



ADVANCED MATH & SCIENCE ACADEMY

INTEGRITY • EXCELLENCE • COMMUNITY

AND STEM SOARING EAGLES FOUNDATION, INC.

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Contents
June 30, 2020 and 2019

	<u>Pages</u>
Unmodified Opinion on Combined General Purpose Financial Statements Accompanied by Other Information – Governmental Entity	1 - 1A
Management’s Discussion and Analysis	2 - 4
Combined General Purpose Financial Statements:	
Combined Statements of Net Position	5 - 6
Combined Statements of Revenues, Expenses and Changes in Net Position	7 - 8
Combined Statements of Cash Flows	9 - 10
Notes to Combined General Purpose Financial Statements	11 - 19
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	20 - 21



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

Independent Auditor's Report

To the Boards of Trustees of
Advanced Math and Science Academy Charter School and
STEM Soaring Eagles Foundation, Inc.:

Report on the Combined General Purpose Financial Statements

We have audited the accompanying combined general purpose financial statements of Advanced Math and Science Academy Charter School (a Massachusetts charter school) and STEM Soaring Eagles Foundation, Inc. (a Massachusetts corporation, not for profit) (collectively, the Organization), which comprise the combined statements of net position as of June 30, 2020 and 2019, 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 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 Advanced Math and Science Academy Charter School and STEM Soaring Eagles Foundation, Inc. as of June 30, 2020 and 2019, 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 October 22, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2020. 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 the Organization's internal control over financial reporting and compliance.

AAFCPA, Inc.

Westborough, Massachusetts
October 22, 2020

ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL, AND STEM SOARING EAGLES FOUNDATION, INC.

Management's Discussion and Analysis
June 30, 2020 and 2019

Our discussion and analysis of the Advanced Math and Science Academy Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the School's combined general purpose financial statements and the related notes to the combined general purpose financial statements.

The School as a Whole

The School received its charter on February 24, 2004, and opened in September 2005 to operate as a public charter school in the Commonwealth of Massachusetts. The School opened with grades 6 and 7 and added one grade each year through grade 11. The Board of Trustees of the School requested approval for a charter amendment to increase the School's maximum enrollment from 828 to 966 students, an increase of 138 students. The Board of Elementary and Secondary Education voted on February 23, 2010, to approve the School's request to amend its charter to increase enrollment from 828 to 966 students and to increase grades served from grades 6 through 11 to grades 6 through 12. The School had 965 and 972 students in fiscal years 2020 and 2019, respectively.

On March 25, 2020, the School's charter was renewed by DESE through June 30, 2025, without condition.

Using This Annual Report

This annual report consists of a series of combined general purpose financial statements. In accordance with Governmental Accounting Standards Board 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. All of the 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, which provide additional information that is essential to a full understanding of the information provided in the basic combined general purpose financial statements.

Combined General Purpose Financial Statements

The combined 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. The combined statement of net position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the combined general purpose financial statements. The combined statement of net position includes year-end information concerning current and non-current assets, current and non-current liabilities, and net position. Net position represents the difference between assets and liabilities. Net position is displayed in three components: unrestricted, invested in capital and restricted program net position. Invested in capital net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted operating net position represents all other net position that do not meet the definition of restricted or invested in capital net position. Over time, readers of the combined general purpose financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the School'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 School.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL, AND
STEM SOARING EAGLES FOUNDATION, INC.**

Management's Discussion and Analysis
June 30, 2020 and 2019

Combined General Purpose Financial Statements (Continued)

This statement is also a good source for readers to determine how much the School 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 report the combined financial (revenue and expenses) activities of the School and divide revenue into two categories: operating activities and general revenue. Operating activities include all financial activities associated with the operation of the School and its related programs. General revenue includes all revenue received which is not fee generated or designated for a specific purpose with the exception of capital grants. 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 School had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

The combined statement of cash flows provides information about the School'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 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 the cash balance during the reporting period?". This statement also is an important tool in helping users 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 – Charter School

The following financial highlights are for fiscal year 2020, with comparative information from fiscal year 2019:

- The School held total assets of \$13,235,699 and \$11,953,597 at June 30, 2020 and 2019, respectively, of which \$5,202,848 and \$5,139,383 were net capital assets, respectively. Capital assets were purchased to benefit the School. In June 2020, the School made some major improvements to 165 Forest Street, and added significant additions to the School's hardware and software. In June 2019, the School made some major improvements to 165 Forest Street, added additional Chromebook carts, and replaced some staff laptops and a computer lab. The majority of the remaining assets consisted of cash of \$7,262,492 and \$6,142,306 as of June 30, 2020 and 2019, respectively, and prepaid expenses of \$677,853 and \$615,356, respectively.
- The School held total current liabilities of \$1,443,683 and \$1,338,950 at June 30, 2020 and 2019, respectively.
- Total net position for the School was \$11,792,016 and \$10,614,647 at June 30, 2020 and 2019, respectively, of which \$6,547,588 and \$5,439,812 were unrestricted, respectively. Invested in capital net position was \$5,202,848 and \$5,139,383 at June 30, 2020 and 2019, respectively. The School also had restricted net position of \$41,580 and \$35,452 at June 30, 2020 and 2019, respectively.
- The School earned total revenue of \$18,984,069 for the year ended June 30, 2020, of which approximately 99% was operating revenue and 1% was from general revenue. The School earned total revenue of \$18,247,707 for the year ended June 30, 2019, of which approximately 98% was operating revenue and 2% was from general revenue (undesigned grants and contributions, interest and often income and a one-time settlement of CAM charges).

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL, AND
STEM SOARING EAGLES FOUNDATION, INC.**

Management's Discussion and Analysis
June 30, 2020 and 2019

Financial Highlights – Charter School (Continued)

- The School had total expenses of \$17,806,700 and \$17,733,172 for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, expenses that were unbudgeted included additional common area maintenance charges and employee benefits. For the year ended June 30, 2019, expenses that were unbudgeted included additional depreciation expense on the building purchase, expenses incurred to purchase the building, and increased consultants for the Learning Services department.
- The School has sports in baseball, basketball, cross country, fencing, golf, lacrosse, hockey, soccer, softball, tennis, track and field, swim, volleyball, and football. Athletics had income of \$127,191 and \$219,255 in fiscal years 2020 and 2019, respectively. Athletics expense was \$285,688 and \$386,583 in fiscal years 2020 and 2019, respectively. The decreased expense was due to AMSA's closure due to COVID in March 2020.
- The School has incurred legal fees due to various issues. The legal expense was \$13,475 and \$68,984 in fiscal years 2020 and 2019, respectively. The decrease in legal expense was due to the settlement of the CAM charge dispute with the landlord in 2019.
- The School's changes in net position was \$1,177,369 and \$514,535 for the years ended June 30, 2020 and 2019, respectively. The School's changes in net position from operations was \$881,226 and \$84,051 during fiscal years 2020 and 2019, respectively.

Budgetary Highlights

For the fiscal year ended June 30, 2020, the School incurred \$14,551,305 in actual expenditures, excluding in-kind pension and transportation, compared to budgeted expenditures of \$15,785,000. For the fiscal year ended June 30, 2019, the School incurred \$15,169,632 in actual expenditures, excluding in-kind pension and transportation, compared to budgeted expenditures of \$14,936,000.

For the fiscal year ended June 30, 2020, the School received per-pupil tuition of \$14,553,627 compared to budgeted tuition of \$14,588,000. For the fiscal year ended June 30, 2019, the School received per-pupil tuition of \$14,241,985 compared to budgeted tuition of \$14,298,000. The School under budgets tuition revenue by 1% to be conservative in case there is a decrease in tuition rates. For the year ended June 30, 2020, the School received less tuition than budgeted of \$29,373. For the year ended June 30, 2019, the School received less tuition than budgeted of \$34,373.

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.

Per-pupil tuition funding represents 77% and 78% of the School's total revenue for fiscal years 2020 and 2019, respectively. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$305,653 and \$210,458 for fiscal years 2020 and 2019, respectively.

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 financial information, contact the Business Office of the School.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Net Position
June 30, 2020

	Enterprise Fund			(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	
Assets				
Current Assets:				
Cash	\$ 74,196	\$ 7,262,492	\$ 7,336,688	\$ 7,336,688
Prepaid expenses	-	677,853	677,853	677,853
Accounts receivable	-	92,030	92,030	92,030
Due (to) from	(476)	476	-	-
Total current assets	73,720	8,032,851	8,106,571	8,106,571
Capital Assets, net	-	5,202,848	5,202,848	5,202,848
Total assets	<u>\$ 73,720</u>	<u>\$ 13,235,699</u>	<u>\$ 13,309,419</u>	<u>\$ 13,309,419</u>
Liabilities and Net Position				
Current Liabilities:				
Accounts payable	\$ -	\$ 69,389	\$ 69,389	\$ 69,389
Accrued expenses	-	1,297,580	1,297,580	1,297,580
Deferred revenue	14,354	76,714	91,068	91,068
Total current liabilities	14,354	1,443,683	1,458,037	1,458,037
Net Position:				
Unrestricted	8,542	6,547,588	6,556,130	6,556,130
Invested in capital	-	5,202,848	5,202,848	5,202,848
Restricted program	50,824	41,580	92,404	92,404
Total net position	59,366	11,792,016	11,851,382	11,851,382
Total liabilities and net position	<u>\$ 73,720</u>	<u>\$ 13,235,699</u>	<u>\$ 13,309,419</u>	<u>\$ 13,309,419</u>

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Net Position
June 30, 2019

	Enterprise Fund			(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	
Assets				
Current Assets:				
Cash	\$ 59,406	\$ 6,142,306	\$ 6,201,712	\$ 6,201,712
Prepaid expenses	-	615,356	615,356	615,356
Accounts receivable	-	55,866	55,866	55,866
Due (to) from	(686)	686	-	-
Total current assets	58,720	6,814,214	6,872,934	6,872,934
Capital Assets, net	-	5,139,383	5,139,383	5,139,383
Total assets	<u>\$ 58,720</u>	<u>\$ 11,953,597</u>	<u>\$ 12,012,317</u>	<u>\$ 12,012,317</u>
Liabilities and Net Position				
Current Liabilities:				
Accounts payable	\$ -	\$ 101,027	\$ 101,027	\$ 101,027
Accrued expenses	-	1,143,776	1,143,776	1,143,776
Deferred revenue	-	94,147	94,147	94,147
Total current liabilities	-	1,338,950	1,338,950	1,338,950
Net Position:				
Unrestricted	7,896	5,439,812	5,447,708	5,447,708
Invested in capital	-	5,139,383	5,139,383	5,139,383
Restricted program	50,824	35,452	86,276	86,276
Total net position	58,720	10,614,647	10,673,367	10,673,367
Total liabilities and net position	<u>\$ 58,720</u>	<u>\$ 11,953,597</u>	<u>\$ 12,012,317</u>	<u>\$ 12,012,317</u>

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020
(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020			2019	
	Enterprise Fund			(Memorandum Only) Total	Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund		
Changes in Unrestricted Net Position:					
Operating revenue:					
Pupil tuition	\$ -	\$ 14,553,627	\$ 14,553,627	\$ 14,553,627	\$ 14,241,985
In-kind transportation and pension	-	3,255,395	3,255,395	3,255,395	2,563,540
Program service fees	-	568,470	568,470	568,470	798,294
Grants - government	-	305,653	305,653	305,653	210,458
Transfers between funds	-	4,781	4,781	4,781	2,946
Total operating revenue	-	18,687,926	18,687,926	18,687,926	17,817,223
Operating expenses:					
Personnel and related costs:					
Salaries	-	8,799,431	8,799,431	8,799,431	8,734,663
In-kind pension	-	2,789,195	2,789,195	2,789,195	2,075,092
Payroll taxes and fringe benefits	-	1,715,868	1,715,868	1,715,868	1,668,222
Staff development and recruitment	-	61,121	61,121	61,121	112,057
Total personnel and related costs	-	13,365,615	13,365,615	13,365,615	12,590,034
Direct student costs:					
Program expenses	-	831,969	831,969	831,969	1,195,097
In-kind transportation	-	466,200	466,200	466,200	488,448
Student transportation	-	173,613	173,613	173,613	246,790
Contracted services	-	56,975	56,975	56,975	140,494
Total direct student costs	-	1,528,757	1,528,757	1,528,757	2,070,829
Occupancy:					
Rent and related	-	1,381,920	1,381,920	1,381,920	1,372,978
Repairs and maintenance	-	282,929	282,929	282,929	449,412
Utilities	-	231,185	231,185	231,185	240,800
Equipment rental	-	98,071	98,071	98,071	81,415
Insurance	-	55,469	55,469	55,469	56,746
Total occupancy	-	2,049,574	2,049,574	2,049,574	2,201,351
Other operating costs:					
Professional fees	-	148,242	148,242	148,242	172,671
Miscellaneous	542	56,125	56,667	56,667	75,366
Office supplies and other	-	54,973	54,973	54,973	91,722
Technology	-	40,592	40,592	40,592	65,551
Communications	-	31,342	31,342	31,342	31,604
Dues and memberships	-	24,616	24,616	24,616	3,353
Total other operating costs	542	355,890	356,432	356,432	440,267
Depreciation	-	506,864	506,864	506,864	431,411
Total operating expenses	542	17,806,700	17,807,242	17,807,242	17,733,892
Changes in unrestricted net position from operations	(542)	881,226	880,684	880,684	83,331
General revenue:					
Rental income	-	254,326	254,326	254,326	235,035
Interest and other	165	28,813	28,978	28,978	26,423
In-kind goods - capital	-	5,872	5,872	5,872	123,280
Grants and contributions	1,023	1,004	2,027	2,027	38,346
Total general revenue	1,188	290,015	291,203	291,203	423,084
Changes in unrestricted net position	646	1,171,241	1,171,887	1,171,887	506,415
Changes in Restricted Net Position:					
Program specific grants and contributions - private	-	10,909	10,909	10,909	11,407
Transfers between funds	-	(4,781)	(4,781)	(4,781)	(2,946)
Changes in restricted net position	-	6,128	6,128	6,128	8,461
Changes in net position	646	1,177,369	1,178,015	1,178,015	514,876
Net Position:					
Beginning of year	58,720	10,614,647	10,673,367	10,673,367	10,158,491
End of year	\$ 59,366	\$ 11,792,016	\$ 11,851,382	\$ 11,851,382	\$ 10,673,367

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Enterprise Fund			(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	
Changes in Unrestricted Net Position:				
Operating revenue:				
Pupil tuition	\$ -	\$ 14,241,985	\$ 14,241,985	\$ 14,241,985
In-kind transportation and pension	-	2,563,540	2,563,540	2,563,540
Program service fees	-	798,294	798,294	798,294
Grants - government	-	210,458	210,458	210,458
Transfers between funds	-	2,946	2,946	2,946
Total operating revenue	<u>-</u>	<u>17,817,223</u>	<u>17,817,223</u>	<u>17,817,223</u>
Operating expenses:				
Personnel and related costs:				
Salaries	-	8,734,663	8,734,663	8,734,663
In-kind pension	-	2,075,092	2,075,092	2,075,092
Payroll taxes and fringe benefits	-	1,668,222	1,668,222	1,668,222
Staff development and recruitment	-	112,057	112,057	112,057
Total personnel and related costs	<u>-</u>	<u>12,590,034</u>	<u>12,590,034</u>	<u>12,590,034</u>
Direct student costs:				
Program expenses	-	1,195,097	1,195,097	1,195,097
In-kind transportation	-	488,448	488,448	488,448
Student transportation	-	246,790	246,790	246,790
Contracted services	-	140,494	140,494	140,494
Total direct student costs	<u>-</u>	<u>2,070,829</u>	<u>2,070,829</u>	<u>2,070,829</u>
Occupancy:				
Rent and related	-	1,372,978	1,372,978	1,372,978
Repairs and maintenance	-	449,412	449,412	449,412
Utilities	-	240,800	240,800	240,800
Equipment rental	-	81,415	81,415	81,415
Insurance	-	56,746	56,746	56,746
Total occupancy	<u>-</u>	<u>2,201,351</u>	<u>2,201,351</u>	<u>2,201,351</u>
Other operating costs:				
Professional fees	-	172,671	172,671	172,671
Miscellaneous	720	74,646	75,366	75,366
Office supplies and others	-	91,722	91,722	91,722
Technology	-	65,551	65,551	65,551
Communications	-	31,604	31,604	31,604
Dues and memberships	-	3,353	3,353	3,353
Total other operating costs	<u>720</u>	<u>439,547</u>	<u>440,267</u>	<u>440,267</u>
Depreciation	-	431,411	431,411	431,411
Total operating expenses	<u>720</u>	<u>17,733,172</u>	<u>17,733,892</u>	<u>17,733,892</u>
Changes in unrestricted net position from operations	<u>(720)</u>	<u>84,051</u>	<u>83,331</u>	<u>83,331</u>
General revenue:				
Rental income	-	235,035	235,035	235,035
Interest and other	174	26,249	26,423	26,423
In-kind goods - capital	-	123,280	123,280	123,280
Grants and contributions	887	37,459	38,346	38,346
Total general revenue	<u>1,061</u>	<u>422,023</u>	<u>423,084</u>	<u>423,084</u>
Changes in unrestricted net position	<u>341</u>	<u>506,074</u>	<u>506,415</u>	<u>506,415</u>
Changes in Restricted Net Position:				
Program specific grants and contributions - private	-	11,407	11,407	11,407
Transfers between funds	-	(2,946)	(2,946)	(2,946)
Changes in restricted net position	<u>-</u>	<u>8,461</u>	<u>8,461</u>	<u>8,461</u>
Changes in net position	<u>341</u>	<u>514,535</u>	<u>514,876</u>	<u>514,876</u>
Net Position:				
Beginning of year	<u>58,379</u>	<u>10,100,112</u>	<u>10,158,491</u>	<u>10,158,491</u>
End of year	<u>\$ 58,720</u>	<u>\$ 10,614,647</u>	<u>\$ 10,673,367</u>	<u>\$ 10,673,367</u>

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Cash Flows
For the Year Ended June 30, 2020

	Enterprise Fund			(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	
Cash Flows from Operating Activities:				
Receipts for pupil tuition	\$ -	\$ 14,553,627	\$ 14,553,627	\$ 14,553,627
Receipts from government grants	-	304,000	304,000	304,000
Receipts from private grants and contributions	15,377	11,913	27,290	27,290
Receipts from program service fees	165	799,665	799,830	799,830
Payments for personnel compensation and related costs	-	(10,422,602)	(10,422,602)	(10,422,602)
Payments for supplies and services	(752)	(3,561,960)	(3,562,712)	(3,562,712)
Net cash provided by operating activities	<u>14,790</u>	<u>1,684,643</u>	<u>1,699,433</u>	<u>1,699,433</u>
Cash Flows from Investing Activities:				
Purchase of capital assets	-	(564,457)	(564,457)	(564,457)
Net Change in Cash	14,790	1,120,186	1,134,976	1,134,976
Cash:				
Beginning of year	<u>59,406</u>	<u>6,142,306</u>	<u>6,201,712</u>	<u>6,201,712</u>
End of year	<u>\$ 74,196</u>	<u>\$ 7,262,492</u>	<u>\$ 7,336,688</u>	<u>\$ 7,336,688</u>
Cash Flows from Operating Activities:				
Changes in net position	\$ 646	\$ 1,177,369	\$ 1,178,015	\$ 1,178,015
Adjustments to reconcile changes in net position to net cash provided by operating activities:				
Depreciation	-	506,864	506,864	506,864
In-kind goods - capital	-	(5,872)	(5,872)	(5,872)
Changes in operating assets and liabilities:				
Prepaid expenses	-	(62,497)	(62,497)	(62,497)
Accounts receivable	-	(36,164)	(36,164)	(36,164)
Due (to) from	(210)	210	-	-
Accounts payable	-	(31,638)	(31,638)	(31,638)
Accrued expenses	-	153,804	153,804	153,804
Deferred revenue	14,354	(17,433)	(3,079)	(3,079)
Net cash provided by operating activities	<u>\$ 14,790</u>	<u>\$ 1,684,643</u>	<u>\$ 1,699,433</u>	<u>\$ 1,699,433</u>
Noncash Investing Activity:				
In-kind goods - capital	<u>\$ -</u>	<u>\$ 5,872</u>	<u>\$ 5,872</u>	<u>\$ 5,872</u>

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Cash Flows
For the Year Ended June 30, 2019

	Enterprise Fund			(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	
Cash Flows from Operating Activities:				
Receipts for pupil tuition	\$ -	\$ 14,543,399	\$ 14,543,399	\$ 14,543,399
Receipts from government grants	-	205,400	205,400	205,400
Receipts from private grants and contributions	887	48,866	49,753	49,753
Receipts from program service fees	174	1,081,520	1,081,694	1,081,694
Payments for personnel compensation and related costs	-	(10,457,054)	(10,457,054)	(10,457,054)
Payments for supplies and services	(34)	(4,016,461)	(4,016,495)	(4,016,495)
Net cash provided by operating activities	<u>1,027</u>	<u>1,405,670</u>	<u>1,406,697</u>	<u>1,406,697</u>
Cash Flows from Investing Activities:				
Purchase of capital assets	-	(425,573)	(425,573)	(425,573)
Net Change in Cash	1,027	980,097	981,124	981,124
Cash:				
Beginning of year	<u>58,379</u>	<u>5,162,209</u>	<u>5,220,588</u>	<u>5,220,588</u>
End of year	<u>\$ 59,406</u>	<u>\$ 6,142,306</u>	<u>\$ 6,201,712</u>	<u>\$ 6,201,712</u>
Cash Flows from Operating Activities:				
Changes in net position	\$ 341	\$ 514,535	\$ 514,876	\$ 514,876
Adjustments to reconcile changes in net position to net cash provided by operating activities:				
Depreciation	-	431,411	431,411	431,411
In-kind goods - capital	-	(123,280)	(123,280)	(123,280)
Changes in operating assets and liabilities:				
Prepaid expenses	-	86,192	86,192	86,192
Accounts and tuition receivable	-	299,111	299,111	299,111
Due (to) from	686	(686)	-	-
Accounts payable	-	8,958	8,958	8,958
Accrued expenses	-	169,556	169,556	169,556
Deferred revenue	-	19,873	19,873	19,873
Net cash provided by operating activities	<u>\$ 1,027</u>	<u>\$ 1,405,670</u>	<u>\$ 1,406,697</u>	<u>\$ 1,406,697</u>
Noncash Investing Activity:				
In-kind goods - capital	<u>\$ -</u>	<u>\$ 123,280</u>	<u>\$ 123,280</u>	<u>\$ 123,280</u>

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS

On February 24, 2004, Advanced Math and Science Academy 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. The School's charter is subject to renewal every five years and has been renewed through June 30, 2025.

The School's primary purpose is to offer an academically rigorous education, emphasizing mathematics and science to students. The School is located in Marlborough, Massachusetts. The School operates as a middle and high school with grades 6 through 12. During the fiscal years 2020 and 2019, the School had 965 and 972 students, respectively. 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.

STEM Soaring Eagles Foundation, Inc. (STEM Foundation) was formed in April 2013 to support the School through fundraising and capital acquisition. STEM Foundation is an exempt organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. The School and STEM Foundation are collectively referred to as the Organization.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined general purpose financial statements were prepared on the accrual basis. Since the School is a quasi-public entity, its accounting policies and combined general purpose financial statement presentation is 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 funds.

Consistent with the provisions of GASB Statement Nos. 14 and 39, as clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment to GASB Statement Nos. 14 and 39, the STEM Foundation is presented in the combined general purpose financial statements as a "blended" component unit of the School in the total enterprise fund column. All inter-agency transactions between the School and the STEM Foundation have been eliminated.

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 applied the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements, where applicable.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Funds – Net Position

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

Invested in Capital - represent the net book value of capital assets, net of related debt, if any.

Restricted Program - include all funds received or committed to fund specific programs which have not yet been expended.

Revenue Recognition

Pupil tuition, program service fees and grants - government revenue are recorded as services are provided and costs are incurred. The Commonwealth of Massachusetts, Executive Office of Administration and Finance, calculates pupil tuition reimbursement which is paid to the School by the Massachusetts Department of Elementary and Secondary Education (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, purpose restricted funds are reported in the combined statements of revenues, expenses and changes in net position as a transfer between funds. All other revenue is recorded when earned.

Deferred revenue at June 30, 2020 and 2019, represents student transportation, other program fees, and events income paid in advance for fiscal years 2021 and 2020 activities, respectively.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is based on management's collection experience with its funders. Amounts are charged off as uncollectible when management determines that the receivable will not be collected. There was no allowance for doubtful accounts deemed necessary as of June 30, 2020 or 2019.

Capital Assets and Depreciation

Capital assets are recorded at cost, if purchased, or fair value at the time of donation (see Note 2). Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Furniture and equipment	3 - 6 years
Computers and software	3 - 5 years
Leasehold and building improvements	5 - 10 years or the life of the lease
Vehicles	7 years

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketing and Advertising Costs

Costs related to marketing and advertising are expensed in the period incurred. Total advertising expenses were \$12,669 and \$17,999 for the years ended June 30, 2020 and 2019, respectively, and are included in office supplies and other in the accompanying combined statements of revenues, expenses and changes in net position.

In-Kind Transportation and Pension and In-Kind Goods - Capital

The School receives donated transportation from the City of Marlborough for certain students, as required by DESE. The value of these services is estimated by the City of Marlborough. The School also records its share of in-kind pension related to the Massachusetts Teachers' Retirement System (MTRS) (see Note 5).

In-kind transportation and pension consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
In-kind pension	\$ 2,789,195	\$ 2,075,092
In-kind transportation	<u>466,200</u>	<u>488,448</u>
	<u>\$ 3,255,395</u>	<u>\$ 2,563,540</u>

During fiscal years 2020 and 2019, the School received donated equipment of \$5,872 and \$123,280, respectively, which is reflected as in-kind goods - capital in the accompanying combined statements of revenues, expenses and changes in net position. The equipment was capitalized and will be depreciated over its expected useful life (see Note 2).

The School receives donated services from a variety of volunteers. No amounts have been recorded in the accompanying combined general purpose financial statements, since the services do not meet the criteria for recording in accordance with accounting principles generally accepted in the United States of America.

Fair Value of Financial Instruments

The Organization follows the accounting and disclosure standards pertaining to GASB No. 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.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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 qualifying assets and liabilities are valued using Level 1 inputs.

Estimates

The preparation of combined general purpose financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined general purpose financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Income Taxes

STEM Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined general purpose financial statements regarding a tax position taken or expected to be taken in a tax return. STEM Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined general purpose financial statements at June 30, 2020 and 2019. STEM Foundation's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through October 22, 2020, which is the date the combined general purpose financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined general purpose financial statements.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

2. CAPITAL ASSETS

Changes in capital assets are as follows:

School	Balance June 30, 2019	2020 Additions	2020 Disposals	Balance June 30, 2020
Cost:				
Building	\$ 4,361,050	\$ -	\$ -	\$ 4,361,050
Furniture and equipment	1,205,042	37,068	-	1,242,110
Computers and software	1,056,246	385,628	-	1,441,874
Leasehold and building improvements	518,979	147,633	-	666,612
Vehicles	<u>87,409</u>	<u>-</u>	<u>-</u>	<u>87,409</u>
Total cost	<u>7,228,726</u>	<u>570,329</u>	<u>-</u>	<u>7,799,055</u>
Less - accumulated depreciation:				
Building	163,539	109,026	-	272,565
Furniture and equipment	971,309	80,471	-	1,051,780
Computers and software	627,756	276,325	-	904,081
Leasehold and building improvements	239,330	41,042	-	280,372
Vehicles	<u>87,409</u>	<u>-</u>	<u>-</u>	<u>87,409</u>
Total accumulated depreciation	<u>2,089,343</u>	<u>506,864</u>	<u>-</u>	<u>2,596,207</u>
Capital assets, net	<u>\$ 5,139,383</u>	<u>\$ 63,465</u>	<u>\$ -</u>	<u>\$ 5,202,848</u>
School	Balance June 30, 2018	2019 Additions	2019 Disposals	Balance June 30, 2019
Cost:				
Building	\$ 4,361,050	\$ -	\$ -	\$ 4,361,050
Furniture and equipment	1,079,974	180,395	(55,327)	1,205,042
Computers and software	1,131,806	266,219	(341,779)	1,056,246
Leasehold and building improvements	416,740	102,239	-	518,979
Vehicles	<u>87,409</u>	<u>-</u>	<u>-</u>	<u>87,409</u>
Total cost	<u>7,076,979</u>	<u>548,853</u>	<u>(397,106)</u>	<u>7,228,726</u>
Less - accumulated depreciation:				
Building	54,513	109,026	-	163,539
Furniture and equipment	958,978	67,658	(55,327)	971,309
Computers and software	743,088	226,447	(341,779)	627,756
Leasehold and building improvements	211,050	28,280	-	239,330
Vehicles	<u>87,409</u>	<u>-</u>	<u>-</u>	<u>87,409</u>
Total accumulated depreciation	<u>2,055,038</u>	<u>431,411</u>	<u>(397,106)</u>	<u>2,089,343</u>
Capital assets, net	<u>\$ 5,021,941</u>	<u>\$ 117,442</u>	<u>\$ -</u>	<u>\$ 5,139,383</u>

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

3. FUNDING

The School receives significant funding from DESE for its tuition revenue and grants - government. 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 financial position of the School as of June 30, 2020 and 2019, or on its changes in net position for the years then ended. The School received approximately 96% and 95% of its operating revenue, net of in-kind transportation and pension from the Commonwealth, for each of the years ended June 30, 2020 and 2019, respectively. The School has 26% and 40% of accounts receivable due from the Commonwealth at June 30, 2020 and 2019, respectively.

4. LEASES

The School is a tenant-at-will with a monthly rent of \$78,000, plus real estate taxes and certain operating costs for its facility. Total rent expense paid under the agreement for fiscal years 2020 and 2019 was \$936,000, which is included in rent and related in the accompanying combined statements of revenues, expenses and changes in net position.

During fiscal years 2020 and 2019, the School rented gym space as a tenant-at-will. The School is billed on an hourly basis based on the amount of time the gym is used each day. Total rent paid under this agreement was \$285,688 and \$386,663 for the years ended June 30, 2020 and 2019, respectively, which is included in program expenses in the accompanying combined statements of revenues, expenses and changes in net position.

The School also leases office equipment under various operating leases expiring at dates through July 2023, with aggregate monthly payments of approximately \$8,000. The School is also responsible for certain maintenance and operating costs. The equipment lease expense was \$98,071 and \$81,415 for the years ended June 30, 2020 and 2019, respectively, and is reflected as equipment rental in the accompanying combined statements of revenues, expenses and changes in net position.

Future minimum payments under these lease agreements as of June 30, 2020, are as follows:

<u>Fiscal Year</u>	
2021	\$ 102,211
2022	98,562
2023	52,619
2024	<u>1,454</u>
	<u>\$ 254,846</u>

5. RETIREMENT PLANS

The School's teaching staff and certain administrators participate individually in the MTRS. MTRS is managed by the Commonwealth. 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. The teachers and the School are exempt from Federal social security taxes for these employees. 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 5% 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.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

5. RETIREMENT PLANS (Continued)

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 pension expense, as calculated under GASB 68, was \$2,789,195 and \$2,075,092 for the years ended June 30, 2020 and 2019, respectively, which is included in in-kind transportation and pension revenue and reflected as in-kind pension expense 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 \$23,000,376 and \$20,477,438 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, these amounts have not been recorded in the accompanying combined general purpose financial statements.

The School also has two 403(b) retirement plans covering all eligible employees. Employees become eligible to participate upon date of hire. The School does not make contributions to these plans.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2020</u>	<u>2019</u>
Accrued salaries and benefits	91%	87%
Payables to vendors	<u>9</u>	<u>13</u>
	<u>100%</u>	<u>100%</u>

7. CONCENTRATION OF CREDIT RISK

The Organization maintains their cash balances in a credit union and a bank in Massachusetts. The National Credit Union Share Insurance Fund (NCUSIF) insures balances at each credit union up to \$250,000. The Massachusetts Credit Union Share Insurance Corporation insures all deposits in excess of \$250,000. Federal Deposit Insurance Corporation (FDIC) insures bank balances up to \$250,000 for interest bearing cash accounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes they are not exposed to any significant credit risk on their cash balances.

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

	<u>2020</u>		<u>2019</u>	
	<u>STEM Foundation</u>	<u>School</u>	<u>STEM Foundation</u>	<u>School</u>
Fully insured	\$ 74,196	\$ 7,262,232	\$ 59,406	\$ 6,141,137
Uninsured	<u>-</u>	<u>260</u>	<u>-</u>	<u>1,169</u>
	<u>\$ 74,196</u>	<u>\$ 7,262,492</u>	<u>\$ 59,406</u>	<u>\$ 6,142,306</u>

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

8. RENTAL INCOME

The School owns a building with one rented space within the building and rented roof space for cell phone towers. The School has a lease agreement with the lessees which ends March 31, 2029, with an option to extend. The lease for the rented roof space ends in July 2022. Rental income recognized in fiscal years 2020 and 2019 totaled \$254,326 and \$235,035, respectively.

Future minimum receipts under these agreements are as follows:

<u>Fiscal Year</u>	
2021	\$ 232,281
2022	238,606
2023	211,479
2024	208,725
2025	208,725
Thereafter	<u>841,975</u>
	<u>\$ 1,941,791</u>

9. PROFESSIONAL DEVELOPMENT

The School incurred expenditures for the purpose of providing professional development to staff and teachers. The School expended \$51,769 and \$88,389 for the years ended June 30, 2020 and 2019, respectively, which are included in staff development and recruitment in the accompanying combined statements of revenues, expenses and changes in net position.

10. RELATED PARTY TRANSACTION

During fiscal year 2019, the School hired a STEM Foundation Board member for consulting services. Payments to this Board member during fiscal year 2019 totaled \$9,901. This Board member abstains from voting on matters pertaining to their consulting contract. There were no payments made during fiscal year 2020.

11. CONTINGENCIES

From time-to-time, the School is involved in various disputes in the ordinary course of the School's business. Management and the Board of Trustees take the appropriate legal steps in defense of these disputes as they arise. It is management's opinion that any potential settlement would not be material to the accompanying combined general purpose financial statements.

The COVID-19 outbreak in the United States is unprecedented. It has had a significant impact on our economy and businesses and the future impact is unknown. The School has put in place e-learning environments. Administrative and fundraising activities have also safely transitioned to a cyber environment. While this disruption is expected to be temporary, there is considerable uncertainty around its duration. The impact on the School's combined financial position and operating results cannot be reasonably estimated at this time.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2020 and 2019

12. 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, 2020 and 2019, 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.

**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
Advanced Math and Science Academy Charter School and
STEM Soaring Eagles 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 Advanced Math and Science Academy Charter School and STEM Soaring Eagles Foundation, Inc. (collectively, the Organization), which comprise the combined statements of net position as of June 30, 2020, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined general purpose financial statements, and have issued our report thereon dated October 22, 2020.

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 or significant deficiencies. 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
October 22, 2020