



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

September 23, 2021

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

We have audited the combined general purpose financial statements of Advanced Math and Science Academy Charter School (the School) and STEM Soaring Eagles Foundation, Inc. (STEM Foundation) (collectively, the Organization) for the year ended June 30, 2021, and have issued our report thereon dated September 23, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 29, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Required Communications

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the combined general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed fiscal year 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combined general purpose financial statements in the proper period.

Accounting estimates are an integral part of the combined general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the combined general purpose financial statements were:

- The estimated useful lives of capital assets, which are based on management's expectation of the period of time the class of asset will provide future economic benefit to the Organization.
- The valuation of in-kind transportation, pension and goods, which is based on rates provided by the City of Marlborough, actuarial calculations from the Commonwealth of Massachusetts, Department of Elementary and Secondary Education, and amounts determined by the donor, respectively.
- Revenue recognition of grants, which is based on donor stipulations that limit the use of the gift or spending requirements for government grants.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the combined general purpose financial statements taken as a whole.

The combined general purpose financial statement disclosures are neutral, consistent, and clear.

Required Communications (Continued)

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that there were no such misstatements detected.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's combined general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the combined general purpose financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the combined general purpose financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the combined general purpose financial statements or to the combined general purpose financial statements themselves.

Comments, Observations and Recommendations

Prior Year Items Addressed

- The Organization properly reinstated internal controls regarding segregation of duties that were paused during fiscal year 2020 as a result to COVID-19.
- The Organization completed a review of its computer systems which resulted upgrades to the Organization's technology infrastructure. In addition, the Organization secured a Cyber Liability insurance policy during fiscal year 2021.

Current Year Item

Immaterial Instance of Non-Compliance

End of Year Report

As part of the compliance procedures required by the Massachusetts Department of Elementary and Secondary Education (DESE), we noted the following errors reported in the fiscal year 2020 Charter School End of Year Report (CSEYOY Report):

- The School improperly listed that the fiscal year 2020 audit was issued in accordance with Uniform Guidance reported on Tab 5 of the CSEYOY Report
- The School did not properly fill out Tab 4 of the CSEYOY Report to include comments on the School's Board approved capital plan and how it differed to actual capital spending.

Other Matters for Your Information

New Lease Accounting Standard

In June 2017, Governmental Accounting Standards Board (GASB) issued Statement 87, *Leases*. This guidance applies to most leases with a term of over twelve months. These leases will now be recognized on the combined statement of net position of both the lessee and the lessor at the present value of payments expected to be made during the lease term. For leases with a term of twelve months or less, lease payments will continue to be recorded as expenses.

In accordance with this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The lease liability decreases as lease payments are made, and the lessee also recognizes interest expense. The right-to-use lease asset is amortized over the lease term.

A lessor is required to recognize a lease receivable and a deferred inflow of resources. The lease receivable decreases as lease payments are made, and the lessor also recognizes interest revenue. The deferred inflow of resources is recognized as rental revenue, usually over the lease term. In addition, the lessor keeps the capital asset on their books and continues to amortize it and evaluate it for impairment.

For leases with related parties, the accounting under this standard is the same as third-party leases except in cases in which it is clear that the terms of the transaction have been significantly affected by the fact that the lessee and lessor are related.

This change takes effect for fiscal years beginning after June 15, 2021 (fiscal year 2022).

Other Matters for Your Information (Continued)

New Lease Accounting Standard (Continued)

In order to estimate how this change will affect your organization, you should summarize all of your leases and consider the impact the new standard will have on your combined general purpose financial statements. If the impact on your combined statement of net position is potentially significant, you may want to:

- Look at the impact of these changes to your revenues and expenses and the subsequent impact on any contracts, compensation agreements, etc.
- Consider if it still makes sense to lease instead of buying the asset.
- Estimate the effect of this change on the timing of your revenues and expenses and re-forecast your financial results to see the full impact of the change.

Management has consulted us for further details on how the standard may affect your organization and is currently in the process of implementing the standard for fiscal year 2022.

Statement on Auditing Standards – Auditor’s Reports

In an effort to increase the informational value and relevance of the auditor’s report for users, the AICPA’s Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, in May 2019. SAS No. 134 contains many substantive changes including:

- Opinion section is now required to be presented first in the auditor’s report and the basis for opinion section is required to follow the opinion section.
- A statement is added to the auditor’s report indicating that the auditor is required to be independent of the entity and meet the auditor’s other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audit.
- Enhanced auditor reporting relating to going concern, including a description of the respective responsibilities of management and the auditor for going concern.
- Expanded description of the auditor’s responsibilities, including professional judgement and professional skepticism, and communications with those charged with governance.
- A new auditing standard is created to address the auditor’s responsibility to communicate Key Audit Matters (KAM) when the auditor is engaged to do so. Communicating KAM in the auditor’s report will provide transparency about the audit to the financial statement users. Examples of KAM may include goodwill impairment, uncertain tax positions, revenue recognition, acquisitions, and inventory valuation. The communication of KAM does not alter the opinion on the financial statements taken as a whole.
- Clarified the relationship between Emphasis-of-Matter (EOM) paragraphs and the communication of KAM.
- Principal changes relate to form and content of the auditor’s report when the opinion is modified consistent with the requirements in the existing standards.

ASB also issued SAS No. 135, *Omnibus Statement on Auditing Standards - 2019*, and SAS No. 137, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*, in May 2019 and July 2019, respectively. The amendments in SAS No. 135 are intended to enhance audit quality by heightening the auditor’s focus on related parties and transactions and creating new communication requirements for the auditor in communicating significant unusual transactions to those charged with governance, such as difficult or contentious matters for which the auditor consulted outside the engagement team and uncorrected misstatements that could cause future material misstatements.

Other Matters for Your Information (Continued)

Statement on Auditing Standards – Auditor’s Reports (Continued)

SAS No. 137 addresses the auditor’s responsibilities relating to other information, whether financial or nonfinancial, included in an entity’s annual report. SAS No. 137 also requires a separate section to be included in the auditor’s report addressing such additional information.

The effective date of these new SASs is for audits of nonpublic company financial statements for periods ending on or after December 15, 2021.

This information is intended solely for the use of the Finance Committee, the Boards of Trustees and management of the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

AAFCPAs, Inc.
Certified Public Accountants

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