

**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, 2023

REVISED DRAFT

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, 2023, 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, 2023, 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.

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

We have previously audited the Organization's fiscal year 2022 combined financial statements and our report dated October 25, 2022, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 2023, 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, 2023

REVISED DRAFT

Libertas Academy Charter School
Management's Discussion and Analysis
June 30, 2023 (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, 2023, with comparative information for fiscal year 2022. 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 2023, the School operated grades six through ten and served approximately 417 students. During fiscal year 2022, the School operated grades six through nine and served approximately 323 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, 2023 (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 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 and liabilities that are not included in the determination of *net investment in capital assets* or the *restricted* component of net position.

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

The *Combined Statement of Revenues, Expenses and Changes in Net Position* reports the financial (revenue and expenses) activities of the Organization and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of the Organization and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of a charter school. Changes in total net position as presented on the *Combined Statement of Net Position* are based on the activity presented in this statement. This statement helps to determine whether the Organization had sufficient revenues to cover expenses during the 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, 2023 (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 has 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 26 of this report.

Financial Highlights – Charter School

The following financial highlights are from fiscal year 2023 with comparative information from fiscal year 2022:

- The School held total assets of \$2,060,949 and \$4,839,342 at June 30, 2023 and 2022, respectively, of which \$643,052 and \$3,667,905, respectively, were net capital assets, and the majority of the remaining assets consisted of cash, prepaid expenses, and grants and accounts receivable. The decrease in total assets was due to depreciation and the reduction of the carrying value of the right to use asset as a result of the termination of the lease for the School's building.
- The School held total liabilities of \$1,542,682 and \$4,350,559 at June 30, 2023 and 2022, respectively. In fiscal year 2023, \$1,475,867 was current and \$66,815 was non-current, respectively. In fiscal year 2022, \$1,016,736 was current and \$3,333,823 was non-current. The decrease is due to the reduction of the lease liability as a result of the termination of the lease for the School's building, and payments on the line of credit.
- Total net position for the School was \$518,267 and \$488,783 as of June 30, 2023 and 2022, respectively. Net position at June 30, 2023 and 2022 consists of net investment in capital assets of \$65,297 and (\$16,029), respectively, and the remaining balance is unrestricted net position of \$452,970 and \$504,812, respectively. The increase in net position was due to the surplus in fiscal year 2023.

Libertas Academy Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2023 (Unaudited)

Financial Highlights – Charter School – *Continued*

- The School earned total revenues of \$10,706,351 and \$9,176,190 for the years ended June 30, 2023, of which 97% and 98%, respectively, were operating revenues and 3% and 2% were from non-operating revenues (private grants, contributions, etc.), respectively. The increase in total revenues was mainly due to an increase in tuition.
- The School had total expenses of \$10,676,867 and \$9,147,602 for the years ended June 30, 2023 and 2022, respectively. The increase is due to the additional costs from grade expansion in fiscal year 2023.
- The School had change in net position of \$29,484 and \$28,588 for the years ended June 30, 2023 and 2022, respectively. In fiscal year 2023, the change in net position was comprised of an operating loss of \$267,396 and non-operating income of \$296,880. In fiscal year 2022, the change in net position was comprised of an operating loss of \$165,969 and non-operating income of \$194,557.

Budgetary Highlights

For the fiscal year ended June 30, 2023, the School incurred \$9,043,650 in actual expenditures, excluding in-kind amounts, compared to budgeted expenditures of \$8,873,152. In addition, for the year ended June 30, 2023, actual revenue, excluding in-kind amounts, was \$9,073,134 compared to budgeted revenue of \$8,988,380. 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 receiving more Federal and state grants funding than expected.

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 \$7,417,849 in per pupil funding in fiscal year 2023, versus \$5,075,755 in per pupil funding in fiscal year 2022. This represents 70% and 55% of the School's revenue for the years ended June 30, 2023 and 2022, respectively. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$1,263,405 and \$2,691,605, for fiscal years 2023 and 2022, respectively.

Debt Obligations

At June 30, 2023 and 2022, the balance on the School's line of credit was zero and \$99,400, respectively.

Libertas Academy Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2023 (Unaudited)

Current Known Facts, Decisions, and Conditions

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. In June 2023, the School gave twelve-month notice to the lessor of their termination of the lease and will vacate the lease premises on or before June 30, 2024. In accordance with the lease agreement, the School will pay a six-month termination fee of \$269,534 as a result of the early termination.

In January 2023, the School signed a lease agreement that will commence in June 2024 to occupy a new building in Springfield, Massachusetts for a term of ten years.

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.

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**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, 2023
With Summarized Comparative Totals For the Year Ended June 30, 2022

	<i>Libertas Academy Charter School</i>	<i>Friends of Libertas Academy Charter School</i>	<i>Memorandum Only Total Primary Government June 30, 2023</i>	<i>Memorandum Only Summarized Comparative June 30, 2022</i>
Assets				
Current Assets:				
Cash	\$ 864,515	\$ 1,109,863	\$ 1,974,378	\$ 950,725
Grants and accounts receivable	125,164	-	125,164	334,396
Prepaid expenses	196,891	-	196,891	117,976
Due from/(to) related party	<u>231,327</u>	<u>(231,327)</u>	<u>-</u>	<u>-</u>
Total current assets	<u>1,417,897</u>	<u>878,536</u>	<u>2,296,433</u>	<u>1,403,097</u>
Noncurrent Assets:				
Capital assets, net	<u>643,052</u>	<u>-</u>	<u>643,052</u>	<u>3,677,905</u>
Total noncurrent assets	<u>643,052</u>	<u>-</u>	<u>643,052</u>	<u>3,677,905</u>
Total assets	<u>\$ 2,060,949</u>	<u>\$ 878,536</u>	<u>\$ 2,939,485</u>	<u>\$ 5,081,002</u>
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 964,927	\$ -	\$ 964,927	\$ 537,285
Lease liability - current	510,940	-	510,940	360,111
Line of credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,400</u>
Total current liabilities	<u>1,475,867</u>	<u>-</u>	<u>1,475,867</u>	<u>996,796</u>
Lease liability - noncurrent	<u>66,815</u>	<u>-</u>	<u>66,815</u>	<u>3,333,823</u>
Total noncurrent liabilities	<u>66,815</u>	<u>-</u>	<u>66,815</u>	<u>3,333,823</u>
Total liabilities	<u>1,542,682</u>	<u>-</u>	<u>1,542,682</u>	<u>4,330,619</u>
Net Position:				
Unrestricted	452,970	616,936	1,069,906	504,812
Net investment in capital assets	65,297	-	65,297	(16,029)
Program restricted funds - expendable	<u>-</u>	<u>261,600</u>	<u>261,600</u>	<u>261,600</u>
Total net position	<u>518,267</u>	<u>878,536</u>	<u>1,396,803</u>	<u>750,383</u>
Total liabilities and net position	<u>\$ 2,060,949</u>	<u>\$ 878,536</u>	<u>\$ 2,939,485</u>	<u>\$ 5,081,002</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, 2023
With Summarized Comparative Totals For the Year Ended June 30, 2022

	<i>Libertas Academy Charter School</i>	<i>Friends of Libertas Academy Charter School</i>	<i>Memorandum Only Total Primary Government June 30, 2023</i>	<i>Memorandum Only Summarized Comparative June 30, 2022</i>
Operating Revenues:				
Per-pupil tuition	\$ 7,417,849	\$ -	\$ 7,417,849	\$ 5,075,755
In-kind	1,633,217	-	1,633,217	1,161,278
Federal and state grants	1,263,405	-	1,263,405	2,691,605
Private grants and contributions	-	1,041,170	1,041,170	162,416
Program fees	<u>33,580</u>	<u>-</u>	<u>33,580</u>	<u>52,995</u>
Total operating revenues	<u>10,348,051</u>	<u>1,041,170</u>	<u>11,389,221</u>	<u>9,144,049</u>
Operating Expenses:				
<i>Personnel and Related:</i>				
Salaries and wages	5,660,966	-	5,660,966	4,993,880
In-kind pension	1,023,974	-	1,023,974	594,627
Payroll tax and fringe benefits	579,202	-	579,202	513,129
Professional development	<u>14,496</u>	<u>-</u>	<u>14,496</u>	<u>32,070</u>
Total personnel and related	<u>7,278,638</u>	<u>-</u>	<u>7,278,638</u>	<u>6,133,706</u>
<i>Direct Student Costs:</i>				
Contracted services	438,509	-	438,509	412,626
Instructional equipment	366,245	-	366,245	396,171
Student transportation	376,380	-	376,380	407,223
Supplies	27,003	-	27,003	83,855
Other student costs	197,984	-	197,984	125,273
Food services	<u>232,863</u>	<u>-</u>	<u>232,863</u>	<u>177,661</u>
Total direct student costs	<u>1,638,984</u>	<u>-</u>	<u>1,638,984</u>	<u>1,602,809</u>
<i>Occupancy:</i>				
Occupancy - common area charges	492,351	-	492,351	272,940
Interest expense - lease	187,366	-	187,366	201,531
Repairs and maintenance	113,335	-	113,335	98,866
Utilities	54,046	-	54,046	30,295
Insurance	30,912	-	30,912	21,172
Other	<u>6,024</u>	<u>99,234</u>	<u>105,258</u>	<u>11,632</u>
Total occupancy	<u>884,034</u>	<u>99,234</u>	<u>983,268</u>	<u>636,436</u>
<i>Other Operating Costs:</i>				
Advertising	117,914	-	117,914	122,988
Travel and other	165,673	-	165,673	146,658
Rental equipment	<u>21,642</u>	<u>-</u>	<u>21,642</u>	<u>27,034</u>
Total other operating expenses	<u>305,229</u>	<u>-</u>	<u>305,229</u>	<u>296,680</u>
Depreciation and amortization	<u>508,562</u>	<u>-</u>	<u>508,562</u>	<u>477,971</u>
Total operating expenses	<u>10,615,447</u>	<u>99,234</u>	<u>10,714,681</u>	<u>9,147,602</u>
Changes in net position from operations	<u>(267,396)</u>	<u>941,936</u>	<u>674,540</u>	<u>(3,553)</u>
Nonoperating revenues(expenses):				
Contribution from Foundation/(to) School	325,000	(325,000)	-	-
Private grants and contributions	26,766	-	26,766	8,750
Loss on lease termination, net	(61,420)	-	-	-
Interest and other	<u>6,534</u>	<u>-</u>	<u>6,534</u>	<u>1,946</u>
Total nonoperating revenues(expenses)	<u>296,880</u>	<u>(325,000)</u>	<u>33,300</u>	<u>10,696</u>
Change in net position	29,484	616,936	707,840	7,143
Net position, beginning of the year	<u>488,783</u>	<u>261,600</u>	<u>750,383</u>	<u>743,240</u>
Net position, end of the year	<u>\$ 518,267</u>	<u>\$ 878,536</u>	<u>\$ 1,458,223</u>	<u>\$ 750,383</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, 2023
With Summarized Comparative Totals For the Year Ended June 30, 2022

	<i>Libertas Academy Charter School</i>	<i>Friends of Libertas Academy Charter School</i>	<i>Memorandum Only Total Primary Government June 30, 2023</i>	<i>Memorandum Only Summarized Comparative June 30, 2022</i>
Cash flows from operating activities:				
Receipts from per-pupil tuition	\$ 7,417,849	\$ -	\$ 7,417,849	\$ 5,075,755
Receipts from grants	1,475,403	-	1,475,403	2,479,336
Receipts from other sources	30,814	1,041,170	1,071,984	208,289
Payments for personnel and related	(7,230,421)	-	(7,230,421)	(6,025,495)
Payments for supplies and services	(915,268)	(99,234)	(1,014,502)	(1,312,668)
Net cash provided by operating activities	<u>778,377</u>	<u>941,936</u>	<u>1,720,313</u>	<u>425,217</u>
Cash flows from non-capital financing activities:				
Nonoperating receipts/(disbursements)	<u>26,114</u>	<u>(73,733)</u>	<u>(47,619)</u>	<u>10,696</u>
Net cash provided/(used in) by noncapital financing activities	<u>26,114</u>	<u>(73,733)</u>	<u>(47,619)</u>	<u>10,696</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	-	-	(65,913)
Line of credit	(99,400)	-	(99,400)	99,400
Principal payment on lease obligation	(362,274)	-	(362,274)	(327,988)
Interest payment on lease obligations	(187,367)	-	(187,367)	(201,531)
Net cash used in capital and related financing activities	<u>(649,041)</u>	<u>-</u>	<u>(649,041)</u>	<u>(496,032)</u>
Change in cash	<u>155,450</u>	<u>868,203</u>	<u>1,023,653</u>	<u>(60,119)</u>
Cash, beginning of year	<u>709,065</u>	<u>241,660</u>	<u>950,725</u>	<u>1,010,844</u>
Cash, end of year	<u>\$ 864,515</u>	<u>\$ 1,109,863</u>	<u>\$ 1,974,378</u>	<u>\$ 950,725</u>
Reconciliation of operating (loss)/income to net cash provided by operating activities:				
Change in net position from operations	\$ (267,396)	\$ 941,936	\$ 674,540	\$ (3,553)
<i>Adjustments to reconcile change in operating (loss)/income to net cash provided by operating activities:</i>				
Depreciation and amortization	508,562	-	508,562	477,971
Gain on lease termination	(208,114)	-	(208,114)	-
Interest on lease liability	187,366	-	187,366	201,531
<i>Change in operating assets and liabilities:</i>				
Grants and accounts receivable	209,232	-	209,232	(217,628)
Prepaid expenses	(78,915)	-	(78,915)	(59,521)
Accounts payable and accrued expenses	427,642	-	427,642	28,180
Deferred revenue	-	-	-	(1,763)
Net cash provided by operating activities	<u>\$ 778,377</u>	<u>\$ 941,936</u>	<u>\$ 1,720,313</u>	<u>\$ 425,217</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, 2023

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 97% of revenue to the School, excluding on-behalf pension revenue an in-kind for the years ended June 30, 2023 and 2022, 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. During fiscal year 2023, the School operated grades six through ten and served 417 students. In fiscal year 2022, the School served 323 students in grades sixth through nine. The School will continue to add one grade per year until school year 2024-2025, 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 Friends, 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, 2023

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 Friends, 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, 2023

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 Friends is also exempt from Massachusetts income taxes, except for income taxes on unrelated business income, if any. For the years ended June 30, 2023 and 2022, 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 2023 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. (2020-2022)

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, 2023 and 2022, 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, 2023 and 2022, no allowance for doubtful accounts had been recorded, respectively, as management considers all remaining receivables to be fully collectible.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

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.

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 lesser 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.

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*.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

2. *Summary of Significant Accounting Policies – Continued*

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.

Leases

For leases with a maximum possible term of 12 months or less at commencement, including any options, the Organization recognizes the expense based on the provisions of the lease contract. For all other leases, the Organization recognizes a lease liability and an intangible right-to-use lease asset.

At lease commencement, the Organization initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into amortization expense on a straight-line basis over the shorter of the lease term or useful life of the underlying asset. If the Organization is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

The Organization uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor/vendor charges is known. The Organization monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured and a corresponding adjustment is made to the lease asset.

Lease assets are reported with capital assets and lease liability is reported with the noncurrent liability section of the combined statement of net position, net of the current portion of the lease liability reported as a current liability.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

2. Summary of Significant Accounting Policies – Continued

Adoption of Accounting Standard

In fiscal year 2023, the Organization implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 enhances the relevance and consistency of information related to government’s information technology subscriptions. It establishes requirements for reporting subscription-based technology arrangements based on the principle that subscriptions are financings of the right to use an underlying asset. A government is required to recognize a subscription liability and an intangible right to use subscription asset. These changes were incorporated in the Organization’s 2023 financial statements and did not have a material effect on the Organization’s beginning net position or any material adjustments to the *Statements of Net Position* related to information technology subscriptions.

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>2023</i>	<i>2022</i>
Pension	\$ 1,023,974	\$ 594,627
Transportation	376,380	391,552
Nutrition	232,863	175,099
Total	<u>\$ 1,633,217</u>	<u>\$ 1,161,278</u>

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.

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, 2022, from which the summarized information was derived.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

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, 2023 and 2022, all of the Organization's cash deposits are fully insured.

4. Lease Obligations

The School's lease agreements are as follows:

Description	Date	Payment Terms	Yearly	Interest Rate	Total Lease Liability	Balance	Balance
			Payment Amount			June 30, 2023	June 30, 2022
Building	7/1/2021	108 months	Variable	5.25%	\$ 3,958,903	\$ 471,920	\$ 3,635,791
Copiers	10/1/2021	60 months	\$ 3,552	5.25%	\$ 15,590	46,561	13,504
Copiers	1/1/2022	60 months	\$ 10,800	5.25%	\$ 47,429	-	44,639
Van	9/1/2022	36 months	\$ 28,416	3.40%	\$ 80,936	59,274	-
						<u>\$ 577,755</u>	<u>\$ 3,693,934</u>

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 for a building 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 \$492,351 and \$272,940 for fiscal years 2023 and 2022, respectively.

In June 2023, in accordance with the lease agreement, the School gave twelve-month notice to the lessor to terminate the building lease and vacate the premises on or before June 30, 2024. The School will pay a six-month termination fee of \$269,534 as a result of the early termination. In addition, the School has reduced the carrying values of the lease liability and lease asset at June 30, 2023 resulting in a gain of \$208,114.

In fiscal year 2023, the School signed a ten-year lease agreement that will commence in June 2024 to occupy a new building in Springfield, Massachusetts.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

4. Lease Obligations - Continued

During fiscal year 2023, the School entered into a lease agreement for a van for a three-year term with monthly lease payments of \$2,368 at a rate of 3.4%. The lease expires in August 2025 and the School will not acquire the van at the end of the lease term.

The following summarizes the lease obligations of the School for the fiscal years ended June 30, 2023 and 2022:

<i>Fiscal Year</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
2023	\$ 3,693,934	\$ 80,936	\$ 3,197,115	\$ 577,755	\$ 414,456
2022	\$ -	\$ 4,021,922	\$ 327,988	\$ 3,693,934	\$ 360,111

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>
2024	\$ 510,940	\$ 70,902	\$ 581,842
2025	40,603	2,171	42,774
2026	18,268	826	19,094
2027	7,944	147	8,091
Total	\$ 577,755	\$ 74,046	\$ 651,801

5. Capital Assets

Changes in capital assets during fiscal year 2023 and 2022 are as follows:

	<i>Balance July 1, 2022</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2023</i>
<i>Capital assets being depreciated and amortized</i>				
Leasehold improvements	\$ 34,573	\$ -	\$ -	\$ 34,573
Intangible right to use lease - building	3,958,903	-	3,486,983	471,920
Intangible right to use lease - equipment	63,019	-	-	63,019
Intangible right to use lease - vehicle	-	80,936	-	80,936
Furniture and equipment	71,419	-	-	71,419
Computers	88,540	-	-	88,540
Total capital assets being depreciated and amortized	<u>4,216,454</u>	<u>80,936</u>	<u>3,486,983</u>	<u>810,407</u>
<i>Less accumulated depreciation and amortization</i>				
Leasehold improvements	8,905	3,050	-	11,955
Intangible right to use lease - building	439,878	439,878	879,756	-
Intangible right to use lease - equipment	5,501	12,604	-	18,105
Intangible right to use lease - vehicle	-	22,482	-	22,482
Furniture and equipment	28,253	14,284	-	42,537
Computers	56,012	16,264	-	72,276
Total accumulated depreciation and amortization	<u>538,549</u>	<u>508,562</u>	<u>879,756</u>	<u>167,355</u>
Capital assets, net	<u>\$ 3,677,905</u>	<u>\$ (427,626)</u>	<u>\$ 2,607,227</u>	<u>\$ 643,052</u>

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

5. Capital Assets - Continued

	<i>Balance</i> <i>July 1, 2021</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2022</i>
<i>Capital assets being depreciated</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>88,540</u>
Total capital assets being depreciated	<u>128,619</u>	<u>4,087,835</u>	-	<u>4,216,454</u>
<i>Less accumulated depreciation</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>56,012</u>
Total accumulated depreciation	<u>60,578</u>	<u>477,971</u>	-	<u>538,549</u>
Capital assets, net	<u>\$ 68,041</u>	<u>\$ 3,609,864</u>	<u>\$ -</u>	<u>\$ 3,677,905</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.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

6. Retirement Plan - Continued

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

The MTRS retirement plan, under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (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. At June 30, 2023 and 2022, the School's allocation of MTRS's net pension liability was \$12,448,053 and \$7,410,064, 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, 2023 and 2022, the School recognized \$1,023,974 and \$594,627, respectively of on-behalf revenues and expenses.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2023 and 2022 are as follows:

	2023	2022
Payables to vendors	\$ 204,860	\$ 94,969
Accrued termination fee	269,534	-
Accrued salaries and benefits	<u>490,533</u>	<u>442,316</u>
Total	<u>\$ 964,927</u>	<u>\$ 537,285</u>

9. Grants and Accounts Receivables

Grants and accounts receivable for the Organization at June 30, 2023 and 2022 are as follows:

	2023	2022
DESE receivables	\$ 115,276	\$ 327,274
Other receivables	<u>9,888</u>	<u>7,122</u>
Total	<u>\$ 125,164</u>	<u>\$ 334,396</u>

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

10. Line of Credit

The School has a \$100,000 line of credit with a financial institution. Interest accrues at a rate of 8.75%. At June 30, 2023 and 2022 was zero and \$99,400, respectively.

11. Related Party Transactions

During fiscal year 2023 and 2022, the Friends contributed \$325,000 and \$184,060, respectively to the School. At June 30, 2023, the School was owed \$231,327 from the Friends. At June 30, 2022, the School owed \$19,940 to the Friends.

12. 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.

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 2023.

Conditional Charter Renewal

During fiscal year 2022, the School received a renewal of their charter with conditions. The Massachusetts Department of Education Board required the School to meet the following condition:

- By December 31, 2024, the School must demonstrate that it is an academic success by providing evidence that the School has exhibited significant and sustained academic improvement in mathematics, English language arts, and science. Should the School demonstrate significant and sustained academic improvement before 2024, the Commissioner may consider removing this condition, rather than wait until December 31, 2024.

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Notes to Combined Financial Statements - *Continued*
June 30, 2023

12. Subsequent Events

The Organization has performed an evaluation of subsequent events through October XX, 2023, 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.

REVISED DRAFT

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

REVISED DRAFT

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<i>Federal Grantor (Pass-Through Grantor) Program or Cluster Title</i>	<i>Assistance Listing 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	305-689345-2023-3514	\$ 400,617
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	240-689344-2023-3514	137,156
Special Education - Preschool Grants (IDEA Preschool)	84.173	252-558316-2022-3514	<u>90</u>
Total Special Education Cluster			<u>137,246</u>
English Language Acquisition State Grants	84.365	180-689343-2023-3514	<u>9,685</u>
Supporting Effective Instruction State Grant	84.367	140-689341-2023-3514	<u>28,514</u>
Student Support and Academic Enrichment Program	84.424	309-689346-2023-3514	24,975
Student Support and Academic Enrichment Program	84.424	151-733660-2023-3514	<u>10,000</u>
Total Student Support and Academic Enrichment Program			<u>34,975</u>
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	119-583164-2022-3514	607,868
Total Elementary and Secondary School Emergency Relief Funds			<u>607,868</u>
		Total U.S. Department of Education	<u>\$ 1,218,905</u>

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, 2023

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, 2023. 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 2023.

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

REVISED DRAFT



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, 2023, 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, 2023.

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, 2023

REVISED DRAFT

**REPORT IN ACCORDANCE
WITH
THE UNIFORM GUIDANCE**

REVISED DRAFT



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, 2023. 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, 2023.

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, 2023

REVISED DRAFT

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

REVISED DRAFT

**Libertas Academy Charter School and
Friends of Libertas Academy Charter School, Inc.**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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>
84.425U	Elementary and Secondary School Emergency Relief Funds

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

REVISED DRAFT

**Libertas Academy Charter School and Friends of
Libertas Academy Charter School, Inc.**
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023

No Prior Year Findings

REVISED DRAFT

BOARD ACCEPTANCE LETTER

REVISED DRAFT

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, 2023. 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, 2023.

Board President or Treasurer
or Other Designated Person

Date October XX, 2023

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