compliance.

Daniel Dennis & Company LLP

September 28, 2021

New Heights Charter School of Brockton
Management's Discussion and Analysis
June 30, 2021 (Unaudited)

The following management's discussion and analysis of New Heights Charter School of Brockton's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021 with comparative totals for fiscal year 2020. Please read it in conjunction with the School's combined financial statements and the related notes, which begin on page 9.

The School as a Whole

The School was established on February 28, 2016 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71, Section 89 of the General Laws 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). During fiscal year 2021, the School's charter was renewed through June 30, 2026.

The School currently has two locations in Brockton, Massachusetts, and offers children of Brockton and the surrounding communities in grades six through twelve, a publicly supported academic education. The School has completed its fifth year of operations. For the year ended June 30, 2021, 741 scholars were enrolled in sixth through twelve grade. For the year ended June 30, 2020, 619 scholars were enrolled in sixth through eleventh grade. The School's maximum tuition reimbursement capacity is 735 students.

Financial Reporting Entity

As required by generally accepted accounting principles, and in conformance with 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 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, Friends of New Heights Foundation, Inc. (the Foundation) and determined that the Foundation is a component unit of the School and should be presented as blended component unit in the combined financial statements. The School and its blended component unit, the Foundation, 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 - 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. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group in accordance with *GASB 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.

New Heights Charter School of Brockton
Management's Discussion and Analysis – *Continued*
June 30, 2021 (Unaudited)

Financial Statements

The *Combining 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 *Combining Statement of Net Position* is to present a fiscal snapshot of the Organization to the readers of the combined 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. Deferred inflow of resources is an acquisition of net assets by the Organization that is applicable to a future reporting period. Net position represents the difference between all other elements in a statement of financial 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 mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities. 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 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 decrease in net position based on current year operations.

New Heights Charter School of Brockton
Management's Discussion and Analysis – *Continued*
June 30, 2021 (Unaudited)

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.

Supplemental Information

The *Schedule of Expenditures of Federal Awards* is presented for the purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The schedule of expenditures of federal awards can be found on pages 24 and 25 of this report.

Financial Highlights

The following financial highlights are for the School for fiscal year 2021 with comparative information from fiscal year 2020:

- The School held total assets of \$3,153,959 and \$2,115,097 at June 30, 2021 and 2020, respectively, of which \$984,186 and \$1,213,564 were net capital assets, respectively, and the majority of the remaining assets consisted of cash and accounts receivable. The increase in total assets was largely due to increase in cash, which was generated from operations.
- The School held total liabilities of \$772,844 and \$872,048 at June 30, 2021 and 2020, respectively, of which \$772,844 and \$870,057 were current and \$0 and \$1,991 were non-current, respectively. The decrease in total liabilities was due to the School repaying its outstanding notes payable during fiscal year 2021.
- Total net position for the School was \$2,205,115 and \$1,243,049 at June 30, 2021 and 2020, respectively, of which \$1,220,929 and \$263,264, respectively was unrestricted. In addition, for the years ended June 30, 2021 and 2020, the School had \$984,186 and \$977,971, respectively, which were funds related to net investment in capital assets and \$0 and \$1,814, respectively, restricted for imputed interest. The increase in the net position is due to the surplus generated during fiscal year 2021.

New Heights Charter School of Brockton
Management's Discussion and Analysis – *Continued*
June 30, 2021 (Unaudited)

Financial Highlights – *Continued*

- The School earned total revenues of \$12,736,248 excluding on-behalf fringe benefits and in-kind transportation, of which 97% was from operating revenues and 3% was from non-operating revenues (private grants and contributions) for the fiscal year ending June 30, 2021. The School earned total revenues of \$9,623,964, excluding on-behalf fringe benefits and in-kind transportation, of which 98% were operating revenues and 2% was from non-operating revenues for the year ended June 30, 2020. The increase in revenue was due to an increase in the per-pupil tuition resulting from the expansion into twelfth grade and an increase in state and federal grants in response to the COVID-19 pandemic.
- The School had total expenses of \$11,774,182 and \$9,316,645 for the years ended June 30, 2021 and 2020 respectively, excluding on-behalf fringe benefits and in-kind transportation, of which 100% and 99% were operating expenses and 0% and 1% were non-operating expenses, respectively. The increase is due to an increase in salaries, occupancy costs and equipment as a result of the expansion into twelfth grade and the purchase of equipment in response to the remote learning environment.
- The School had a change in net position of \$962,066 and \$310,378 for the years ending June 30, 2021 and 2020, respectively. In the fiscal years of 2021 and 2020, the change in net position was comprised of operating revenue of \$585,069 and \$114,411, respectively, and net non-operating revenue of \$376,997 and \$195,967 respectively.

Budgetary Highlights

The School's annual budget for the year ended June 30, 2021 was approved by the Board of Trustees (the Board). For the fiscal year ended June 30, 2021, the School incurred \$11,774,182 in actual expenditures, excluding \$2,471,012 of in-kind transportation, on-behalf fringe benefits, compared to budgeted expenditures of \$10,925,239. The School was over budget by \$848,943, which was directly attributable to additional payroll related costs in response to an increase in enrollment during fiscal year 2021.

The School budgeted tuition for fiscal years 2021 and 2020 was based on enrollment of 741 and 619, respectively for the year, using estimated per pupil rates from the sending districts.

School's Financial Activities

The majority of the School's funding is received from the DESE and is based on a standard rate per pupil. The School received \$10,441,058 in per pupil funding in fiscal year 2021, versus \$8,381,521 in per pupil funding in fiscal year 2020. This represents 82% and 87% of the School's revenue for the fiscal years ended June 30, 2021 and 2020, respectively. In addition, the School received various federal and state grants, which totaled \$1,509,949 and \$641,925 for fiscal years 2021 and 2020, respectively.

New Heights Charter School of Brockton
Management's Discussion and Analysis – *Continued*
June 30, 2021 (Unaudited)

Current Known Facts, Decisions and Conditions

During the 2020-2021 school year, the School broadened its course offerings for its scholars and will have 143 students on the Massasoit Community College Campus for the fall 2021 semester. As of the end of the summer 2021 semester, the School's students earned 6,540 college credits. Management estimates the college credits earned during fiscal year 2021 have saved the student's families approximately \$1,360,230 in college tuition. A key component to the School's model is, all students have the opportunity to graduate from high school with at least 12 college credits with an ultimate goal of 50% of the students earning an Associate's degree from Massasoit Community College. In June 2021, the first class of students graduated from the School and 100% of the graduates earned a minimum of 12 college credits with 51% earning an Associate's degree. The class of 2022 is on target to exceed its ultimate goal of between 50% and 60% of the seniors graduating with an Associate's degree.

The school, scholars, families, and staff were heavily impacted by the COVID-19 pandemic. However, as a community, the School was able to maintain the standards of excellence for teaching and learning and the Early College scholars were able to demonstrate drive, passion, and resilience by successfully completing remote college courses.

Coronavirus

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus as a pandemic. As a result, the School transitioned into a remote working and learning environment for the remainder of fiscal year 2020 and the majority of fiscal year 2021. The School anticipates a return to an in-person learning and working environment for the start of the 2021-2022 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.

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 the accountability for the funds received. If you have questions about this report or need additional information, please contact the Executive Director at the School.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Combined Statement of Net Position
With Combining Information at June 30, 2021

	<i>New Heights Charter School of Brockton</i>	<i>Friends of New Heights Foundation, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2021</i>
Assets			
Current Assets:			
Cash	\$ 1,414,198	\$ 22,095	\$ 1,436,293
Grants and accounts receivable	646,570	1,750	648,320
Prepaid expenses	<u>101,505</u>	<u>-</u>	<u>101,505</u>
Total current assets	<u>2,162,273</u>	<u>23,845</u>	<u>2,186,118</u>
Noncurrent Assets:			
Security deposit	7,500	-	7,500
Capital assets, net	<u>984,186</u>	<u>-</u>	<u>984,186</u>
Total noncurrent assets	<u>991,686</u>	<u>-</u>	<u>991,686</u>
Total assets	<u>\$ 3,153,959</u>	<u>\$ 23,845</u>	<u>\$ 3,177,804</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities:			
Accounts payable	\$ 190,614	\$ -	\$ 190,614
Accrued expenses	<u>582,230</u>	<u>-</u>	<u>582,230</u>
Total liabilities	<u>772,844</u>	<u>-</u>	<u>772,844</u>
Deferred Inflows of Resources			
Revenues for future periods	<u>176,000</u>	<u>-</u>	<u>176,000</u>
Net Position:			
Net investment in capital assets	984,186	-	984,186
Restricted for:			
School	-	20,000	20,000
Unrestricted	<u>1,220,929</u>	<u>3,845</u>	<u>1,224,774</u>
Total net position	<u>2,205,115</u>	<u>23,845</u>	<u>2,228,960</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,153,959</u>	<u>\$ 23,845</u>	<u>\$ 3,177,804</u>

See accompanying notes to combined financial statements.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Combined Statement of Revenues, Expenses and Changes in Net Position
With Combining Information For the Year Ended June 30, 2021

	<i>New Heights Charter School of Brockton</i>	<i>Friends of New Heights Foundation, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2021</i>
Operating Revenues:			
Tuition	\$ 10,441,058	\$ -	\$ 10,441,058
Federal and state grants	1,509,949	-	1,509,949
Food service revenue	237,259	-	237,259
Transportation	155,564	-	155,564
Program fees	15,421	-	15,421
Private grants and contributions	-	45,050	45,050
On-behalf fringe benefits	2,197,277	-	2,197,277
In-kind revenue	<u>273,735</u>	<u>-</u>	<u>273,735</u>
Total operating revenue	<u>14,830,263</u>	<u>45,050</u>	<u>14,875,313</u>
Operating Expenses:			
Salaries	7,185,262	-	7,185,262
Payroll taxes	296,271	-	296,271
Fringe benefits	836,883	-	836,883
Occupancy	717,761	-	717,761
Contracted services	650,252	-	650,252
Professional fees	75,548	600	76,148
Professional development	63,785	-	63,785
Insurance	46,324	-	46,324
Instructional supplies and materials	213,171	-	213,171
Transportation	74,963	-	74,963
Student activities	93,991	-	93,991
Supplies and materials	40,255	-	40,255
Food service program	211,719	-	211,719
Health services	8,460	-	8,460
Travel	17,563	-	17,563
Interest	1,813	-	1,813
Advertising and marketing	9,916	-	9,916
Equipment	79,014	-	79,014
Repairs and maintenance	65,105	-	65,105
Information technology	655,420	-	655,420
In-kind transportation	273,735	-	273,735
On-behalf fringe benefits	2,197,277	-	2,197,277
Scholarships	-	21,750	21,750
Depreciation	430,679	-	430,679
Bank charges	<u>27</u>	<u>67</u>	<u>94</u>
Total operating expenses	<u>14,245,194</u>	<u>22,417</u>	<u>14,267,611</u>
Net operating revenue	<u>585,069</u>	<u>22,633</u>	<u>607,702</u>
Nonoperating revenues:			
Private grants and contributions	47,302	-	47,302
Rental income	33,750	-	33,750
Interest income	350	-	350
Other income	<u>295,595</u>	<u>-</u>	<u>295,595</u>
Net nonoperating revenues	<u>376,997</u>	<u>-</u>	<u>376,997</u>
Change in net position	962,066	22,633	984,699
Net position, beginning of the year	<u>1,243,049</u>	<u>1,212</u>	<u>1,244,261</u>
Net position, end of the year	<u>\$ 2,205,115</u>	<u>\$ 23,845</u>	<u>\$ 2,228,960</u>

See accompanying notes to combined financial statements.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Combined Statement of Cash Flows
With Combining Information For the Year Ended June 30, 2021

	<i>New Heights Charter School of Brockton</i>	<i>Friends of New Heights Foundation, Inc.</i>	<i>Memorandum Only Total Primary Government June 30, 2021</i>
Cash flows from operating activities:			
Receipts from student tuition	\$ 10,499,475	\$ -	\$ 10,499,475
Receipts from governmental grants	1,191,760	-	1,191,760
Receipts from food service programs	230,689	-	230,689
Receipts from transportation	155,564	-	155,564
Receipts from program services	15,421	43,300	58,721
Payments to employees	(8,198,553)	-	(8,198,553)
Payments to suppliers and vendors	(2,970,664)	(22,417)	(2,993,081)
Net cash provided by operating activities	<u>923,692</u>	<u>20,883</u>	<u>944,575</u>
Cash flows from non capital and related financing activities:			
Non-operating revenue	<u>382,996</u>	-	<u>382,996</u>
Net cash provided by non capital and related financing activities	<u>382,996</u>	-	<u>382,996</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(201,301)	-	(201,301)
Proceeds from line of credit	80,000	-	80,000
Repayment of line of credit	(80,000)	-	(80,000)
Repayment of other liability	(80,000)	-	(80,000)
Repayment of notes payable	(235,593)	-	(235,593)
Net cash used in capital and related financing activities	<u>(516,894)</u>	-	<u>(516,894)</u>
Change in cash	789,794	20,883	810,677
Cash, beginning of year	<u>624,404</u>	<u>1,212</u>	<u>625,616</u>
Cash, end of year	<u>\$ 1,414,198</u>	<u>\$ 22,095</u>	<u>\$ 1,436,293</u>
Reconciliation of operating revenue to net cash provided by operating activities:			
Operating revenue	\$ 585,069	\$ 22,633	\$ 607,702
<i>Adjustments to reconcile total net operating revenue to net cash provided by operating activities:</i>			
Depreciation	430,679	-	430,679
<i>Changes in operating assets and liabilities:</i>			
Accounts and grants receivable	(266,342)	(1,750)	(268,092)
Prepaid expenses	(42,103)	-	(42,103)
Accounts payable	96,526	-	96,526
Accrued expenses	119,863	-	119,863
Net cash provided by operating activities	<u>\$ 923,692</u>	<u>\$ 20,883</u>	<u>\$ 944,575</u>

See accompanying notes to combined financial statements.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements
June 30, 2021

1. Nature of Activities

New Heights Charter School of Brockton (the School) was established on February 28, 2016 after receiving their charter from the Commonwealth of Massachusetts (the Commonwealth) under Chapter 71, Section 89 of the General Laws 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). During fiscal year 2021, the School's charter was renewed through June 30, 2026.

The School has two locations in Brockton, Massachusetts, offers children of Brockton and the surrounding communities in grades six through twelve a publicly supported academic education. During fiscal year 2021, the School served 741 children in sixth through twelve grade.

The School is considered a special purpose governmental entity, and operates as a public school. The School's operations are managed by the Board of Trustees who are deemed public agents authorized by the Commonwealth.

The School's mission is: *to prepare all children for college. Period.*

The combined financial statements consist of the following:

Primary government

- The School – operates grades six through twelve in Brockton, Massachusetts and served 741 students. The maximum amount of students the School can be reimbursed for through the per pupil tuition is 735.
- Friends of New Heights Foundation (the Foundation) – a legally separate, tax-exempt organization that acts primarily as a fundraising organization to supplement the resources of the School. During fiscal year 2021, the Foundation was granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Because the Foundation's 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 presented as a blended component unit in the combined financial statements.

The School and its blended component unit, the Foundation, are referred to collectively 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:

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

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) Statements No. 14, The Financial Reporting Entity* and *GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units and subsequently amended by GASB No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3, and GASB No. 80, Blending Requirements for Certain Component Units*, the School evaluated its potential component unit to determine the reporting entity.

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 Foundation’s board members and (1) is able to impose its will on the Foundation, or (2) there is a potential to provide specific financial benefit or to impose a burden on the School.

The Foundation was evaluated and is reported as blended component unit of the School. 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 Foundation 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 revenue recognition and financial presentation features. No modifications were made to the Foundation’s financial information in the School’s reporting entity for those differences.

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

Financial Statement Presentation

The School, in accordance with Governmental Accounting Standards Board (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, the financial statements are prepared using the accrual basis of accounting and all the 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. Grants and contributions are recognized when all eligibility requirements are met.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

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 Financial Accounting Standards Board (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 part of the Commonwealth, and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from Massachusetts income taxes, except for income taxes on unrelated business income, if any. For the year ended June 30, 2021, the Foundation had no unrelated business income subject to taxes.

The Foundation 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 Foundation has evaluated the tax positions taken in its 2021 returns and believes they are more-likely-than not to be sustained if examined by federal or state tax authorities.

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, 2021, the Organization did not hold any cash equivalents.

Grants and Accounts Receivable

Grants and accounts receivable 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. These receivables are written off when deemed uncollectible. At June 30, 2021 no allowance for doubtful accounts has been recorded, as management considers the receivable to be fully collectible.

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 5 years for equipment, 7 years for furniture and fixtures and the lesser of the useful life or the remaining life of the lease for leasehold improvements.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

2. *Summary of Significant Accounting Policies – Continued*

Classification of Net Position

The following are the net position classifications:

- Unrestricted Net Position – portion of funds to support operations.
- 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 and contributors.

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

Operating Revenue and Expenses

The School - Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include tuition and Federal and Commonwealth 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.

The Foundation - Operating revenue and expenses generally result from private grants and contributions, and fundraising on behalf of the School. Operating expenses include contributions to the School, fundraising expenses and administrative expenses. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deferred Inflows and Outflows or Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred inflows and outflows of resources. These separate financial statement elements represent an acquisition or disbursement of net position that applies to a future period(s) and so will not be recognized until that time.

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles 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.

In-Kind Contributions

The Organization receives donated services and goods in support of the Organization. Donated services and goods are recorded at fair value. Donates services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if they were not donated are recorded as in-kind contributions in the combined financial statements. Donates services such as fund-raising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the combined financial statements.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

2. Summary of Significant Accounting Policies – Continued

On-Behalf Payments

The Organization 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*.

3. Deposits with Financial Institutions and Credit Risk

The Organization maintains its cash accounts at one financial institution. This balance at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institution minimizes such risk. In addition, the financial institution 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, 2021:

<i>Category</i>	<i>Amount</i>
Fully insured deposits	<u>\$ 1,497,088</u>

4. Grants and Accounts Receivable

Grants and accounts receivable at June 30, 2021 is as follows:

<i>Description</i>	<i>Amount</i>
DESE - grants receivable	\$ 273,785
DESE - food service	43,606
Federal - grant receivable	158,594
Other receivable	<u>172,335</u>
Total	<u>\$ 648,320</u>

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2021 is as follows:

<i>Description</i>	<i>Amount</i>
Payables to vendors	\$ 190,614
Accrued salaries, taxes and benefits	<u>582,230</u>
Total	<u>\$ 772,844</u>

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

6. Related Party Transactions

A member of the School’s Board of Directors is employed at an affiliate of Bay Coast Bank, where the Organization holds cash deposit accounts and the School has a line of credit. See Note 8 for further information regarding the line of credit and Note 3 for cash deposit accounts.

7. Capital Assets

Changes in capital assets for the year ended June 30, 2021 is as follows:

<i>Description</i>	<i>Balance July 1, 2020</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2021</i>
<i>Depreciable assets</i>				
Leasehold improvements	\$ 1,771,025	\$ 201,301	\$ -	\$ 1,972,326
Furniture and equipment	139,504	-	-	139,504
Computer equipment	253,642	-	-	253,642
Vehicles	56,152	-	-	56,152
	<u>2,220,323</u>	<u>201,301</u>	<u>-</u>	<u>2,421,624</u>
<i>Total depreciable assets</i>				
<i>Less accumulated depreciation</i>				
Leasehold improvements	681,936	391,367	-	1,073,303
Furniture and equipment	78,462	19,929	-	98,391
Computer equipment	240,745	8,153	-	248,898
Vehicles	5,616	11,230	-	16,846
	<u>1,006,759</u>	<u>430,679</u>	<u>-</u>	<u>1,437,438</u>
<i>Total accumulated depreciation</i>				
Capital assets, net	<u>\$ 1,213,564</u>	<u>\$ (229,378)</u>	<u>\$ -</u>	<u>\$ 984,186</u>

8. Line of Credit

The School has an available operating line of credit with a financial institution in the amount of \$350,000 to be drawn upon as needed with an interest rate of 5%. The line is secured by the assets of the School. Interest expense incurred on the line of credit amounted to \$144 for the year ended June 30, 2021 and 2020. The balance on the line of credit at June 30, 2021 and 2020 was zero.

The following summarizes the line of credit activity of the School for the fiscal year ended June 30, 2021:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
June 30, 2021	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

9. Notes Payable

The School had a note payable in the original amount of \$200,000. The note was payable in quarterly installments of \$10,715, which commenced on December 31, 2016 and was due in full on May 31, 2021. The note agreement contained provisions that upon the occurrence of any Event of Default, defined as nonpayment, the full amount of the outstanding principal shall be due in full. The balance of the note payable at June 30, 2021 was zero.

During fiscal year 2017, the School entered into a note payable with the Resiliency Foundation, a nonprofit organization, who is considered related party as both entities have shared management. The original amount of the note payable was \$150,000 for the purpose of renovating the 1690 Main Street facility. The note was payable in monthly installments of \$2,679, which commenced on October 31, 2016 and was due in full on June 30, 2021. The balance of the note payable at June 30, 2021 was zero.

During fiscal year 2017, the School entered into a note payable with the Resiliency Foundation in the amount of \$200,000 for the purpose of renovating the 1690 Main Street facility. The note was payable in monthly installments of \$3,571 which commenced on October 31, 2016 and was due in full on June 30, 2021. The balance of the note payable at June 30, 2021 was zero.

During fiscal year 2017, the School entered into a note payable with the landlord of 1690 Main St. LLC in the amount of \$100,000. The note was payable in monthly payments of \$1,950, beginning on January 1, 2017 and was due in full in July 2021. The note bore interest at a rate of 3%. The note agreement contained provisions that upon the occurrence of any Event of Default, defined as nonpayment, the full amount of the outstanding principal and interest shall be due in full. The balance of the note payable at June 30, 2021 was zero.

During fiscal year 2017, the School entered into a note payable with the Bay Coast Bank in the amount of \$265,000. The purpose of the note was to refinance a note payable with the Resiliency Foundation and to renovate the 1690 Main Street facility. The note was payable in monthly payments of \$5,788, which commenced on April 15, 2017 and was due in full in June 2021. The note bore an interest rate of 5%. The note was secured by a pledge of the tuition revenue and all business assets of the School. The note agreement contained provisions that upon the occurrence of any Event of Default, defined as nonpayment, the full amount of the outstanding principal and interest shall be due in full. Interest on the note payable for the year ended June 30, 2021 was \$1,669. The balance of the note at June 30, 2021 was zero.

The following summarizes the debt of the School for the fiscal year ended June 30, 2021:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
June 30, 2021	\$ <u>235,593</u>	\$ <u>-</u>	\$ <u>235,593</u>	\$ <u>-</u>	\$ <u>-</u>

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

10. Operating Leases

On August 4, 2016, the School entered into a lease agreement for a building located at 1690 Main Street, Brockton, Massachusetts. This location serves as the facility to house grades sixth through ten. During fiscal year 2020, the lease was amended to increase the square footage and change the lease expiration date to the later of June 30, 2021 or 10 months after the completion of the leasehold improvements being performed on the additional square footage. The lease agreement includes monthly rent plus an additional \$8,333 per month for utilities. Additionally, the lease amendment increased the existing purchase option from \$4.75 million to \$6.6 million to reflect the additional square footage that will be purchased. If the School does not exercise the purchase option at the later of June 30, 2021 or 10 months after occupancy of the new square footage the lease will automatically extend for an additional four-year period expiring on June 30, 2025. Management anticipates the occupancy of the new square footage will be in October 2021. Rental expense for the fiscal year ending June 30, 2021 was \$660,182.

During fiscal year 2019, the School entered into a lease agreement for a building located at 665 Centre Street, Brockton, Massachusetts. The School leased space for the expansion into eleventh grade. The lease commenced on July 1, 2019 and expired on June 30, 2021. Upon execution of the lease, the School was required to pay a security deposit of \$7,500. During fiscal year 2020, the lease was amended to reduce the monthly rent to \$3,750 effective July 1, 2020. The rental expense for fiscal year ending June 30, 2021 was \$45,000.

During fiscal year 2021, the School entered into a lease agreement for a building located at 1105 West Chestnut Street, Brockton, Massachusetts. The School leased space for administrative offices. The lease will commence on September 1, 2021 and will expire on June 30, 2026 and require monthly payments of \$6,000. Additionally, upon execution of the lease, the School was required to pay a security deposit of \$6,000.

The minimum lease payments over the term of the leases are as follows:

<i>Year Ending</i>	<i>Amount</i>
2022	\$ 903,430
2023	\$ 212,572
2024	\$ 72,000
2025	\$ 72,000
2026	\$ 72,000

11. In-kind Revenue/Expense

Transportation

The City of Brockton is obligated to provide transportation service to the School for the busing of its students. During fiscal year 2021, the fair value of these services was \$273,735. The School has reported both revenues and expenses in the *Combined Statement of Revenues, Expenses and Changes in Net Position*.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

12. Rental Income

During fiscal year 2021, the School entered into a lease agreement with the Old Colony Young Men's Christian Association, Inc. (YMCA) to sub-lease the building located at 665 Centre Street, Brockton, Massachusetts. The sub-lease commenced September 28, 2021, expired on June 30, 2021, and required monthly payments of \$3,750. Rental income for the fiscal year ended June 30, 2021 was \$33,750.

13. Litigation/Other Loss

During fiscal year 2017, as a result of the termination of a prior lease, the prior landlord filed a claim against the School. During fiscal year 2019, the School entered into a settlement agreement with the prior landlord in which the School would pay damages in the amount of \$450,000. The School was required to pay the prior landlord \$250,000 within 30 days of execution of the settlement agreement and the remaining \$250,000 was required to be paid in twenty monthly installments of \$10,000, commencing in July 2019. For the year ended June 30, 2021, the School paid \$80,000 to the prior landlord and at June 30, 2021, the balance of the settlement was zero.

14. Retirement Plan

The Commonwealth of Massachusetts provides for retirement benefits to the School's eligible employees through the MTRS, a contributory retirement system administered by the Massachusetts Teachers' Retirement Board (MTRB). The MTRS is governed by 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.

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, 2020 measurement date was determined by an actuarial valuation prepared as of January 1, 2020 rolled forward to June 30, 2020. The School's share of the MTRS net pension liability at June 30, 2021 was \$17,789,656.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

15. 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 financial statements. As of June 30, 2021, the School recognized \$2,197,277, of on-behalf revenues and expenses in the *Combined Statement of Revenues, Expenses and Changes in Net Position*.

16. Concentration

Revenue

For the fiscal year ended June 30, 2021, DESE provided 97% of the School's total revenue.

17. Contingencies

Grant Funding

The School's various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts resides with these grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined and management does not anticipate any. Therefore, no adjustment has been made to the financial statements.

Cumulative Surplus Revenue

Effective July 1, 2010, any cumulative surplus revenue generated by the School must comply with Massachusetts General Laws (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 Organization'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 for fiscal year 2021.

COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. During fiscal year 2021, in response to COVID-19, the School transitioned between remote, hybrid and in person learning models. The extent to which COVID-19 may impact the Organization'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 the coronavirus and the actions required to contain the virus.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to Combined Financial Statements – *Continued*
June 30, 2021

18. Subsequent Events

The Organization has evaluated subsequent events through September 28, 2021, which is the date the 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 financial statements from being misleading.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

<i>Federal Grantor (Pass-Through Grantor) Program Title or Cluster</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Pass through the Massachusetts Department of Elementary and Secondary Education			
Title I Grants to Local Educational Agencies (LEAs)	84.010	305-400886-2021-3513	\$ 234,532
Title I Grants to Local Educational Agencies (LEAs) 2020 Carry Over	84.010	305-400886-2020-3513	<u>100</u>
		Total Title I Grants to Local Educational Agencies (LEAs)	<u>234,632</u>
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	240-400891-2021-3513	155,945
Special Education - Grants to States (IDEA, Part B) 2020 Carry Over	84.027	240-400891-2020-3513	7,098
Special Education - Grants to States (IDEA, Part B) - Federal Targeted Special Education Program Improvement Grant	84.027	258-494291-2021-3513	2,500
Special Education - Grants to States (IDEA, Part B) - Special Education Program Improvement Grant	84.027	274-400891-2021-3513	<u>6,376</u>
		Total Special Education Cluster	<u>171,919</u>
Title II, Part A Supporting Effective Instruction State Grant	84.367	140-400888-2021-3513	27,239
Title II, Part A Supporting Effective Instruction State Grant 2020 Carry Over	84.367	140-400888-2020-3513	<u>100</u>
		Total Title II, Part A Supporting Effective Instruction State Grant	<u>27,339</u>
Title IV, Part A Student Support and Academic Enrichment Grant	84.424	309-400893-2021-3513	13,134
Title IV, Part A Student Support and Academic Enrichment Grant 2020 Carry Over	84.424	309-400893-2020-3513	1,762
Title IV, Part A Student Support and Academic Enrichment Grant 2019 Carry Over	84.424	309-400893-2019-3513	<u>200</u>
		Total Title IV, Part A Student Support and Academic Enrichment Grant	<u>15,096</u>
Charter Schools Grant: COVID-19 Relief	84.282	534-488616-2021-3513	100,000
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	113-377441-2021-3513	<u>148,338</u>
		Total U.S. Department of Education	<u>697,324</u>

See accompanying notes to schedule of federal expenditures.

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Notes to the Schedule of Expenditures of Federal Awards – *Continued*
June 30, 2021

<i>Federal Grantor (Pass-Through Grantor) Program Title or Cluster</i>	<i>Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of the Treasury</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Coronavirus Relief Fund - CvRF School Reopening Grant Program	21.019	102-390357-2021-3513	139,725
Coronavirus Relief Fund - Remote Learning Technology Essentials	21.019	118-401179-2021-3513	192,057
Coronavirus Relief Fund - Nutrition Program	21.019	DOENUT202012SL-79	<u>6,515</u>
			338,297
Passed through Plymouth County			
Coronavirus Relief Fund - Plymouth County Cares Grant	21.019	N/A	<u>352,242</u>
		Total U.S. Department of the Treasury	<u>690,539</u>
<i>U.S. Department of Agriculture</i>			
Pass through the Massachusetts Department of Elementary and Secondary Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	DOENUT2020SL	<u>228,429</u>
		Total Child Nutrition Cluster	<u>228,429</u>
		Total U.S. Department of Agriculture	<u>228,429</u>
		Total expenditures of federal awards	<u>\$ 1,616,292</u>

See accompanying notes to schedule of federal expenditures.

**New Heights Charter School of Brockton of Brockton and
Friends of New Heights Foundation, Inc.**

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2021

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of New Heights Charter School of Brockton and Friends of New Heights Foundation, Inc. (collectively, the Organization) under programs of the Federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net position or cash flows of the Organization.

2. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

3. *Subrecipients*

There were no pass through federal awards to subrecipients by the Organization during fiscal year 2021.

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



*Independent Auditors' 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*

To the Board of Trustees
**New Heights Charter School of Brockton and
Friends of New Heights 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 statement of net position of New Heights Charter School of Brockton and Friends of New Heights Foundation, Inc. (collectively, the Organization) as of and for the year ended June 30, 2021, 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 comprise the Organization's combined financial statements and have issued our report thereon dated September 28, 2021.

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 control) as a basis for designing 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 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 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Dennis & Company LLP

September 28, 2021

**REPORT IN ACCORDANCE
WITH
THE UNIFORM GUIDANCE**



DANIEL DENNIS & Co
Certified Public Accountants

*Independent Auditors' Report On Compliance For Each Major Program And On Internal Control
Over Compliance Required by the Uniform Guidance*

The Board of Trustees of
**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**

Report on Compliance for Each Major Federal Program

We have audited New Heights Charter School of Brockton and Friends of New Heights Foundation, Inc. (collectively, the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Daniel Dennis & Company LLP

September 28, 2021

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- **Material weakness (es) identified?** No
- **Significant deficiency (ies) identified that are not considered to be material weaknesses?** None reported

Noncompliance which is material to financial statements noted? No

Federal Awards

Internal control over major programs:

- **Material weakness (es) identified?** No
- **Significant deficiency (ies) identified that are not considered to be material weaknesses?** None reported

Type of auditor’s report issued Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major program:

<i>Assistance Listing Number</i>	<i>Name of Federal Programs and Clusters</i>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2021

Section II - FINANCIAL STATEMENT FINDINGS

A. Deficiencies in Internal Control over Financial Reporting

None

B. Material Fraud and Noncompliance with Provisions of Laws and Regulations

None

C. Material Noncompliance with Provisions of Contracts and Grant Agreements

None

D. Material Abuse

None

Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SCHEDULE OF PRIOR YEAR FINDINGS

**New Heights Charter School of Brockton and
Friends of New Heights Foundation, Inc.**
Schedule of Prior Year Findings
For the Year Ended June 30, 2021

There were no resolved audit findings from prior year's audit.

BOARD ACCEPTANCE LETTER



NEW HEIGHTS CHARTER SCHOOL of BROCKTON *We all go to college.*

ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of New Heights Charter School of Brockton 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, 2021.

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 years ended June 30, 2021.



Board President or Treasurer
or Other Designated Person

September 28, 2021
Date