



Libertas Academy Charter School

Monthly Finance Committee Meeting

Published on October 12, 2022 at 4:13 PM EDT

Date and Time

Thursday October 13, 2022 at 5:30 PM EDT

Location

<https://us04web.zoom.us/j/7748636583>

Meeting ID: 774-863-6583

Password: 12345

Agenda

	Purpose	Presenter	Time
I. Opening Items			5:30 PM
A. Record Attendance			1 m
B. Call the Meeting to Order			
C. Approve Minutes	Approve Minutes		1 m
II. Finance			5:32 PM
Financial Statements			
Audit Report			
A. Financial statements	Discuss		
B. FY22 Audit draft	Discuss		5 m
III. Other Business			
IV. Closing Items			
A. Adjourn Meeting	Vote		

Coversheet

Financial statements

Section:	II. Finance
Item:	A. Financial statements
Purpose:	Discuss
Submitted by:	
Related Material:	September FY22 Financials.xlsx.pdf September FY22 Financials.xlsx - Details - Sept.pdf

**Libertas Academy Charter School
DESE Dashboard
September 30, 2022**

		DESE Measure of Risk			
		Low	Medium	High	
		Unaudited			
Current Ratio	5.20	1	>= 1.5	1.0 to 1.5	< 1.0
Current Assets divided by Current Liabilities					
Unrestricted Days Cash	45	3	>= 60 days	30 to 60 Days	< 30 days
Number of days expenses can be paid without another inflow of cash. Cash & Cash Equivalents divided by (Total Expenses less Depreciation/365)					
Percentage of Program Paid by Tuition	88%	3	>= 90%	75% to 90%	< 75%
Percentage of total expense funded by tuition. Tuition plus In-Kind Contributions divided by Total Expenses					
Percentage of Program Paid by Tuition & Federal Grants	100%	1	>= 90%	75% to 90%	< 75%
Percentage of total expense funded by tuition and Federal Grants. Tuition plus In-Kind Contributions plus Federal Grants, divided by Total Expenses					
Percentage of Total Revenue Expended on Facilities	15%	1	≤ 15%	15% to 30%	> 30%
Operation & Maintenance plus Non-Operating Financing Expenses of Plant divided by Total Revenue					
Change in Net Assets Percentage	0%	1	Positive %	-2% to 0%	< -2%
Change in Net Assets divided by Total Revenue					
Debt to Asset Ratio	0.19	1	≤ .9	.9 to 1	> 1
Measures the extent to which the school relies on borrowed funds to finance its operations. Calculated as Total Liabilities divided by Total Assets.					

**Libertas Academy Charter School and Friends of LACS
Statements of Net Position
September 30, 2022**

	School			Friends		
	Unaudited 09/30/22	Audited at 06/30/22	Change	Unaudited 09/30/22	Audited at 06/30/22	Change
ASSETS						
Current Assets						
1000 · Cash and Cash Equivalents	1,090,854	709,065	381,788	242,351	241,660	691
1102 · Accounts Receivable	167,181	334,396	(167,214)	-	-	-
1207 - Due from Related Parties (School)	8,905	-	8,905	19,940	19,940	0
1308 · Prepaid Expenses	72,233	86,580	(14,346)	-	-	-
1510 - Deposit (Security, Other)	31,396	31,396	-	-	-	-
Total Current Assets	1,370,570	1,161,437	209,133	262,291	261,600	692
Fixed Assets						
1514 · Building/Leasehold Improvement	34,573	34,573	-	-	-	-
1515 · Furniture and Equipment	159,959	159,959	-	-	-	-
1616 · Less Accumulated Depreciation	(100,079)	(93,170)	(6,909)	-	-	-
Total Fixed Assets	94,454	101,362	(6,909)	-	-	-
Other Assets						
1500 · Right of Use Lease Building	3,958,903	3,958,903	-			
1501 · Right of Use Lease Copiers	63,019	63,019	-			
1502 · Right of Use Lease Van	80,936	-	80,936			
1617.A · Lease Amortization Building	(549,849)	(439,878)	(109,971)			
1617.B · Lease Amortization Copiers	(8,651)	(5,501)	(3,150)			
1617.C · Lease Amortization Van	(2,248)	-	(2,248)			
Total Other Assets	3,542,110	3,576,543	(34,433)			
TOTAL ASSETS	5,007,133	4,839,342	167,791	262,291	261,600	692
LIABILITIES						
Accounts Payable						
2024 · Accounts Payable	89,859	47,081	42,777	-	-	-
Total Accounts Payable	89,859	47,081	42,777	-	-	-
Credit Cards						
2050 · AMEX Credit Card	32,919	43,998	(11,079)			
Other Current Liabilities						
1004 · Line of Credit	99,400	99,400	(0)			
2125 · Accrued Expenses/Accrued Payroll	143,992	446,206	(302,214)	-	-	-
2226 · Current Deferred Revenue	-	-	-	-	-	-
2327 - Due to related party (Friends)	19,940	19,940	0	8,905	-	8,905
2428 - Current Debt Payable - Line of Credit	-	-	-	-	-	-
Total Other Current Liabilities	263,332	446,208	(182,876)	8,905	-	8,905
CURRENT LIABILITIES	386,110	656,624	(270,515)	8,905	-	8,905
Long Term Liabilities						
1005.A · Lease Liability Building	3,550,362	3,635,791	(85,429)			
1005.B · Lease Liability Copiers	55,305	58,143	(2,838)			
1005.C · Lease Liability Van	78,797	-	78,797			
2720. Other Liabilities	1,500	-	1,500			
LONGTERM LIABILITIES	3,685,964	3,693,934	(7,970)			
TOTAL LIABILITIES	4,072,074	4,350,558	(278,484)			
Equity						
3900 · Retained Earnings	488,785	460,195	28,588	261,600	261,600	-
Net Income	446,274	28,588	417,686	(8,214)	-	-
TOTAL NET POSITION = TOTAL EQUITY (assets - liabilities)	935,059	488,783	446,276	253,386	261,600	(8,214)
TOTAL LIABILITIES & NET POSITION = ASSETS	5,007,133	4,839,342	167,791	262,291	261,600	691

Notes:

Libertas Academy Charter School
Statement of Revenues, Expenses and Change in Net Position Summary
September 30, 2022

Unaudited
 FTE 435

	YTD Actual	% of Revenue	% of YTD Actual to Annual Budget	Annual Budget	Annual Projection	Projections vs Annual Budget
Revenues						
4001 · Tuition	2,000,925	90%	25%	7,875,000	7,736,910	(138,090)
4100 · Government Grants & Funding	227,996	10%	23%	1,007,626	1,099,642	92,016
4400 · Private Support Funding		0%	0%	100,000	100,000	-
4500 · Student Programs & Misc Fees		0%	0%	5,000	5,000	-
4716 · Interest / Investment Income	276	0%	0%	-	754	-
Total Revenues	2,229,197	100%	25%	8,987,626	8,942,306	(46,074)
Expenses						
5000 · Personnel Costs	1,140,970	51%	17%	6,554,000	6,444,498	(109,502)
5100 · Administrative Costs	131,034	6%	30%	435,000	433,000	(2,000)
5200 · Instructional Services	211,156	9%	44%	483,000	570,000	87,000
5300 · Other Student Services	12,518	1%	11%	109,500	170,500	61,000
5400 · Facility & Other Fixed Costs	287,246	13%	22%	1,291,652	1,301,587	9,935
9999 · Contingency		0%			-	-
Total Expenses	1,782,922	80%	20%	8,873,152	8,919,585	46,434
Change in Net Position	446,274	20%		114,474	22,721	(92,508)

Financial Highlights

	ERATE	FY23 Esser III 119 (FY23 Grants)	FY23 Title II 140 (FY23 Grants)	FY23 Title III 180 (FY23 Grants)	FY23 Title IV 309 (FY23 Grants)	Total FY23 Grants	TOTAL
Income							
4100 · Government Grants & Funding							
4103 · Grants - Federal (thru DESE)	0	209,927.33	2,809.43	1,332.00	4,884.62	218,953.38	218,953.38
4104 · Grants - Federal (Direct/other)	1,899.05	0	0	0	0	0	1,899.05
Total 4100 · Government Grants & Funding	1,899.05	209,927.33	2,809.43	1,332.00	4,884.62	218,953.38	220,852.43
Total Income	1,899.05	209,927.33	2,809.43	1,332.00	4,884.62	218,953.38	220,852.43
Gross Profit	1,899.05	209,927.33	2,809.43	1,332.00	4,884.62	218,953.38	220,852.43
Expense							
5000 · Personnel Costs							
5161 · Salaries - Admin IT	0	22,615.44	0	0	0	22,615.44	22,615.44
5181 · Salaries - Admin Clerical	0	21,830.84	0	0	0	21,830.84	21,830.84
5211 · Salaries - Instructional Leader	0	98,227.51	0	0	0	98,227.51	98,227.51
5221 · Salaries - Teachers Classroom	0	16,045.43	0	0	0	16,045.43	16,045.43
5222 · Salaries - Teachers Specialists	0	1,807.70	0	0	0	1,807.70	1,807.70
5251 · Salaries- Guidance Psych & Test	0	21,624.98	0	0	4,884.62	26,509.60	26,509.60
Total 5000 · Personnel Costs	0	182,151.90	0	0	4,884.62	187,036.52	187,036.52
5100 · Administrative Costs							
5182 · Staff Recruitment/Advertising	0	0	2,865.75	0	0	2,865.75	2,865.75
Total 5100 · Administrative Costs	0	0	2,865.75	0	0	2,865.75	2,865.75
5200 · Instructional Services							
5261 · Books and Libraries	0	18,387.64	0	0	0	18,387.64	18,387.64
5264 · General Supplies -Instructional	0	9,387.79	0	0	0	9,387.79	9,387.79
Total 5200 · Instructional Services	0	27,775.43	0	0	0	27,775.43	27,775.43
Total Expense	0	209,927.33	2,865.75	0	4,884.62	217,677.70	217,677.70
Net Income	1,899.05	0	-56.32	1,332.00	0	1,275.68	3,174.73

**Libertas Academy Charter School
A/P Aging Summary
September 30, 2022**

Payment already sent
Payment pause

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Amazon	2,749.79	0.00	0.00	0.00	0.00	2,749.79
Books International, Inc.	722.13	0.00	0.00	0.00	0.00	722.13
Charter Technology Solutions, LLC	5,646.20	0.00	0.00	0.00	0.00	5,646.20
Daniel Dennis & Company LLP	0.00	4,222.50	0.00	0.00	0.00	4,222.50
deRenzy Business Technologies, Inc.	590.97	0.00	0.00	0.00	0.00	590.97
First Student, Inc.	162.74	0.00	0.00	0.00	0.00	162.74
Futures Education, LLC a Stepping Stone	20.50	0.00	0.00	0.00	0.00	20.50
Learning A-Z , LLC	114.00	0.00	0.00	0.00	0.00	114.00
Mass Surgical Supply	53.72	0.00	0.00	0.00	0.00	53.72
Massachusetts Interscholastic Athletic As	120.00	0.00	0.00	0.00	0.00	120.00
Microsoft	302.28	0.00	0.00	0.00	0.00	302.28
Springfield Bridge Holding LLC	72,233.49	0.00	0.00	0.00	0.00	72,233.49
Springfield Parking Authority	0.00	1,820.00	0.00	0.00	0.00	1,820.00
W.B.Mason	1,100.40	0.00	0.00	0.00	0.00	1,100.40
	83,816.22	6,042.50	0.00	0.00	0.00	89,858.72

**Libertas Academy Charter School
Cash Flow Projection FY23**

	Actual	Actual	Actual	Forecast	Forecast	Forecast
	July	August	September	October	November	December
Beginning Bank Balance (operating accounts only)	709,065	141,338	1,027,443	1,090,854	1,106,704	1,122,554
Inflows						
Tuition Revenue	0	1,333,950	666,975	644,743	644,743	644,743
Government Grant Revenue	30,000	351,149	9,561	99,967	99,967	99,967
Private Revenue	0					
Miscellaneous Revenue	30	6,000	13,232	500	500	500
Outflows						
Personnel Costs	456,588	506,189	496,765	544,355	544,355	544,355
Expenditures and Liabilities	141,169	298,805	129,592	185,004	185,004	185,004
Inflows less Outflows	(567,727)	886,105	63,411	15,850	15,850	15,850
Draw on Line of Credit	0					
Private Lending						
Ending Bank Balance	141,338	1,027,443	1,090,854	1,106,704	1,122,554	1,138,404

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	January	February	March	April	May	June
Beginning Bank Balance (operating accounts only)	1,138,404	1,154,254	1,170,105	1,185,955	1,201,806	1,217,656
Inflows						
Tuition Revenue	644,743	644,743	644,743	644,743	644,743	644,743
Government Grant Revenue	99,967	99,967	99,967	99,967	99,967	99,967
Private Revenue						
Miscellaneous Revenue	500	500	500	500	500	500
Outflows						
Personnel Costs	544,355	544,355	544,355	544,355	544,355	544,355
Expenditures and Liabilities	185,004	185,004	185,004	185,004	185,004	185,004
Inflows less Outflows	15,850	15,850	15,850	15,850	15,850	15,850
Draw on Line of Credit						(150,000)
Private Lending						
Ending Bank Balance	1,154,254	1,170,105	1,185,955	1,201,806	1,217,656	1,083,506

Libertas Academy Charter School
Statement of Revenues, Expenses and Change in Net Position
September 30, 2022

1% of Revenue = Surplus Goal >>	89,423
Current Surplus = Actual	22,721
% Personnel is of Tuition Revenue >>	72%

Increased allocation
Decreased allocation
Make Note

Line Item	YTD Actual	June BOT Approved - Annual Budget	Annual Projection
Revenues			
4001 · Tuition	2,000,925	7,875,000	7,736,910
4100 · Government Grants & Funding	227,996	1,007,626	1,099,642
4400 · Private Support Funding		100,000	100,000
4500 · Student Programs & Misc Fees		5,000	5,000
4716 · Interest / Investment Income	276	754	754
Total Revenues	2,229,197	8,988,380	8,942,306
Expenses			
5000 · Personnel Costs			
5000 - Personnel Salaries	998,216	5,650,000	5,653,281
non-MTRS stipends			-
5520f · Fringe Benefits	118,308	678,000	559,618
5520m · MTRS Expense		56,500	62,000
5520t · Payroll Taxes	24,446	169,500	169,598
Total 5000 · Personnel Costs	1,140,970	6,554,000	6,444,498
5100 · Administrative Costs			
5112 · Board Travel & Other Exp	12,177	14,000	14,000
5122 · Contr Serv - School Leader	2,500	5,000	5,000
5132 · Contr Serv - Business & Finance	19,364	80,000	80,000
5142 · Contr Serv - Human Resources	22,746	65,000	68,000
5152 · Contr Serv - Legal	2,649	7,000	7,000
5162 · Contr Serv - IT	20,210	62,000	75,000
5163 · Supplies & Materials - IT		10,000	2,000
5173 · Fundraising		5,000	1,000
5182 · Staff Recruitment and Advertising	6,143	55,000	55,000
5182s - Student Recruitment and Advertising	6,145	60,000	55,000

	5183 · Travel, Dues & Other Exp -Admin	31,624	34,000	36,000
	5184 · Supplies & Materials - Admin	7,476	38,000	35,000
	Total 5100 · Administrative Costs	131,034	435,000	433,000
	5200 · Instructional Services			
	5234 · Contr Serv - Other Teaching	13,855	57,000	48,000
	5242 · Contr Serv - Prof Development	10,092	30,000	28,000
	5244 · Travel & Other Exp -Prof Develop	21,474	30,000	30,000
	5253 · Contr Serv - Guidance & Testing	21	110,000	145,000
	5261 · Books and Libraries	21,844	30,000	40,000
	5263 · Instructional Equipment	47,586	10,000	55,000
	5264 · General Supplies -Instructional	32,658	85,000	85,000
	5266 · Classroom Instructional Tech	23,343	26,000	27,000
	5268 · Instructional Software	40,284	105,000	112,000
	Total 5200 · Instructional Services	211,156	483,000	570,000
	5300 · Other Student Services			
	5320 · Health Services	527	8,000	8,000
	5330 · Student Transportation	-381	5,000	20,000
	5350 · Food Services	200	2,500	2,500
	5360 · Athletic Services	2,224	54,000	55,000
	5370 · Other Student Activities	9,947	40,000	45,000
	5380 · College Preparation		-	40,000
	Total 5300 · Other Student Services	12,518	109,500	170,500
	5400 · Facility & Other Fixed Costs			
	5420 · Utilities	9,723	35,000	38,000
	5430 · Maint of Buildings & Grounds	9,744	105,000	100,000
	5450 · Networking & Communications	7,839	50,000	50,000
	5730 · Other costs rel. Cap. Facility	0	87,000	5,000
	5740 · Rental/Lease of Building & Grounds	83,270	881,319	350,000
	5530 · Insurance (non-employee)	5,745	25,000	38,000
	5550 · Rental / Lease of Equipment	-1,142	68,000	15,000
	5560 Interest Expense <interest on line of credit>	1,462		2,924
	5750 Depreciation	6,909	40,333	40,333
	5751.A · Lease Amortization Building	109,971		439,884
	5751.B · Lease Amortization Copiers	3,150		12,600
	5751.C · Lease Amortization Van	2,248		22,480
	5752.A · Lease Interest Building	47,348		182,572

		5752.B · Lease Interest Copiers	750		2,776
		5752.C · Lease Interest Van	229		2,018
		Total 5400 · Facility & Other Fixed Costs	287,246	1,291,652	1,301,587
		ASK ACCOUNTANT	0		
		9999 · Contingency	0	-	-
		Total Expenses	1,782,922	8,873,152	8,919,585
		Change in Net Position	446,274	115,228	22,721

Coversheet

FY22 Audit draft

Section:	II. Finance
Item:	B. FY22 Audit draft
Purpose:	Discuss
Submitted by:	
Related Material:	Libertas FY22 Draft Audit.pdf

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**

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

June 30, 2022

Draft for Discussion Only

Libertas Academy Charter School

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Trustees of
**Libertas Academy Charter School and Friends of
Libertas Academy Charter School, Inc.**

Report on the Combined Financial Statements

Opinion

We have audited the accompanying combined statement of net position of Libertas Academy Charter School (the School) and Friends of Libertas Academy Charter School, Inc. (a nonprofit organization) (collectively, the Organization) as of and for the year ended June 30, 2022, and the related combined statements of revenues, expenses, and changes in net position and cash flow for the year then ended and the related notes to the combined financial statements, which collectively comprise the Organization's combined financial statements as listed in the table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective combined financial position of the Organization, as of June 30, 2022, and the respective changes in combined financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As described in Note 2 to the combined financial statements, in fiscal year 2022, the Organization adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Combined Financial Statements

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

Responsibilities of Management for the Combined Financial Statements – Continued

In preparing the combined 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 combined financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 combined 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 combined 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 combined 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 on pages 5 through 9 be presented to supplement the combined financial statements. Such information is the responsibility of management and, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Matter***Report on Summarized Comparative Information***

The financial statements for the year ended June 30, 2021 were audited by other auditors, whose report dated October 21, 2021 expressed an unmodified opinion on those audited financial statements. They have not performed any auditing procedures since that date.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

October XX, 2022

Draft for Discussion Only

Libertas Academy Charter School
Management's Discussion and Analysis
 June 30, 2022 (Unaudited)

The following management discussion and analysis of Libertas Academy Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2022, with comparative information for fiscal year 2021. Please read it in conjunction with the School's combined financial statements and the related notes, which begin on page 10.

The School as a Whole

The School was established on June 2, 2016 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Board of Elementary and Secondary Education (ESE). The School's charter was renewed in fiscal year 2022 for an additional five years effective July 1, 2022. During fiscal year 2022, the School operated grades six through nine and served 323 students. During fiscal year 2021, the School operated grades six through eight and served 255 students. The School will continue to add one grade per year until the School reaches 630 students in grades six through twelve.

Financial Reporting Entity

As required by generally accepted accounting principles, and in conformance with Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and subsequently amended by GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* and GASB No. 80, *Blending Requirements for Certain Component Units – an amendment to GASB Statement No. 14*, the School evaluated its potential component unit and determined the Friends of Libertas Academy Charter School, Inc. (Friends) is a component unit of the School and should be presented as a blended component unit in the combined financial statements. The School and its blended component unit, Friends, are referred to collectively as the Organization.

Using This Annual Report

This audit report consists of a series of combined financial statements. In accordance with GASB No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34), the Organization is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the Organization is recorded in an enterprise fund within the proprietary fund group in accordance with GASB No. 34 and GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the School issues a *Combined Statement of Net Position*, a *Combined Statement of Revenues, Expenses and Changes in Net Position* and a *Combined Statement of Cash Flows*. These statements provide information about the financial activities of the Organization as a whole. This audit report also contains notes to the combined financial statements, which provide additional information that is essential to a full understanding of the information provided in the combined financial statements and the schedule of expenditures of federal awards, which identifies all of the Organization's federal funding.

Libertas Academy Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2022 (Unaudited)

Financial Statements

The *Combined Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Organization 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 Organization to the readers of the combined financial statements. Assets are resources with present service capacity that the Organization presently controls. Liabilities are present obligations to sacrifice resources that the Organization has little or no discretion to avoid. A deferred outflow of resources is a consumption of net assets by the Organization that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the Organization that is applicable to a future reporting period. Net position represents the difference between all other elements in a combined statement of financial position and is displayed in three components – *net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

The *net investment in capital assets* component of net position, which consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of *net investment in capital assets* or the *restricted* component of net position.

Over time, readers of the combined financial statements will be able to evaluate the Organization's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the Organization's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the Organization. This statement is also a good source for readers to determine how much the Organization owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Combined Statement of Revenues, Expenses and Changes in Net Position* reports the financial (revenue and expenses) activities of the Organization and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of the Organization and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of a charter school. Changes in total net position as presented on the *Combined Statement of Net Position* are based on the activity presented in this statement. This statement helps to determine whether the Organization had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

Libertas Academy Charter School
 Management's Discussion and Analysis - *Continued*
 June 30, 2022 (Unaudited)

Financial Statements – Continued

The *Combined Statement of Cash Flows* provides information about the Organization's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in helping users assess the Organization's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Notes to the Combined Financial Statements provide additional information that is essential to a full understanding of the information provided in the Organization's combined financial statements.

Supplemental Information

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

Financial Highlights – Charter School

The following financial highlights are from fiscal year 2022 with comparative information from fiscal year 2021:

- The School held total assets of \$4,839,342 and \$971,063 at June 30, 2022 and 2021, respectively, of which \$3,667,905 and \$68,041, respectively, were net capital assets, and the majority of the remaining assets consisted of cash, prepaid expenses, and grants and accounts receivable. The increase in total assets was due to an increase in the right-to-use asset account as the result of the adoption of GASB No. 87, *Leases*.
- The School held total liabilities of \$4,350,559 and \$510,868 at June 30, 2022 and 2021, respectively. In fiscal year 2022, \$1,016,736 was current and \$3,333,823 was non-current. In fiscal year 2021, all liabilities were current. The increase is due to an increase in the lease liability account as the result of the adoption of GASB No. 87, *Leases*.
- Total net position for the School was \$488,783 and \$460,195 as of June 30, 2022 and 2021, respectively. Net position at June 30, 2022 and 2021 consists of net investment in capital assets of \$16,209 and \$47,938, respectively, and the remaining balance is unrestricted net position of \$472,754 and \$412,257, respectively. The increase in net position was due to the surplus in fiscal year 2022.

Libertas Academy Charter School
 Management's Discussion and Analysis - *Continued*
 June 30, 2022 (Unaudited)

Financial Highlights – Charter School – *Continued*

- The School earned total revenues of \$9,176,190 and \$6,028,882 for the years ended June 30, 2022, of which 98% and 96%, respectively, were operating revenues and 2% and 4% were from non-operating revenues (private grants, contributions, etc.), respectively. The increase in total revenues was mainly due to an increase in tuition and Federal and state grants.
- The School had total expenses of \$9,147,602 and \$6,021,667 for the years ended June 30, 2022 and 2021, respectively. The increase is due to the additional costs from grade expansion in fiscal year 2022.
- The School had change in net position of \$28,588 and \$7,215 for the years ended June 30, 2022 and 2021, respectively. In fiscal year 2022, the change in net position was comprised of operating loss of \$165,969 and non-operating income of \$194,557. In fiscal year 2021, the change in net position was comprised of operating income of \$1,300 and non-operating income of \$5,915.

Budgetary Highlights

For the fiscal year ended June 30, 2022, the School incurred \$7,986,324 in actual expenditures, excluding in-kind amounts, compared to budgeted expenditures of \$7,179,435. Actual revenue, excluding in-kind amounts, was \$8,014,912 compared to budgeted revenue of \$7,214,704. The increase in actual expenditures compared to budgeted expenditures is due to additional costs associated with grade expansion. The increase in actual revenue compared to budgeted is due primarily to an increase in grants received.

School's Financial Activities

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE) and is based on a standard rate per pupil. The School received \$5,075,755 in per pupil funding in fiscal year 2022, versus \$3,919,368 in per pupil funding in fiscal year 2021. This represents 56% and 65% of the School's revenue for the years ended June 30, 2022 and 2021, respectively. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$2,691,605 and \$732,157, for fiscal years 2022 and 2021, respectively.

Debt Obligations

The School has a \$100,000 line of credit with an interest rate of 5.25%. At June 30, 2022 and 2021, the outstanding balance was \$99,400 and zero, respectively.

Libertas Academy Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2022 (Unaudited)

Other Financial Factors

Effective July 1, 2021, the School entered into a lease agreement to occupy a building in Springfield, Massachusetts for a term of ten years. The lease requires payments ranging from \$43,604 to \$49,120.

Current Known Facts, Decisions, and Conditions

Coronavirus

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus as a pandemic. The extent to which the coronavirus may impact the School's activities will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the virus.

Contacting the School's Financial Management

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

Draft for Discussion Only

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Combined Statement of Net Position
With Combining Information For the Year Ended June 30, 2022
With Summarized Comparative Totals For the Year Ended June 30, 2021

	<i>Libertas Academy Charter School</i>	<i>Friends of Libertas Academy Charter School</i>	<i>Memorandum Only Total Primary Government June 30, 2022</i>	<i>Memorandum Only Summarized Comparative June 30, 2021</i>
Assets				
Current Assets:				
Cash	\$ 709,065	\$ 241,660	\$ 950,725	\$ 1,010,844
Grants and accounts receivable	334,396	-	334,396	116,768
Prepaid expenses	117,976	-	117,976	58,455
Total current assets	<u>1,161,437</u>	<u>241,660</u>	<u>1,403,097</u>	<u>1,186,067</u>
Noncurrent Assets:				
Capital assets, net	3,677,905	-	3,677,905	68,041
Total noncurrent assets	<u>3,677,905</u>	<u>-</u>	<u>3,677,905</u>	<u>68,041</u>
Total assets	<u>\$ 4,839,342</u>	<u>\$ 241,660</u>	<u>\$ 5,081,002</u>	<u>\$ 1,254,108</u>
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 537,285	\$ -	\$ 537,285	\$ 509,105
Due to/(from) related party	19,940	(19,940)	-	-
Lease liability - current	360,111	-	360,111	-
Line of credit	99,400	-	99,400	-
Advances	-	-	-	1,763
Total current liabilities	<u>1,016,736</u>	<u>(19,940)</u>	<u>996,796</u>	<u>510,868</u>
Lease liability - noncurrent	3,333,823	-	3,333,823	-
Total noncurrent liabilities	<u>3,333,823</u>	<u>-</u>	<u>3,333,823</u>	<u>-</u>
Total liabilities	<u>4,350,559</u>	<u>(19,940)</u>	<u>4,330,619</u>	<u>510,868</u>
Net Position:				
Unrestricted	504,812	-	504,812	433,702
Net investment in capital assets	(16,029)	-	(16,029)	47,938
Program restricted funds - expendable	-	261,600	261,600	261,600
Total net position	<u>488,783</u>	<u>261,600</u>	<u>750,383</u>	<u>743,240</u>
Total liabilities and net position	<u>\$ 4,839,342</u>	<u>\$ 241,660</u>	<u>\$ 5,081,002</u>	<u>\$ 1,254,108</u>

See accompanying notes to the combined financial statements.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Combined Statement of Revenues, Expenses and Changes in Net Position
With Combining Information For the Year Ended June 30, 2022
With Summarized Comparative Totals For the Year Ended June 30, 2021

	<i>Libertas Academy Charter School</i>	<i>Friends of Libertas Academy Charter School</i>	<i>Memorandum Only Total Primary Government June 30, 2022</i>	<i>Memorandum Only Summarized Comparative June 30, 2021</i>
Operating Revenues:				
Per-pupil tuition	\$ 5,075,755	\$ -	\$ 5,075,755	\$ 3,919,368
In-kind	1,161,278	-	1,161,278	1,101,410
Federal and state grants	2,691,605	-	2,691,605	732,157
Private grants and contributions	-	162,416	162,416	367,080
Program fees	<u>52,995</u>	<u>-</u>	<u>52,995</u>	<u>20,032</u>
Total operating revenues	<u>8,981,633</u>	<u>162,416</u>	<u>9,144,049</u>	<u>6,140,047</u>
Operating Expenses:				
<i>Personnel and Related:</i>				
Salaries and wages	4,993,880	-	4,993,880	2,978,775
In-kind pension	594,627	-	594,627	994,962
Payroll tax and fringe benefits	513,129	-	513,129	417,132
Professional development	<u>32,070</u>	<u>-</u>	<u>32,070</u>	<u>72,782</u>
Total personnel and related	<u>6,133,706</u>	<u>-</u>	<u>6,133,706</u>	<u>4,463,651</u>
<i>Direct Student Costs:</i>				
Contracted services	412,626	-	412,626	358,472
Instructional equipment	396,171	-	396,171	172,627
Student transportation	407,223	-	407,223	87,136
Supplies	83,855	-	83,855	86,097
Other student costs	125,273	-	125,273	40,960
Food services	<u>177,661</u>	<u>-</u>	<u>177,661</u>	<u>19,512</u>
Total direct student costs	<u>1,602,809</u>	<u>-</u>	<u>1,602,809</u>	<u>764,804</u>
<i>Occupancy:</i>				
Occupancy - common area charges	272,940	-	272,940	376,755
Interest expense - lease	201,531	-	201,531	-
Repairs and maintenance	98,866	-	98,866	90,826
Utilities	30,295	-	30,295	23,094
Insurance	21,172	-	21,172	15,020
Other	<u>11,632</u>	<u>-</u>	<u>11,632</u>	<u>5,190</u>
Total occupancy	<u>636,436</u>	<u>-</u>	<u>636,436</u>	<u>510,885</u>
<i>Other Operating Costs:</i>				
Advertising	122,988	-	122,988	128,126
Travel and other	146,658	-	146,658	124,376
Rental equipment	<u>27,034</u>	<u>-</u>	<u>27,034</u>	<u>11,818</u>
Total other operating expenses	<u>296,680</u>	<u>-</u>	<u>296,680</u>	<u>264,320</u>
Depreciation and amortization	<u>477,971</u>	<u>-</u>	<u>477,971</u>	<u>18,036</u>
Total operating expenses	<u>9,147,602</u>	<u>-</u>	<u>9,147,602</u>	<u>6,021,696</u>
Changes in net position from operations	<u>(165,969)</u>	<u>162,416</u>	<u>(3,553)</u>	<u>118,351</u>
Nonoperating revenues(expenses):				
Component unit contribution	184,060	(184,060)	-	-
Private grants and contributions	8,750	-	8,750	10
Interest and other	<u>1,747</u>	<u>199</u>	<u>1,946</u>	<u>5,905</u>
Total nonoperating revenues(expenses)	<u>194,557</u>	<u>(183,861)</u>	<u>10,696</u>	<u>5,915</u>
Change in net position	28,588	(21,445)	7,143	124,266
Net position, beginning of the year	<u>460,195</u>	<u>283,045</u>	<u>743,240</u>	<u>618,974</u>
Net position, end of the year	<u>\$ 488,783</u>	<u>\$ 261,600</u>	<u>\$ 750,383</u>	<u>\$ 743,240</u>

See accompanying notes to the combined financial statements.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Combined Statement of Cash Flows
With Combining Information For the Year Ended June 30, 2022
With Summarized Comparative Totals For the Year Ended June 30, 2021

	<i>Libertas Academy Charter School</i>	<i>Friends of Libertas Academy Charter School</i>	<i>Memorandum Only Total Primary Government June 30, 2022</i>	<i>Memorandum Only Summarized Comparative June 30, 2021</i>
Cash flows from operating activities:				
Receipts from per-pupil tuition	\$ 5,075,755	\$ -	\$ 5,075,755	\$ 3,919,368
Receipts from grants	2,479,336	-	2,479,336	692,878
Receipts from other sources	45,873	162,416	208,289	462,112
Payments for personnel and related	(6,025,495)	-	(6,025,495)	(3,415,540)
Payments for supplies and services	(1,312,668)	-	(1,312,668)	(1,413,278)
Net cash provided by operating activities	<u>262,801</u>	<u>162,416</u>	<u>425,217</u>	<u>245,540</u>
Cash flows from non-capital financing activities:				
Nonoperating receipts/(disbursements)	<u>389,497</u>	<u>(378,801)</u>	<u>10,696</u>	<u>5,915</u>
Net cash provided/(used in) by noncapital financing activities	<u>389,497</u>	<u>(378,801)</u>	<u>10,696</u>	<u>5,915</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(65,913)	-	(65,913)	(13,210)
Line of credit	99,400	-	99,400	-
Principal payment on lease obligation	(327,988)	-	(327,988)	-
Interest payment on lease obligations	(201,531)	-	(201,531)	-
Net cash used in capital and related financing activities	<u>(496,032)</u>	<u>-</u>	<u>(496,032)</u>	<u>(13,210)</u>
Change in cash	<u>156,266</u>	<u>(216,385)</u>	<u>(60,119)</u>	<u>238,245</u>
Cash, beginning of year	<u>552,799</u>	<u>458,045</u>	<u>1,010,844</u>	<u>772,599</u>
Cash, end of year	<u>\$ 709,065</u>	<u>\$ 241,660</u>	<u>\$ 950,725</u>	<u>\$ 1,010,844</u>
Reconciliation of operating (loss)/income to net cash provided by operating activities:				
Change in net position from operations	\$ (165,969)	\$ 162,416	\$ (3,553)	\$ 118,351
<i>Adjustments to reconcile change in operating (loss)/income to net cash provided by operating activities:</i>				
Depreciation and amortization	477,971	-	477,971	18,036
Interest on lease liability	201,531	-	201,531	-
<i>Change in operating assets and liabilities:</i>				
Grants and accounts receivable	(217,628)	-	(217,628)	(41,042)
Prepaid expenses	(59,521)	-	(59,521)	8,749
Accounts payable and accrued expenses	28,180	-	28,180	139,683
Deffered revenue	(1,763)	-	(1,763)	1,763
Net cash provided by operating activities	<u>\$ 262,801</u>	<u>\$ 162,416</u>	<u>\$ 425,217</u>	<u>\$ 245,540</u>
Supplemental Disclosure of Cash Flow Information:				
Capital asset purchases financed through accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,103</u>

See accompanying notes to the combined financial statements.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements
June 30, 2022

1. Nature of Organization

Libertas Academy Charter School (the School) was established on June 2, 2016 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The School's charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE). The School's charter was renewed in fiscal year 2022, effective July 1, 2022 through June 30, 2027. The DESE provided 98% and 99% of revenue to the School, excluding on-behalf pension revenue an in-kind for the years ended June 30, 2022 and 2021, respectively, through per pupil tuition and federal and state grants.

The combined financial statements consist of the following:

Primary government

- Libertas Academy Charter School – operates in Springfield, Massachusetts. In fiscal year 2022, the School served 323 students in grades sixth through nine. In fiscal year 2021, the School served 255 students in grades sixth through eighth. The School will continue to add one grade per year until school year 2023-2024, when the School will serve approximately 630 students in grades six through twelve.
- Friends of Libertas Academy Charter School, Inc. (the Friends) was established in July 2016 to promote the financial well-being of the School by soliciting, receiving and administering funds for the operation of the School. The Friends is a legally separate, tax-exempt organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Because these resources can only be used by or for the benefit of the School, and both have common management and common board members, the Friends is considered a component unit of the School and is presented as a blended component unit.

The School and its blended component unit, the Foundation, are referred to collectively as the Organization.

2. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the Organization's significant accounting policies:

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

2. Summary of Significant Accounting Policies – Continued

Financial Reporting Entity

As required by generally accepted accounting principles, and in conformance with the *Government Accounting Standards Board (GASB) Statements No. 14, The Financial Reporting Entity* and *GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units* and subsequently amended by *GASB No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3*, and *GASB No. 80, Blending Requirements for Certain Component Units*, the School evaluated its potential component units to determine the reporting entity.

Component units are legally separate organizations for which the board is financially accountable for or other organizations whose nature and significant relationship with the School are such that exclusion would cause the combined financial statements to be misleading or incomplete. The School is financially accountable if it appoints a majority of the Friend's board members and (1) is able to impose its will on the Foundation, or (2) there is a potential to provide specific financial benefit or to impose a burden on the School.

The Friends was evaluated and is reported as blended component unit of the School. The blended component unit, although a legally separate entity, is in substance, part of the School's operations and therefore, the financial data is combined and reported within the financial data of the primary government.

The Friends is a non-profit organization that reports under Financial Accounting Standards Board (FASB) accounting standards, including *Accounting Standards Codification 958 (ASC 958), Financial Reporting for Non-Profit Organizations*. As such, certain revenue recognition criteria and financial presentation features are different from GASB revenue recognition and financial presentation features. No modifications were made to the Friend's financial information in the School's financial statements for those differences.

Complete financial statements for Friends can be obtained from the School's Business Office.

Financial Statement Presentation

The School, in accordance with *GASB Statement No. 34 - Basic Financial Statement – and Management's Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the combined financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

Basis of Accounting

The accrual basis of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

2. Summary of Significant Accounting Policies – Continued

Basis of Accounting – Continued

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Organization has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Tax Status

The School was established under a charter granted by the Commonwealth of Massachusetts' DESE and operates as a part of the Commonwealth of Massachusetts and is therefore, generally exempt from income taxes under Section 115 of the Internal Revenue Code.

The Friends is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from Massachusetts income taxes, except for income taxes on unrelated business income, if any. For the years ended June 30, 2022 and 2021, the Friends had no unrelated business income subject to taxes.

The Friends evaluates its tax positions taken or expected to be taken in their tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable federal or state authority. The Friends has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2022 returns and believes they are more-likely-than-not to be sustained if examined by federal or state tax authorities. The Friends returns are subject to examination by federal and state tax authorities for up to a three-year period after the returns have been filed. (2019-2021)

Cash and Cash Equivalents

For the purpose of the *Combined Statement of Net Position* and the *Combined Statement of Cash Flows*, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2022 and 2021, the Organization did not have any cash equivalents.

Grants and Accounts Receivable

Grants and accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. These receivables are written off when deemed uncollectible. At June 30, 2022 and 2021, no allowance for doubtful accounts had been recorded, respectively, as management considers all remaining receivables to be fully collectible.

Advances

Revenue is recognized when earned, however, funds received that are not earned as of year-end are recorded within liabilities as advances.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

2. *Summary of Significant Accounting Policies – Continued*

Operating Revenue and Expenses

The School - Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include tuition and Federal and Commonwealth of Massachusetts grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Friends – Revenue and expenses generally result from fundraising on behalf of the School. Revenues includes private grants and contributions while expenses include contributions to the School.

Revenue Recognition

Per-pupil tuition and grant revenue are recorded as services are provided and costs are incurred. The Commonwealth of Massachusetts, Executive Office of Administration and Finance, calculates the per-pupil tuition reimbursement, which is paid to the School by the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE). Program fees are recognized as services are provided. Government grant revenue is recorded as services are provided and costs are incurred. At June 30, 2022 and 2021, the Organization has recorded zero and \$1,763, respectively, of deferred revenue related to government grants collected but not earned.

The Organization records unrestricted grants and contributions when they are received or unconditionally committed. Gifts of cash and other assets are recorded as restricted program funds if they are received with donor stipulations that limit the use of the donated assets. When a stipulated purpose restriction is accomplished, donor restricted funds are reported in the combined statements of revenues, expenses and changes in net position as a transfer. Program restricted support received and satisfied in the same period is included in unrestricted net position. All other income is recorded when earned.

Capital Assets

Capital assets are recorded at cost if purchased or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3-5 years for computer equipment, 5 years for furniture and equipment and the lessor of the remaining life of the lease or useful life for leased assets.

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

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

2. Summary of Significant Accounting Policies – Continued

On-Behalf Payments

The School recognizes its proportional share of pension revenue and expense, as reported by Massachusetts Teachers' Retirement System (MTRS), as on-behalf payments in the *Combined Statement of Revenues, Expenses, and Changes in Net Position*.

Classification of Net Position

The following are the net position classifications:

- Net Investment in Capital Assets – book value of capital assets net of any related debt.
- Restricted – amounts that can be spent only for specific purposes because of externally imposed restrictions by grantors and contributors.
- Unrestricted – portion of funds to support operations.

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

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts were reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Adoption of Accounting Standard

In fiscal year 2022, the Organization implemented GASB Statement No. 87, *Leases* (GASB No. 87). GASB No. 87 enhances the relevance and consistency of information of the Organization's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB No. 87 requires the retroactive application for all prior period presented. The adoption of GASB No. 87 did not materially impact the Organization's combined financial statements or require retrospective adjustment.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

2. Summary of Significant Accounting Policies – Continued

In-Kind Contributions

The School receives donated transportation from the City of Springfield for certain students, as required by DESE. The School also receives in-kind nutrition, which was valued based upon the estimated value assigned to them by the donor.

The Commonwealth provides pension payments on behalf of the School. In-kind consist of the following for the years ended June 30:

<i>Description</i>	<i>2022</i>	<i>2021</i>
Pension	\$ 594,627	\$ 994,962
Transportation	391,552	87,136
Nutrition	175,099	19,312
	<u>\$ 1,161,278</u>	<u>\$ 1,101,410</u>

Summarized Comparative Information

The combined financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s combined financial statements for the year ended June 30, 2021, from which the summarized information was derived.

3. Deposits with Financial Institutions

The Organization maintains its cash balances at one financial institution. All deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and all amounts above the FDIC limit are insured in full by the Depositors Insurance Fund (DIF). Management believes it is not exposed to any significant credit risk on cash.

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, requires disclosure of the potential risks of the Organization’s deposits. As of June 30, 2022 and 2021, all of the Organization’s cash deposits are fully insured.

4. Lease Obligations

The School’s lease agreements are as follows:

<i>Description</i>	<i>Date</i>	<i>Payment Terms</i>	<i>Yearly Payment Amount</i>	<i>Interest Rate</i>	<i>Total Lease Liability</i>	<i>Balance June 30, 2022</i>	<i>Balance June 30, 2021</i>
Building	7/1/2021	108 months	Variable	5.25%	\$ 3,958,903	\$ 3,635,791	\$ -
Copiers	10/1/2021	60 months	\$ 3,552	5.25%	\$ 15,590	13,504	-
Copiers	1/1/2022	60 months	\$ 10,800	5.25%	\$ 47,429	44,639	-
						<u>\$ 3,693,934</u>	<u>\$ -</u>

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

4. Lease Obligations – Continued

The School leases equipment under two separate agreements for a term of five years each at a rate of 5.25% expiring in September 2026 and February 2027, respectively. These leases are not renewable and the School will not acquire the equipment at the end of the lease terms.

During fiscal year 2022, the School entered into a lease agreement effective July 2021 through July 2029, with monthly lease payments ranging from \$43,604 to \$49,120 over the term of the lease. The lease is not renewable and the School will not acquire the facilities at the end of the lease. The School must also pay its proportionate share of real estate taxes and common area costs, which totaled \$272,940 and \$376,755 for fiscal years 2022 and 2021, respectively.

Annual requirements to amortize long-term obligations and related interest are as follows:

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 360,111	\$ 185,348	\$ 545,459
2024	387,640	165,786	553,426
2025	416,771	144,741	561,512
2026	447,594	122,126	569,720
2027	473,863	97,921	571,784
2028-2030	<u>1,607,955</u>	<u>134,362</u>	<u>1,742,317</u>
Total	<u>\$ 3,693,934</u>	<u>\$ 850,284</u>	<u>\$ 4,544,218</u>

5. Capital Assets

Changes in capital assets during fiscal year 2022 and 2021 are as follows:

	<i>Balance July 1, 2021</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2022</i>
<i>Capital assets being depreciated and amortized</i>				
Leasehold improvements	\$ 7,125	\$ 27,448	\$ -	\$ 34,573
Intangible right to use lease - building	-	3,958,903	-	3,958,903
Intangible right to use lease - equipment	-	63,019	-	63,019
Furniture and equipment	48,432	22,987	-	71,419
Computers	<u>73,062</u>	<u>15,478</u>	<u>-</u>	<u>88,540</u>
Total capital assets being depreciated and amortized	<u>128,619</u>	<u>4,087,835</u>	<u>-</u>	<u>4,216,454</u>
<i>Less accumulated depreciation and amortization</i>				
Leasehold improvements	4,988	3,917	-	8,905
Intangible right to use lease - building	-	439,878	-	439,878
Intangible right to use lease - equipment	-	5,501	-	5,501
Furniture and equipment	15,843	12,410	-	28,253
Computers	<u>39,747</u>	<u>16,265</u>	<u>-</u>	<u>56,012</u>
Total accumulated depreciation and amortization	<u>60,578</u>	<u>477,971</u>	<u>-</u>	<u>538,549</u>
Capital assets, net	<u>\$ 68,041</u>	<u>\$ 3,609,864</u>	<u>\$ -</u>	<u>\$ 3,677,905</u>

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

5. Capital Assets – Continued

	<i>Balance</i> <i>July 1, 2020</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2021</i>
<i>Capital assets being depreciated</i>				
Leasehold improvements	\$ 7,125	\$ -	\$ -	\$ 7,125
Furniture and equipment	48,432	-	-	48,432
Computers	39,749	33,313	-	73,062
Total capital assets being depreciated	<u>95,306</u>	<u>33,313</u>	<u>-</u>	<u>128,619</u>
<i>Less accumulated depreciation</i>				
Leasehold improvements	2,138	2,850	-	4,988
Furniture and equipment	6,157	9,686	-	15,843
Computers	34,247	5,500	-	39,747
Total accumulated depreciation	<u>42,542</u>	<u>18,036</u>	<u>-</u>	<u>60,578</u>
Capital assets, net	<u>\$ 52,764</u>	<u>\$ 15,277</u>	<u>\$ -</u>	<u>\$ 68,041</u>

The lease amortization for equipment and building is presented as amortization expense on the *Combined Statement of Revenues, Expenses and Changes in Net Position*. The School's intangible assets are included above as an Intangible Right of Use Lease. With the implementation of GASB No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right of use asset.

6. Retirement Plan

Massachusetts Teachers Retirement System

The Commonwealth of Massachusetts provides for retirement benefits to the School's eligible teachers through the Massachusetts Teachers' Retirement System (the MTRS), a contributory retirement system administered by the Massachusetts Teachers' Retirement Board. The MTRS is governed by Massachusetts General Laws (M.G.L.), Chapter 32, as well as regulations contained in the Code of Massachusetts Regulations (CMR). Oversight is provided by a seven-member board. The MTRS issues a publicly available annual report that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

This retirement plan requires an employee contribution of five, seven, eight, or eleven percent (depending on the plan and the employment date) of the employee's compensation. The School is not assessed under this plan. This retirement system is a contributory defined benefit plan covering all the employees deemed eligible. Members of the plan become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 55 and upon attaining 20 years of service.

The plan also provides for retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was first employed by the School after January 1, 1978, (3) voluntarily left School employment on or after that date, and (4) left an accumulated annuity deduction in the fund.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

6. Retirement Plan – Continued

The MTRS retirement plan, under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), is considered a special funding situation, where by the School does not contribute to the MTRS retirement plan, but the School is required to determine the net pension liability for all participants. The net pension liability for the retirement plan at the June 30, 2021 measurement date was determined by an actuarial valuation prepared as of January 1, 2021 and rolled forward to June 30, 2021. At June 30, 2022 and 2021, the School’s allocation of MTRS’s net pension liability was \$7,410,064 and \$8,055,439, respectively.

7. On-Behalf Payments

In accordance with GASB No. 68, the School is required to recognize its proportional share of pension revenue and expenses, as reported by MTRS, as on-behalf payments in their combined financial statements. As of June 30, 2022 and 2021, the School recognized \$594,627 and \$994,962, respectively of on-behalf revenues and expenses.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2022 and 2021 are as follows:

	2022	2021
Payables to vendors	\$ 94,969	\$ 173,096
Accrued salaries and benefits	442,316	336,009
Total	<u>\$ 537,285</u>	<u>\$ 509,105</u>

7. Grants and Accounts Receivables

Grants and accounts receivable for the Organization at June 30, 2022 and 2021 are as follows:

	2022	2021
DESE receivables	\$ 327,274	\$ 116,768
Other receivables	7,122	-
Total	<u>\$ 334,396</u>	<u>\$ 116,768</u>

8. Line of Credit

The School maintains a line of credit agreement with a bank for borrowings up to \$100,000. Interest on the line of credit is calculated at the Wall Street Journal's prime rate (3.25% at June 30, 2021 and 2020), plus 1%, with a minimum rate of 5.25% per annum. The line of credit is guaranteed by Friends. The outstanding balance as of June 30, 2022 and 2021 was \$99,400 and zero, respectively.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2022

9. Related Party Transactions

Contributions

During fiscal year 2022 and 2021, the Friends contributed \$184,060 and \$250,000, respectively to the School.

10. Contingencies

Grant Funding

The School is subject to an audit of its Commonwealth of Massachusetts and Federal funding and as such, if determined that funds are not expended in accordance with the grant agreements, the grantor agency has the right to recapture these funds. Therefore, final acceptance of costs incurred under these grants and contracts resides with the grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined and management does not anticipate any adjustments.

COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. During fiscal year 2022, the School transitioned back to full time in-person learning. The extent to which COVID-19 may impact the School's activities will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain the virus.

Cumulative Surplus Revenue

Effective July 1, 2010 any cumulative surplus revenue generated by the School must comply with M.G.L. c. 71, §89 (as amended by Chapter 12 of the Acts of 2010 under §7 (hh)). In accordance with this legislation and subsequent DESE regulations, if the 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 Commonwealth in proportion to their share of tuition paid during the fiscal year. Management does not anticipate any repayment for fiscal year 2022.

11. Subsequent Events

The Organization has performed an evaluation of subsequent events through October XX, 2022, which is the date the combined financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the *Combined Statement of Net Position* date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the *Combined Statement of Net Position*, which are necessary to disclose to keep the combined financial statements from being misleading.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Draft for Discussion Only

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<i>Federal Grantor (Pass-Through Grantor) Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Title I Grants to Local Education Agencies	84.010	305-558319-2022-3514	\$ 349,037
Total Title I Grants			
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	240-555991-2022-3514	100,576
Special Education - Preschool Grants (IDEA Preschool)	84.173	252-558316-2022-0456	<u>17,933</u>
Total Special Education Cluster			<u>118,509</u>
English Language Acquisition State Grants	84.365	180-558327-2022-3514	<u>14,858</u>
Supporting Effective Instruction State Grant	84.367	140-558320-2022-3514	<u>22,998</u>
Student Support and Academic Enrichment Program	84.424	309-558321-2022-3514	<u>35,647</u>
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	115-525812-2022-3514	848,140
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	119-583164-2022-3514	1,275,802
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	114-390355-2021-3514	<u>6,000</u>
Total Elementary and Secondary School Emergency Relief Funds			<u>2,129,942</u>
		Total U.S. Department of Education	<u>2,670,991</u>
<i>U.S. Department of Health and Human Services</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Improving Student Health and Academic Achievement through Nutrition Physical Activity and the Management of Chronic Conditions in Schools	93.981	651-673674-2022-3514	<u>20,000</u>
		Total U.S. Department of Health and Human Services	<u>20,000</u>
Total Expenditures of Federal Awards			<u>\$ 2,690,991</u>

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See accompanying notes to schedule of federal expenditures.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Libertas Academy Charter School and Friends of Libertas Academy Charter School, Inc. (collectively, the Organization) under programs of the Federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the combined net position, change in net position, or cash flows of the Organization.

2. *Summary of Significant Accounting Policies*

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

The Organization has elected to use the 10-percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

3. *Subrecipients*

There were no pass through federal awards to subrecipients by the Organization during fiscal year 2022.

Draft for Discussion Only

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

Draft for Discussion Only



DANIEL DENNIS & Co
Certified Public Accountants

*Report On Internal Control Over Financial Reporting And On Compliance and Other Matters
Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards*

To the Board of Trustees of
**Libertas Academy Charter School and Friends of
Libertas Academy Charter School, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined statement of net position of Libertas Academy Charter School and Friends of Libertas Academy Charter School, Inc. (a non-profit organization) (collectively, the Organization), as of and for the year ended June 30, 2022, and the combined statements of revenues, expenses and changes in net position and cash flows, and the related notes to the combined financial statements, which comprise the Organization's combined financial statements, and have issued our report thereon dated October XX, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

October XX, 2022

Draft for Discussion Only

**REPORT IN ACCORDANCE
WITH
THE UNIFORM GUIDANCE**

Draft for Discussion Only



DANIEL DENNIS & Co
Certified Public Accountants

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

To the Board of Trustees
**Libertas Academy Charter School and Friends of
Libertas Academy Charter School, Inc.**

Report on Compliance for the Major Federal Program

We have audited Libertas Academy Charter School and Friends of Libertas Academy Charter School, Inc.'s (collectively, the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Organization's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance – Continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

October XX, 2022

Draft for Discussion Only

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Draft for Discussion Only

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiency identified that is not considered to be a material weakness? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued Unmodified

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

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Program</i>
84.425D	Elementary and Secondary School Emergency Relief Fund

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II – FINANCIAL STATEMENT FINDINGS

None

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Draft for Discussion Only

**Libertas Academy Charter School and Friends of
Libertas Academy Charter School, Inc.**
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2022

Finding 2021-001 – Check Signing

Condition: In two out of twenty-five instances, checks were not signed by an authorized signer.

Current status: There were no similar instances noted in the current year.

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BOARD ACCEPTANCE LETTER

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COPY ON LETTERHEAD

ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Libertas Academy Charter School and Friends of Libertas Academy Charter School, Inc. or its designated committee or individual, have voted to accept the representations of management and the expression of the opinions made by Daniel Dennis & Company LLP as embodied in the combined financial statements and independent auditors' reports for the year ended June 30, 2022. We also certify that the representations made by management and the disclosures in the combined financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the Commonwealth of Massachusetts Charter School Audit Guide for the period ended June 30, 2022.

Board President or Treasurer
or Other Designated Person

Date **NEED TO BE THE SAME DATE AS THE REPRESENTATION LETTER**

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