



# AMSA

ADVANCED MATH & SCIENCE ACADEMY

INTEGRITY • EXCELLENCE • COMMUNITY

**AND STEM SOARING EAGLES FOUNDATION, INC.**

**FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
JUNE 30, 2023 AND 2022**

DRAFT

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

Contents  
June 30, 2023 and 2022

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**Unmodified Opinion on Financial Statements Accompanied by Required  
Supplementary 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 Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the business-type activities of Advanced Math and Science Academy Charter School (a Massachusetts charter school) (the School) and the blended component unit, STEM Soaring Eagles Foundation, Inc. (a Massachusetts corporation, not for profit) (the Foundation), (collectively, the Organization), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Advanced Math and Science Academy Charter School and the blended component unit, STEM Soaring Eagles Foundation, Inc., as of June 30, 2023 and 2022, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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 26, 2023, on our consideration of the School'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 School'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 School's internal control over financial reporting and compliance.

Westborough, Massachusetts  
October 26, 2023

DRAFT

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

Management's Discussion and Analysis  
June 30, 2023 and 2022

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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, 2023 and 2022. Please read it in conjunction with the School's financial statements and the related notes to the 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 964 and 965 students in fiscal years 2023 and 2022, respectively.

On March 25, 2020, the School's charter was renewed by the Massachusetts Department of Elementary and Secondary Education (DESE) through June 30, 2025, without conditions.

### **Using This Annual Report**

This annual report consists of a series of 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 financial statements, which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

### **Financial Statements**

The statements 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 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 financial statements. The statements 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, including lease and subscription related assets and liabilities. 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 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, 2023 and 2022

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**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 statements of revenues, expenses and changes in net position report the 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 statements 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 statements of cash flows provides information about the School's cash receipts and cash payments during the reporting period. The statements 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 2023, with comparative information for fiscal year 2022:

- The School held total assets of \$30,635,457 and \$29,355,887 at June 30, 2023 and 2022, respectively, of which \$18,781,736 and \$18,104,104 were net capital assets, respectively. Capital assets are purchased to benefit the School. During fiscal year 2022, the School purchased 199-201 Forest Street and added significantly to its computer and software, building and furniture and fixtures fixed assets. The majority of the remaining assets consisted of cash of \$8,420,710 and \$9,072,866 as of June 30, 2023 and 2022, respectively, and prepaid expenses of \$696,358 and \$535,723, respectively.
- The School held total current liabilities of \$2,433,923 and \$1,932,205 at June 30, 2023 and 2022, and total long-term liabilities of \$11,868,557 and \$12,242,771, respectively.
- Total net position for the School was \$15,366,516 and \$14,046,029 at June 30, 2023 and 2022, respectively, of which \$8,362,071 and \$6,808,495 was unrestricted, respectively. Invested in capital net position was \$6,868,259 and \$7,201,250 at June 30, 2023 and 2022, respectively. The School also had restricted net position of \$136,186 and \$36,284 at June 30, 2023 and 2022, respectively.
- The School earned total revenue of \$20,000,227 and \$19,274,638 for the years ended June 30, 2023 and 2022, respectively, of which approximately 97% and 98% was operating revenue and 3% and 2% was from general revenue, respectively.
- The School had total expenses of \$18,779,692 and \$18,124,880 for the years ended June 30, 2023 and 2022, respectively. There were no significant unbudgeted expenses for the years ended June 30, 2023 and 2022, respectively.

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

Management's Discussion and Analysis  
June 30, 2023 and 2022

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**Financial Highlights - Charter School (Continued)**

- The School's total unrestricted changes in net position was \$1,220,585 and \$1,149,758 for the years ended June 30, 2023 and 2022, respectively. The School's change in net position from operations was \$674,322 and \$1,004,255 for the years ended June 30, 2023 and 2022, respectively. The School's changes in restricted net position was \$99,902 and \$471 for the years ended June 30, 2023 and 2022, respectively.

**Budgetary Highlights**

For the fiscal year ended June 30, 2023, the School incurred \$16,519,404 in actual expenditures, excluding in-kind pension and transportation, compared to budgeted expenditures of \$16,863,000. For the fiscal year ended June 30, 2022, the School incurred \$16,118,572 in actual expenditures, excluding in-kind pension and transportation, compared to budgeted expenditures of \$16,393,925.

For the fiscal year ended June 30, 2023, the School received pupil tuition of \$15,758,411 compared to budgeted tuition of \$15,714,000. For the fiscal year ended June 30, 2022, the School received pupil tuition of \$15,361,300 compared to budgeted tuition of \$14,892,885. 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, 2023, the School received more tuition than budgeted of \$44,411. For the year ended June 30, 2022, the School received more tuition than budgeted of \$468,415.

**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 79% and 80% of the School's total revenue for fiscal years 2023 and 2022, respectively. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$545,863 and \$735,021 for fiscal years 2023 and 2022, 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.**

Statements of Net Position  
June 30, 2023 and 2022

	2023			2022		
	Enterprise Fund			Enterprise Fund		
	Blended Component Unit - STEM Foundation	School	Total Enterprise Fund	Blended Component Unit - STEM Foundation	School	Total Enterprise Fund
<b>Assets</b>						
Current Assets:						
Cash - operating	\$ 130,314	\$ 8,240,615	\$ 8,370,929	\$ 108,003	\$ 8,009,777	\$ 8,117,780
Cash - construction	-	180,095	180,095	-	1,063,089	1,063,089
Accounts receivable	-	1,368,780	1,368,780	-	68,926	68,926
Current portion of leases receivable	-	157,666	157,666	-	155,584	155,584
Prepaid expenses	-	696,358	696,358	-	535,723	535,723
Total current assets	130,314	10,643,514	10,773,828	108,003	9,833,099	9,941,102
Long Term Assets:						
Leases Receivable, net of current portion	-	841,774	841,774	-	999,440	999,440
Right-to-Use Lease Assets, net	-	291,286	291,286	-	419,244	419,244
Subscription Asset, net	-	77,147	77,147	-	-	-
Capital Assets, net	-	18,781,736	18,781,736	-	18,104,104	18,104,104
Total long term assets	-	19,991,943	19,991,943	-	19,522,788	19,522,788
Total assets	\$ 130,314	\$ 30,635,457	\$ 30,765,771	\$ 108,003	\$ 29,355,887	\$ 29,463,890
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>						
Current Liabilities:						
Accrued expenses	\$ -	\$ 1,303,093	\$ 1,303,093	\$ -	\$ 1,473,220	\$ 1,473,220
Accrued expenses - construction	-	199,160	199,160	-	37,250	37,250
Accounts payable	-	319,664	319,664	-	181,909	181,909
Current portion of bond payable	-	273,502	273,502	-	-	-
Current portion of subscription liability	-	27,440	27,440	-	-	-
Current portion of lease liabilities	-	126,325	126,325	-	125,308	125,308
Due to (from) Affiliate	(36,228)	36,228	-	-	-	-
Deferred revenue	-	148,511	148,511	15,529	114,518	130,047
Total current liabilities	(36,228)	2,433,923	2,397,695	15,529	1,932,205	1,947,734
Long term Liabilities:						
Bond Payable, net of current portion	-	11,671,702	11,671,702	-	11,945,204	11,945,204
Subscription Liability, net of current portion	-	25,697	25,697	-	-	-
Lease Liabilities, net of current portion	-	171,158	171,158	-	297,567	297,567
Total long term liabilities	-	11,868,557	11,868,557	-	12,242,771	12,242,771
Total liabilities	(36,228)	14,302,480	14,266,252	15,529	14,174,976	14,190,505
Deferred Inflows of Resources, net	-	966,461	966,461	-	1,134,882	1,134,882
Net Position:						
Unrestricted	28,216	8,362,071	8,390,287	23,497	6,808,495	6,831,992
Invested in capital	-	6,868,259	6,868,259	-	7,201,250	7,201,250
Restricted program - expendable	96,130	75,726	171,856	50,824	36,284	87,108
Restricted program - capital	42,196	60,460	102,656	18,153	-	18,153
Total net position	166,542	15,366,516	15,533,058	92,474	14,046,029	14,138,503
Total liabilities, deferred inflows of resources and net position	\$ 130,314	\$ 30,635,457	\$ 30,765,771	\$ 108,003	\$ 29,355,887	\$ 29,463,890

The accompanying notes are an integral part of these statements.

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

Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2023

	Enterprise Fund		
	Blended Component Unit - STEM Foundation	School	Total Enterprise Fund
<b>Changes in Unrestricted Net Position:</b>			
Operating revenue:			
Pupil tuition	\$ -	\$ 15,758,411	\$ 15,758,411
In-kind transportation and pension	-	2,260,288	2,260,288
Program service fees	-	838,770	838,770
Grants - government	-	545,863	545,863
Grants - private	-	32,989	32,989
In-kind goods	-	600	600
Total operating revenue	-	19,436,921	19,436,921
Operating expenses:			
Personnel and related costs:			
Salaries	-	9,953,703	9,953,703
Payroll taxes and fringe benefits	-	1,902,755	1,902,755
In-kind pension	-	1,868,435	1,868,435
Staff development and recruitment	-	79,753	79,753
Total personnel and related costs	-	13,804,646	13,804,646
Direct student costs:			
Program expenses	-	1,204,856	1,204,856
In-kind transportation	-	391,853	391,853
Student transportation	-	337,298	337,298
Contracted services	-	188,946	188,946
Total direct student costs	-	2,122,953	2,122,953
Occupancy:			
Repairs and maintenance	-	467,447	467,447
Interest	-	400,878	400,878
Utilities	-	251,470	251,470
Insurance	-	111,361	111,361
Rent and related	-	4,131	4,131
Total occupancy	-	1,235,287	1,235,287
Other operating costs:			
Professional fees	-	244,536	244,536
Miscellaneous	1,394	122,529	123,923
Technology	-	97,897	97,897
Dues and memberships	-	54,264	54,264
Office supplies and other	-	34,241	34,241
Communications	-	18,544	18,544
Total other operating costs	1,394	572,011	573,405
Depreciation and amortization:			
Depreciation	-	870,071	870,071
Amortization of right-to-use lease and subscription assets	-	157,631	157,631
Total depreciation and amortization	-	1,027,702	1,027,702
Total operating expenses	1,394	18,762,599	18,763,993
Changes in unrestricted net position from operations	(1,394)	674,322	672,928
General revenue (expenses):			
Interest and other	1,527	213,631	215,158
Rental income - deferred inflows of resources	-	168,421	168,421
Rental income	-	83,473	83,473
Grants and contributions	4,587	44,697	49,284
Lease interest income	-	33,758	33,758
In-kind goods - capital	-	19,376	19,376
Financing fees	-	(5,600)	(5,600)
Lease interest expense	-	(11,493)	(11,493)
Total general revenue (expenses)	6,114	546,263	552,377
Changes in unrestricted net position	4,720	1,220,585	1,225,305
<b>Changes in Restricted Net Position:</b>			
Program specific grants and contributions - private	69,348	99,902	169,250
Changes in net position	74,068	1,320,487	1,394,555
<b>Net Position:</b>			
Beginning of year	92,474	14,046,029	14,138,503
End of year	\$ 166,542	\$ 15,366,516	\$ 15,533,058

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

Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2022

	Enterprise Fund		
	Blended Component Unit - STEM Foundation	School	Total Enterprise Fund
<b>Changes in Unrestricted Net Position:</b>			
Operating revenue:			
Pupil tuition	\$ -	\$ 15,361,300	\$ 15,361,300
In-kind transportation and pension	-	2,006,128	2,006,128
Program service fees	-	755,012	755,012
Grants - government	-	735,021	735,021
Transfer between funds	-	27,030	27,030
In-kind goods	-	5,000	5,000
Total operating revenue	-	18,889,491	18,889,491
Operating expenses:			
Personnel and related costs:			
Salaries	-	9,414,233	9,414,233
Payroll taxes and fringe benefits	-	1,772,406	1,772,406
In-kind pension	-	1,625,709	1,625,709
Staff development and recruitment	-	69,623	69,623
Total personnel and related costs	-	12,881,971	12,881,971
Direct student costs:			
Program expenses	-	1,267,250	1,267,250
In-kind transportation	-	380,419	380,419
Student transportation	-	310,922	310,922
Contracted services	-	184,308	184,308
Total direct student costs	-	2,142,899	2,142,899
Occupancy:			
Repairs and maintenance	-	444,569	444,569
Interest	-	279,799	279,799
Utilities	-	255,286	255,286
Insurance	-	89,008	89,008
Rent and related	-	401,738	401,738
Total occupancy	-	1,470,400	1,470,400
Other operating costs:			
Professional fees	67,421	220,139	287,560
Miscellaneous	20,650	98,357	119,007
Technology	-	113,486	113,486
Dues and memberships	-	35,115	35,115
Office supplies and other	-	44,635	44,635
Communications	-	18,205	18,205
Total other operating costs	88,071	529,937	618,008
Depreciation and amortization:			
Depreciation	-	732,071	732,071
Amortization of right-to-use lease assets	-	127,958	127,958
Total depreciation and amortization	-	860,029	860,029
Total operating expenses	88,071	17,885,236	17,973,307
Changes in unrestricted net position from operations	(88,071)	1,004,255	916,184
General revenue (expenses):			
Interest and other	189	24,483	24,672
Rental income - deferred inflows of resources	-	198,581	198,581
Rental income	-	51,146	51,146
Grants and contributions	90,734	63,781	154,515
Lease interest income	-	38,556	38,556
In-kind goods - capital	-	8,600	8,600
Financing fees	-	(224,240)	(224,240)
Lease interest expense	-	(15,404)	(15,404)
Total general revenue (expenses)	90,923	145,503	236,426
Changes in unrestricted net position	2,852	1,149,758	1,152,610
<b>Changes in Restricted Net Position:</b>			
Program specific grants and contributions - private	18,153	27,501	45,654
Transfers between funds	-	(27,030)	(27,030)
Changes in restricted net position	18,153	471	18,624
Changes in net position	21,005	1,150,229	1,171,234
<b>Net Position:</b>			
Beginning of year	71,469	12,895,800	12,967,269
End of year	\$ 92,474	\$ 14,046,029	\$ 14,138,503

The accompanying notes are an integral part of these statements.

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

Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Enterprise Fund			Enterprise Fund		
	Blended Component Unit - STEM Foundation	School	Total Enterprise Fund	Blended Component Unit - STEM Foundation	School	Total Enterprise Fund
<b>Cash Flows from Operating Activities:</b>						
Receipts for pupil tuition	\$ -	\$ 14,541,278	\$ 14,541,278	\$ -	\$ 15,361,300	\$ 15,361,300
Receipts from government grants	-	529,400	529,400	-	666,195	666,195
Receipts from private grants and contributions	22,178	151,598	173,776	109,240	91,282	200,522
Receipts from program service fees	1,527	1,163,357	1,164,884	189	883,257	883,446
Payments for personnel compensation and related costs	-	(11,980,690)	(11,980,690)	-	(11,604,780)	(11,604,780)
Payments for supplies and services	(1,394)	(3,282,169)	(3,283,563)	(87,071)	(3,156,644)	(3,243,715)
Payments for interest	-	(379,422)	(379,422)	-	(262,254)	(262,254)
Net cash provided by operating activities	22,311	743,352	765,663	22,358	1,978,356	2,000,714
<b>Cash Flows from Investing Activities:</b>						
Purchase of capital assets	-	(1,366,417)	(1,366,417)	-	(13,607,243)	(13,607,243)
<b>Cash Flows from Financing Activities:</b>						
Proceeds from bond payable	-	-	-	-	11,945,204	11,945,204
Cash paid for financing costs	-	(5,600)	(5,600)	-	(224,240)	(224,240)
Cash received from lease receivables	-	155,584	155,584	-	178,439	178,439
Cash paid for subscription liabilities	-	(53,683)	(53,683)	-	-	-
Cash paid for lease liabilities	-	(125,392)	(125,392)	-	(124,327)	(124,327)
Net cash provided by (used) in financing activities	-	(29,091)	(29,091)	-	11,775,076	11,775,076
<b>Net Change in Cash</b>	22,311	(652,156)	(629,845)	22,358	146,189	168,547
<b>Cash:</b>						
Beginning of year	108,003	9,072,866	9,180,869	85,645	8,926,677	9,012,322
End of year	\$ 130,314	\$ 8,420,710	\$ 8,551,024	\$ 108,003	\$ 9,072,866	\$ 9,180,869
<b>Cash Flows from Operating Activities:</b>						
Changes in net position	\$ 74,068	\$ 1,320,487	\$ 1,394,555	\$ 21,005	\$ 1,150,229	\$ 1,171,234
Adjustments to reconcile changes in net position to net cash provided by operating activities:						
Depreciation	-	870,071	870,071	-	732,071	732,071
Amortization of right-to-use lease and subscription assets	-	157,631	157,631	-	127,958	127,958
In-kind goods - capital	-	(19,376)	(19,376)	-	(8,600)	(8,600)
Rental income - deferred inflows of resources	-	(168,421)	(168,421)	-	(198,581)	(198,581)
Cash paid for financing costs	-	5,600	5,600	-	224,240	224,240
Changes in operating assets and liabilities:						
Accounts receivable	-	(1,299,854)	(1,299,854)	-	(64,171)	(64,171)
Prepaid expenses	-	(160,635)	(160,635)	1,000	202,710	203,710
Accrued expenses	-	(170,127)	(170,127)	-	(283,848)	(283,848)
Accounts payable	-	137,755	137,755	-	86,943	86,943
Due to (from) affiliate	(36,228)	36,228	-	-	-	-
Deferred revenue	(15,529)	33,993	18,464	353	9,405	9,758
Net cash provided by operating activities	\$ 22,311	\$ 743,352	\$ 765,663	\$ 22,358	\$ 1,978,356	\$ 2,000,714
<b>Noncash Investing Activity:</b>						
In-kind goods - capital	\$ -	\$ 19,376	\$ 19,376	\$ -	\$ 8,600	\$ 8,600
Purchases of capital assets in accrued expenses - construction	\$ -	\$ 199,160	\$ 199,160	\$ -	\$ 37,250	\$ 37,250

The accompanying notes are an integral part of these statements.

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

Notes to Financial Statements  
June 30, 2023 and 2022

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**1. 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 2023 and 2022, the School had 964 and 965 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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Accounting Principle Adoption**

During fiscal year 2023, the Organization adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), which requires the School to recognize a subscription asset and related subscription liability for their software arrangement (see Note 6).

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Classification of Funds - Net Position**

**Unrestricted** - represents 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** - represents the net book value of capital assets, cash - construction, right-to-use lease and subscription assets and lease and subscription receivables, reduced by related debt, lease liabilities, and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets.

**Restricted Program** - includes all funds received or committed to fund specific programs or capital initiatives 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 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, 2023 and 2022, represents student transportation, other program fees, and events income paid in advance.

Rental lease and interest income are recognized over the term of the lease.

**Cash - Construction**

Cash - construction consists of cash drawn from the Organization's bond payable (see Note 9) that has not been utilized. These funds are restricted for construction-related costs.

**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, 2023 and 2022.

**Deferred Inflows of Resources**

Deferred inflows of resources represent funds committed for future time periods which have not yet been recognized in accordance with GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Deferred inflows of resources relate to leases (see Note 5). Amounts will be recognized as revenue over the term of the related leases.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
June 30, 2023 and 2022

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

**Capital Assets and Depreciation**

Capital assets are recorded at cost, if purchased, or fair value at the time of donation (see Note 3). 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.

**Leases**

The Organization accounts for any lease (see Note 5) with a term greater than one year in accordance with GASB 87, *Leases* (GASB 87). Accordingly, the net present value of the estimated future minimum payments is reflected as a right-to-use lease asset and lease liability for the lessee and lease receivable deferred inflows of resources for the lessor. The right-to-use lease assets (see Note 3) and deferred inflows of resources will be recognized on a straight-line basis over the lesser of the life of the asset or the remaining lease period.

The right-to-use lease assets and deferred inflows of resources are being amortized over the following lives:

Facility	8 years
Copier	4.75 years
Technology	3 years
Equipment	1 year

**Subscription-Based Information Technology Arrangements**

The Organization accounts for any subscription-based information technology arrangements with a term greater than one year in accordance with GASB 96. Accordingly, the net present value of the estimated future minimum payments is reflected as a subscription asset which will be recognized on a straight-line basis over the remaining subscription period of three years (see Note 6).

**Financing Fees**

The Organization follows GASB No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, financing fees are expensed when incurred. During fiscal years 2023 and 2022, the Organization incurred \$5,600 and \$224,240, respectively, of costs pertaining to its bond payable (see Note 10), which are reflected as financing fees in the accompanying statements of revenues, expenses and changes in net position.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
June 30, 2023 and 2022

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

**Marketing and Advertising Costs**

Costs related to marketing and advertising are expensed in the period incurred. Total advertising expenses were \$7,034 and \$8,514 for the years ended June 30, 2023 and 2022, respectively, are included in office supplies and other in the accompanying statements of revenues, expenses and changes in net position.

**In-Kind Transportation and Pension and In-Kind Goods**

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 6).

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

	<u>2023</u>	<u>2022</u>
In-kind pension	\$ 1,868,435	\$ 1,625,709
In-kind transportation	<u>391,853</u>	<u>380,419</u>
	<u>\$ 2,260,288</u>	<u>\$ 2,006,128</u>

During fiscal years 2023 and 2022, the School received donated science equipment of \$19,376, and \$8,600, respectively, which is reflected as in-kind goods - capital in the accompanying statements of revenues, expenses and changes in net position. The equipment was capitalized and will be depreciated over its expected useful life (see Note 3). Additionally, the School received \$600 and \$5,000 of in-kind science consumables, which is reflected as in-kind goods and program expenses in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2023 and 2022, respectively.

The School receives donated services from a variety of volunteers. No amounts have been recorded in the accompanying 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.

**Estimates**

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.



**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. 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.

**Subsequent Events**

Subsequent events have been evaluated through October 26, 2023, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

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

Notes to Financial Statements  
June 30, 2023 and 2022

**3. CAPITAL ASSETS AND RIGHT-TO-USE LEASE ASSETS**

Changes in capital assets are as follows:

	Balance June 30, 2022	2023 Additions	Balance June 30, 2023
Cost:			
Building	\$ 17,385,434	\$ 69,442	\$ 17,454,876
Furniture and equipment	1,326,045	52,288	1,378,333
Computers and software	1,707,495	470,114	2,177,609
Leasehold and building improvements	675,812	-	675,812
Vehicles	87,409	-	87,409
Construction in process	517,536	955,859	1,473,395
Total cost	21,699,731	1,547,703	23,247,434
Less - accumulated depreciation:			
Building	653,422	434,636	1,088,058
Furniture and equipment	1,188,841	66,958	1,255,799
Computers and software	1,291,279	325,868	1,617,147
Leasehold and building improvements	374,676	42,609	417,285
Vehicles	87,409	-	87,409
Total accumulated depreciation	3,595,627	870,071	4,465,698
Capital assets, net	\$ 18,104,104	\$ 677,631	\$ 18,781,736

	Balance June 30, 2021	2022 Additions	2022 Disposals	Balance June 30, 2022
Cost:				
Building	\$ 4,361,050	\$ 13,024,384	\$ -	\$ 17,385,434
Furniture and equipment	1,334,686	8,600	17,241	1,326,045
Computers and software	1,828,275	162,814	283,594	1,707,495
Leasehold and building improvements	666,612	9,200	-	675,812
Vehicles	87,409	-	-	87,409
Construction in process	69,441	448,095	-	517,536
Total cost	8,347,473	13,653,093	300,835	21,699,731
Less - accumulated depreciation:				
Building	381,591	271,831	-	653,422
Furniture and equipment	1,132,681	73,401	17,241	1,188,841
Computers and software	1,233,915	340,958	283,594	1,291,279
Leasehold and building improvements	328,795	45,881	-	374,676
Vehicles	87,409	-	-	87,409
Total accumulated depreciation	3,164,391	732,071	300,835	3,595,627
Capital assets, net	\$ 5,183,082	\$ 12,921,022	\$ -	\$ 18,104,104

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

Notes to Financial Statements  
June 30, 2023 and 2022

**3. CAPITAL ASSETS AND RIGHT-TO-USE LEASE ASSETS (Continued)**

Changes in right-to-use lease assets are as follows:

	<b>Balance June 30, 2022</b>	<b>2023 Additions</b>	<b>Balance June 30, 2023</b>
Right-to-use lease assets:			
Leased copier	\$ 443,317	\$ -	\$ 443,317
Leased technology	<u>103,885</u>	<u>-</u>	<u>103,885</u>
Total right-to-use lease assets	547,202	-	547,202
Less - accumulated amortization	<u>127,958</u>	<u>127,958</u>	<u>255,916</u>
Right-to-use lease assets, net	<u>\$ 419,244</u>	<u>\$ (127,958)</u>	<u>\$ 291,286</u>
	<b>Balance June 30, 2021</b>	<b>2022 Additions</b>	<b>Balance June 30, 2022</b>
Right-to-use lease assets:			
Leased copier	\$ 443,317	\$ -	\$ 443,317
Leased technology	<u>103,885</u>	<u>-</u>	<u>103,885</u>
Total right-to-use lease assets	547,202	-	547,202
Less - accumulated amortization	<u>-</u>	<u>127,958</u>	<u>127,958</u>
Right-to-use lease assets, net	<u>\$ 547,202</u>	<u>\$ (127,958)</u>	<u>\$ 419,244</u>

As of June 30, 2023 and 2022, the School capitalized \$1,473,395 and \$517,536, respectively, of construction in process related to the renovations of their new building. The total additional costs of the renovations are expected to be approximately \$12,000,000 and are expected to be placed in service in fiscal year 2025 (see Note 10).

**4. 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, 2023 and 2022, or on its changes in net position for the years then ended. The School received approximately 95% of its operating revenue, net of in-kind transportation and pension, from the Commonwealth for the years ended June 30, 2023 and 2022. The School did not have any accounts receivable due from the Commonwealth at June 30, 2022.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
June 30, 2023 and 2022

**5. LEASES**

**Lessor Agreements**

<u>Description</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Annual Payment Amount</u>	<u>Interest Rate</u>	<u>Lease Receivable Balance at June 30, 2023</u>
Facility	May 1, 2019	April 1, 2029	Variable	2.91%	\$ 999,440
Equipment	July 31, 1997	July 1, 2022	\$ 33,044	2.91%	-
					<u>\$ 999,440</u>
<u>Description</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Annual Payment Amount</u>	<u>Interest Rate</u>	<u>Lease Receivable Balance at June 30, 2022</u>
Facility	May 1, 2019	April 1, 2029	Variable	2.91%	\$ 1,152,272
Equipment	July 31, 1997	July 1, 2022	\$ 33,044	2.91%	<u>2,752</u>
					<u>\$ 1,155,024</u>

Lessor agreements are summarized as follows:

*Facility*

The School leases approximately 13,000 rentable square feet of 165 Forest Street in Marlborough, Massachusetts to an unrelated party. Annual principal and interest payments range from approximately \$184,000 to \$190,000 over the term of the lease. In addition to the annual payments, the unrelated party is required to pay its share of common area maintenance charges which may be adjusted annually in accordance with the lease agreement. Common area maintenance charges were \$18,448 and \$22,138 for fiscal years 2023 and 2022, respectively. Lease interest income was \$33,756 and \$38,404 for the years ended June 30, 2023 and 2022, respectively. Amortization of the deferred inflows of resources was \$165,679 for the years ended June 30, 2023 and 2022, respectively, which is included in rental income - deferred inflows of resources in the accompanying statements of revenues, expenses and changes in net position. Monthly amortization of the deferred inflows of resources is expected to be approximately \$14,000 through April 2029.

*Equipment*

The School has a lease with an unrelated party. Lease interest income was \$2 and \$152 for the years ended June 30, 2023 and 2022, respectively. Deferred inflows of resources associated with this lease were \$2,742 as of June 30, 2022. Amortization of the deferred inflows of resources was \$2,742 and \$32,902 for the years ended June 30, 2023 and 2022, respectively, which is included rental income - deferred inflows of resources in the accompanying statements of revenues, expenses and changes in net position.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
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**5. LEASES (Continued)**

**Lessor Agreements (Continued)**

Future minimum receipts under the lessor agreements are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2024	\$ 28,922	\$ 157,666
2025	\$ 23,935	\$ 162,652
2026	\$ 18,790	\$ 167,797
2027	\$ 13,483	\$ 173,632
2028	\$ 7,946	\$ 181,804
2029	\$ 2,236	\$ 155,889

**Lessee Agreements**

<u>Description</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Annual Payment Amount</u>	<u>Interest Rate</u>	<u>Lease Liability Balance at June 30, 2023</u>
Copier	April 5, 2021	March 1, 2026	\$ 100,681	2.91%	\$ 264,744
Technology	February 8, 2019	June 1, 2024	\$ 36,204	2.91%	<u>32,709</u>
					<u>\$ 297,453</u>
<u>Description</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Annual Payment Amount</u>	<u>Interest Rate</u>	<u>Lease Liability Balance at June 30, 2022</u>
Copier	April 5, 2021	March 1, 2026	\$ 100,681	2.91%	\$ 355,463
Technology	February 8, 2019	June 1, 2024	\$ 36,204	2.91%	<u>67,412</u>
					<u>\$ 422,875</u>

Lessee agreements are summarized as follows:

*Copier*

The School leases a copier from an unrelated party. Lease interest expense was \$9,908 and \$12,827 for the years ended June 30, 2023 and 2022, respectively. Amortization of the right-to-use lease asset was approximately \$93,000 during fiscal years 2023 and 2022 and through the term of the lease.

*Technology*

The School leases equipment from an unrelated party. Lease interest expense was \$1,585 and \$2,577 for the years ended June 30, 2023 and 2022, respectively. Amortization of the right-to-use lease asset was approximately \$35,000 during fiscal years 2023 and 2022 and is included in the term of the lease.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
June 30, 2023 and 2022

**5. LEASES (Continued)**

**Lessee Agreements (Continued)**

Future minimum payments under the lease agreements as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2024	\$ 7,543	\$ 126,325
2025	\$ 4,043	\$ 96,638
2026	\$ 991	\$ 74,520

**Other Leases**

During fiscal year 2023, 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 \$440,685 and \$430,373 for the years ended June 30, 2023 and 2022, respectively, which is included in program expenses in the accompanying statements of revenues, expenses and changes in net position.

**6. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The Organization has one subscription-based information technology arrangement that requires recognition under GASB 96. The arrangement is a three-year agreement which commenced during fiscal year 2023 and requires an annual payment of \$30,363 during fiscal years 2024 and 2025. The School used a 5.50% discount rate for this arrangement based on the incremental borrowing rate on the date the agreement was initiated. The School has no option to extend this arrangement and there is no option to purchase the software. In fiscal year 2023, the School paid \$9,975 of training costs associated with this agreement which were expensed in accordance with GASB 96.

Changes in the subscription asset for the School are as follows:

	<u>Balance June 30, 2022</u>	<u>2023 Additions</u>	<u>Balance June 30, 2023</u>
School data management software	\$ -	\$ 106,820	\$ 106,819
Less - accumulated amortization	-	29,673	29,672
Total subscription asset, net	<u>\$ -</u>	<u>\$ 77,147</u>	<u>\$ 77,147</u>

Future minimum principal and interest payments for the remaining software arrangement are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 27,440	\$ 2,923
2025	25,697	1,413
Total future minimum payments	<u>\$ 53,137</u>	<u>\$ 4,336</u>

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND  
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Notes to Financial Statements  
June 30, 2023 and 2022

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**7. 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.

The School follows GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27* (GASB 27), which requires the School to recognize its proportionate share of pension expense and in-kind revenue, "on behalf of payments," related to MTRS, as reported by the Commonwealth. In accordance with GASB 68, the School's arrangement meets the definition of a special funding situation, whereby the School does not contribute to MTRS and the Commonwealth is required to make actuarially determined contributions to maintain the financial integrity of the retirement system. The School's proportionate share of MTRS's pension expense, as calculated under GASB 68, was \$1,868,435 and \$1,625,709 for the years ended June 30, 2023 and 2022, respectively, which is included in in-kind transportation and pension revenue and reflected as in-kind pension expense in the accompanying statements of revenues, expenses and changes in net position. The School's proportionate share of MTRS's net pension liability was \$22,713,835 and \$20,259,108 at the measurement dates selected by the Commonwealth of June 30, 2022 and 2021, respectively. In accordance with the special funding situation under GASB 68, these amounts have not been recorded in the accompanying 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.

**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

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

	<u>2023</u>	<u>2022</u>
Accrued salaries and benefits	81%	77%
Payables to vendors	<u>19</u>	<u>23</u>
	<u>100%</u>	<u>100%</u>

**9. 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. The Organization utilizes additional insurance through its bank to fully insure its cash balances. 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.

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

Notes to Financial Statements  
June 30, 2023 and 2022

**9. CONCENTRATION OF CREDIT RISK (Continued)**

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

	<b>2023</b>		<b>2022</b>	
	<b>STEM Foundation</b>	<b>School</b>	<b>STEM Foundation</b>	<b>School</b>
Fully insured	\$ 130,314	\$ 8,420,710	\$ 108,003	\$ 633,442
Uninsured	-	-	-	8,439,424
	<u>\$ 130,314</u>	<u>\$ 8,420,710</u>	<u>\$ 108,003</u>	<u>\$ 9,072,866</u>

**10. BOND PAYABLE**

In October 2021, the Foundation, as guarantor, and the School jointly entered into an agreement with a bank in connection with the issuance of \$24,000,000 of Massachusetts Development Finance Agency, Advanced Math and Science Academy Charter School Revenue Bonds, Series 2021 (Series 2021 Revenue Bond) by the School. Under the agreement, the School had access to \$24,000,000 of bond proceeds (the School borrowed \$11,945,204 as of June 30, 2023 and 2022). The bond bears interest at the tax-exempt rate of 3.31% and matures on October 20, 2041 (the maturity date). Interest-only payments are due through November 2023, and monthly principal installments will commence the following month. Principal and interest payments of \$105,990 are due monthly, with a balloon payment due upon maturity. This bond is guaranteed by the Foundation and is secured by all School and Foundation assets. Interest expense on this note was \$400,878 and \$279,799 for the years ended June 30, 2023 and 2022, respectively. In the event of default, the outstanding principal and accrued interest will be declared due and payable. The School may prepay the outstanding balance at any time with no prepayment penalty. The outstanding principal balance as of June 30, 2023 and 2022, is \$11,945,204.

Debt service requirements for the bond payable, assuming the School draws the maximum principal balance (see Note 3), are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 273,502	\$ 632,468
2025	\$ 481,748	\$ 788,923
2026	\$ 498,166	\$ 772,504
2027	\$ 515,144	\$ 755,527
2028 - 2032	\$ 3,476,942	\$ 4,147,081
2033 - 2037	\$ 3,483,929	\$ 2,869,424
2038 - 2041	\$ 15,270,569	\$ 1,589,287

**11. PROFESSIONAL DEVELOPMENT**

The School incurred expenditures for the purpose of providing professional development to staff and teachers. The School expended \$49,109 and \$44,042 for the years ended June 30, 2023 and 2022, respectively, which are included in staff development and recruitment in the accompanying statements of revenues, expenses and changes in net position.



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

Notes to Financial Statements  
June 30, 2023 and 2022

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**12. RELATED PARTY TRANSACTIONS**

During fiscal years 2023 and 2022, one member of the Board of Trustees also serves as a teacher of the School.

Additionally, during fiscal year 2022, a Board of Trustee member's son was paid approximately \$2,700 throughout the fiscal year as a substitute teacher.

**13. CONDITIONAL GRANT**

During fiscal year 2023, the School received a grant of \$105,000 from a grantor over three years. The School has recognized \$35,000 as program specific grants and contributions - private during fiscal year 2023. The grants are conditional upon annual renewal from the grantor. The remaining \$70,000 is not included in the accompanying financial statements and will be recorded when the conditions are met.

**14. COLLECTIVE BARGAINING AGREEMENT**

The School has signed a collective bargaining agreement which expires on August 23, 2024. Approximately 61% of the School's employees are covered under this agreement.

**15. CUMULATIVE SURPLUS REVENUE**

Effective July 1, 2010, any cumulative surplus revenue generated by the School must comply with M.G.L.c.71. Section 89 (as amended by Chapter 12 of the Acts of 2010 under Section 8 (hh)). In accordance with this legislation and subsequent DESE regulations, if the School's cumulative surplus revenue, as defined, exceeds 20% of its operating budget and its budgeted capital costs for the succeeding fiscal year, the amount in excess of said 20% shall be returned by the School to the sending district or districts and the state in proportion to their share of tuition paid during the fiscal year.

As of June 30, 2023 and 2022 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 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 financial statements of the business-type activities of Advanced Math and Science Academy Charter School (a Massachusetts charter school) (the School) and its blended component unit, STEM Soaring Eagles Foundation, Inc. (a Massachusetts corporation, not for profit) (the STEM Foundation), (collectively, the Organization), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated October 26, 2023. The financial statements of the STEM Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the STEM Foundation.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's 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 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westborough, Massachusetts  
October 26, 2023

DRAFT