



Pioneer Valley Performing Arts Charter Public School

Finance Committee

Published on September 29, 2023 at 3:06 PM EDT

Date and Time

Wednesday October 4, 2023 at 6:00 PM EDT

Google Meeting ID

meet.google.com/zkg-vctu-ikb

Phone Numbers

(US) [+1 240-532-3788](tel:+12405323788)

PIN: 783 984 031#

Agenda

| | Purpose | Presenter | Time |
|--|---------------------------|------------------------------|----------------|
| I. Opening Items | | | 6:00 PM |
| A. | Record Attendance | Marcy Conner | 2 m |
| B. | Call the Meeting to Order | Neil Hede | 1 m |
| C. | Approve Minutes | Approve Minutes Neil Hede | 5 m |
| Committee Chair will also approve September 9, 2024 Executive Session minutes. | | | |
| Approve minutes for Finance Committee Meeting on September 9, 2023 | | | |
| II. Finance | | | 6:08 PM |

| | Purpose | Presenter | Time |
|--|---------|--------------|----------------|
| A. FY23 Audit Review | Vote | Marcy Conner | 35 m |
| Audit report by Frank Seretti from Powers & Sullivan | | | |
| B. FY24 1st Quarter Budget vs Actual | Discuss | Marcy Conner | 10 m |
| III. Other Business | | | |
| IV. Closing Items | | | 6:53 PM |
| A. Adjourn Meeting | Vote | Neil Hede | 2 m |

Coversheet

Approve Minutes

| | |
|--------------------------|--|
| Section: | I. Opening Items |
| Item: | C. Approve Minutes |
| Purpose: | Approve Minutes |
| Submitted by: | |
| Related Material: | Minutes for Finance Committee Meeting on September 9, 2023 |

APPROVED



Pioneer Valley Performing Arts Charter Public School

Minutes

Finance Committee Meeting

Date and Time

Saturday September 9, 2023 at 9:00 AM

Location

No in person meeting - fully remote.

Google Meeting ID

meet.google.com/zkg-vctu-ikb

Phone Numbers

(US) [+1 240-532-3788](tel:+12405323788)

PIN: 783 984 031#

Committee Members Present

Keith Black (remote), Michael Davey (remote), Neil Hede (remote)

Committee Members Absent

Sasha Viands

Guests Present

Brent Nielsen (remote), David Potter (remote), Marcy Conner (remote)

I. Opening Items

A. Record Attendance

B.

Call the Meeting to Order

Neil Hede called a meeting of the Finance Committee of Pioneer Valley Performing Arts Charter Public School to order on Saturday Sep 9, 2023 at 9:02 AM.

C. Approve Minutes

Neil Hede made a motion to approve the minutes from Finance Committee Meeting on 05-02-23.

Keith Black seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

Sasha Viands Absent

Keith Black Aye

Michael Davey Aye

Neil Hede Aye

II. Finance

A. Annual Timeline

Briefly reviewed the annual timeline of work. Reminder that the FY23 audit report will be presented at the October meeting.

B. Capital Budget - Amendments

Neil Hede made a motion to Approve the Capital budget amendment/changes as presented.

Michael Davey seconded the motion.

An update of on-going FY20-24 capital projects was given:

1. FY20 - Acoustical work in theater - evaluation completed with \$18,850 remaining for recommended upgrades
2. FY23 - Design plans for sound dampening in dance studios - evaluation completed. Overall project not cost effective will not require an architect/designer. Recommend moving the \$26,850 balance to FY24.
3. FY24 - Sound dampening in dance studios - will make some of the recommended changes from the evaluation - full \$100,000 not needed. Recommend moving \$50,000 to front entrance upgrade.

The resulting savings= \$76,850

The school has received the Safer Schools Grant for \$37,700 to upgrade the front entrance of the school to make it more secure. The overall estimate has come in at \$54,700. Need \$17,000 to complete.

A new upgrade for FY24 includes replacing the outdated and failing theater house lighting. Total estimated cost \$53,725.

Changes/additions to Capital = \$70,725

This reallocation saves approximately \$6,000 in Capital expenditures. Recommend plan to be passed to Board of Trustees.

The committee **VOTED** unanimously to approve the motion.

Roll Call

| | |
|---------------|--------|
| Michael Davey | Aye |
| Sasha Viands | Absent |
| Keith Black | Aye |
| Neil Hede | Aye |

III. Executive Session

- A. To discuss strategy with respect to collective bargaining or litigation if an open meeting may have a detrimental effect on the bargaining position of the public body and he chair so declares.**

Neil Hede made a motion to move into Executive Session. Invite Brent, David and Marcy to join. Will not return to open session. Roll call vote where candidates state they are the only person in the room.

Keith Black seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

| | |
|---------------|--------|
| Keith Black | Aye |
| Sasha Viands | Absent |
| Michael Davey | Aye |
| Neil Hede | Aye |

IV. Closing Items

- A. Adjourn Meeting**

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 9:34 AM.

Respectfully Submitted,
Marcy Conner

Documents used during the meeting

- FY24 Annual Timeline 9-6-23.pdf

- Capital Budget Propsed Changes 9-6-23.pdf

Coversheet

FY23 Audit Review

| | |
|--------------------------|---|
| Section: | II. Finance |
| Item: | A. FY23 Audit Review |
| Purpose: | Vote |
| Submitted by: | |
| Related Material: | DRAFT - PVPACPS FY2023 Financial Statements.pdf |

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***PIONEER VALLEY PERFORMING ARTS
CHARTER PUBLIC SCHOOL***

***REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2023

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PIONEER VALLEY PERFORMING ARTS CHARTER PUBLIC SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

The Board of Trustees
Pioneer Valley Performing Arts Charter Public School
South Hadley, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pioneer Valley Performing Arts Charter Public School, (a governmental entity) and its blended component unit, the Friends of the Pioneer Valley Performing Arts Charter School, Inc. (a nonprofit organization) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Performing Arts Charter Public School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pioneer Valley Performing Arts Charter Public School and, its blended component unit, the Friends of the Pioneer Valley Performing Arts Charter School, Inc., as of June 30, 2023 and 2022, and the respective changes in 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pioneer Valley Performing Arts Charter Public School and, its blended component unit, the Friends of the Pioneer Valley Performing Arts Charter School, Inc., 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 Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pioneer Valley Performing Arts Charter Public School and, its blended component unit, the Friends of the Pioneer Valley Performing Arts Charter School, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pioneer Valley Performing Arts Charter Public School and, its blended component unit, the Friends of the Pioneer Valley Performing Arts Charter School, Inc.'s, internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pioneer Valley Performing Arts Charter Public School and, its blended component unit, the Friends of the Pioneer Valley Performing Arts Charter School, Inc.'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 and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

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express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Pioneer Valley Performing Arts Charter Public School's financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2023, on our consideration of the Pioneer Valley Performing Arts Charter Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pioneer Valley Performing Arts Charter Public School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pioneer Valley Performing Arts Charter Public School's internal control over financial reporting and compliance.

_____, 2023

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Management's Discussion and Analysis

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**PIONEER VALLEY PERFORMING ARTS CHARTER PUBLIC SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

This discussion and analysis of the Pioneer Valley Performing Arts Charter Public School's (PVPA) financial performance provides an overview of PVPA's financial activities for the fiscal year ending June 30, 2023. Please read it in conjunction with the financial statements of PVPA, which begin on page 10.

The School as a Whole

PVPA was granted its charter on March 15, 1996, to operate as a public school in the Commonwealth 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. The current charter expires June 30, 2026. During 2023, PVPA operated grades seven through twelve, and the enrollment at June 30, 2023 was 399 students. During 2022, PVPA operated grades seven through twelve and the enrollment at June 30, 2022 was 394 students. The enrollment limit for tuition reimbursement for both years was 400 students. PVPA is operating at capacity.

In accordance with the requirements of the *Governmental Accounting Standards Board (GASB)*, PVPA presents financial information of the Friends of Pioneer Valley Performing Arts Charter School, Inc., (Friends) a related nonprofit organization, in its financial statements. GASB defines component units as legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship to a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Friends acts primarily as a fundraising organization to supplement the resources of PVPA, primarily for the acquisition and maintenance of the School's facilities. Although PVPA does not control the timing or amounts of receipts from the Friends, the majority of the resources or income thereon that it holds is restricted to the activities of PVPA. Because these restricted resources can only be used by or for the benefit of PVPA, the Friends is considered a component unit of PVPA and is presented in PVPA's financial statements. Because the Friends debt is expected to be paid entirely or almost entirely with the resources of PVPA, accounting standards require the Friends to be blended within the School's financial statements. The Friends activities are reported separately in the combining statements.

Using this Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34), the School is considered a special purpose government entity that engages in only business type activities. In accordance with GASB No. 34, as amended, the School issues a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. These statements provide information about the financial activities of the School, as a whole.

It should be noted that the condensed financial information presented in the following two tables presents the financial information of the PVPA and the Friends (collectively "the School") as blended.

Financial Highlights

- Operating revenues totaled \$8.5 million in 2023, of which 82% was from the State allocation for tuition, 10% was from nonemployer pension contributions, and 6% was from federal and state grants.
- Operating expenses for the period were \$8.0 million and consisted principally of personnel related costs (53%) and fringe and pension benefits (21%).

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Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all assets, liabilities, revenue and expenses of the PVPA and the Friends. This activity is recorded using the accrual basis of accounting, under which all revenue and expenses are recognized when earned or incurred regardless of when the cash is received or paid. Additionally, these statements report the School's net position. The School's net position – the difference between assets and liabilities, represents one way to measure the School's financial health or financial position. Over time, increases or decreases in the School's net position are one indicator of whether the School's financial health is improving or declining.

The following table presents condensed financial information of the School for the current and prior fiscal year.

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Assets: | | |
| Current assets..... | \$ 4,042,724 | \$ 3,714,277 |
| Capital assets..... | 6,265,288 | 6,082,928 |
| Total assets..... | 10,308,012 | 9,797,205 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 504,829 | 387,776 |
| Current debt..... | 115,386 | 111,685 |
| Noncurrent debt..... | 3,145,883 | 3,259,262 |
| Total liabilities..... | 3,766,098 | 3,758,723 |
| Net Position: | | |
| Net investment in capital assets..... | 3,004,019 | 2,711,981 |
| Unrestricted..... | 3,537,895 | 3,326,501 |
| Total net position..... | \$ 6,541,914 | \$ 6,038,482 |
| Operating Revenues: | | |
| Charges for services..... | \$ 108,651 | \$ 108,517 |
| Operating grants and contributions..... | 8,411,594 | 7,899,797 |
| Nonoperating Revenues: | | |
| Unrestricted investment income..... | 6,200 | 5,350 |
| Contributions..... | 38,725 | 51,651 |
| Miscellaneous..... | 10,446 | 39,716 |
| Total revenues..... | 8,575,616 | 8,105,031 |
| Operating Expenses: | | |
| Operating expenses..... | 7,950,072 | 7,433,774 |
| Nonoperating Expenses: | | |
| Interest expense..... | 121,049 | 124,927 |
| Fundraising expense..... | 1,063 | 16,082 |
| Total expenses..... | 8,072,184 | 7,574,783 |
| Change in net position..... | 503,432 | 530,248 |
| Net position, beginning of year..... | 6,038,482 | 5,508,234 |
| Net position, end of year..... | \$ 6,541,914 | \$ 6,038,482 |

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On a combined basis, assets exceeded liabilities by \$6.5 million at the close of 2023. Net position of \$3.0 million represents the net investment in capital assets while \$3.5 million is unrestricted.

Results of Operations

Operations resulted in an increase in net position of \$503,000 of which a \$519,000 increase relates to PVPA operations, and a \$16,000 decrease relates to Friend's operations. The increase in PVPA's net position is primarily attributable to revenues coming in over budget by \$248,000. The most significant line-items that were over budget relate to the per pupil tuition paid by the Commonwealth of Massachusetts and state and federal grants which exceeded the budget by \$266,000. PVPA's total expenditures were under budget by \$272,000. The decrease in Friend's operations can primarily be attributed to depreciation on fixed assets.

Capital Assets Activities

The School capitalized \$542,000 of capital assets during the year, of which the entire amount relates to PVPA operations. These additions included \$160,000 for camera upgrades, \$294,000 for renovations, \$15,000 for classroom upgrades, \$41,000 for furniture, and \$32,000 for other capital additions.

Budget

Tuition revenue is projected based on the estimate of both new and returning students, by sending district, using Department of Elementary and Secondary Education (DESE) projected rates. Factored into these guidelines are historical trends along with a 400 student cap.

Other Financial Factors

PVPA entered into a lease agreement with the Friends and in accordance with the lease terms, PVPA is liable for 100% of all common area maintenance and insurance expenses for the premises. Refer to footnotes 5 and 11 for a full explanation of the terms of the current lease with the Friends and long-term debt financing.

Contacting the PVPA's Financial Management

This financial report is designed to provide the reader with a general overview of the Pioneer Valley Performing Arts Charter Public School's finances and to show the accountability for the funds received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer at the Pioneer Valley Performing Arts Charter Public School, 15 Mulligan Drive, South Hadley, MA 01075.

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Financial Statements

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STATEMENTS OF NET POSITION

JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR JUNE 30, 2022

| | 2023 | 2022 |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT: | | |
| Cash and cash equivalents..... | \$ 3,927,480 | \$ 3,485,797 |
| Receivables, net of allowance for uncollectibles: | | |
| Departmental and other..... | 12,752 | 20,551 |
| Intergovernmental..... | 87,637 | 195,804 |
| Prepaid expense..... | 14,855 | 12,125 |
| Total current assets..... | 4,042,724 | 3,714,277 |
| NONCURRENT: | | |
| Capital assets, nondepreciable..... | 500,000 | 500,000 |
| Capital assets, net of accumulated depreciation..... | 5,765,288 | 5,582,928 |
| Total noncurrent assets..... | 6,265,288 | 6,082,928 |
| TOTAL ASSETS..... | 10,308,012 | 9,797,205 |
| LIABILITIES | | |
| CURRENT: | | |
| Accounts payable..... | 40,336 | 7,659 |
| Accrued payroll..... | 349,544 | 348,906 |
| Accrued expense..... | 37,144 | 8,811 |
| Other liabilities..... | 58,484 | 1,627 |
| Unearned revenue..... | 19,321 | 20,773 |
| Bonds payable..... | 115,386 | 111,685 |
| Total current liabilities..... | 620,215 | 499,461 |
| NONCURRENT: | | |
| Bonds payable..... | 3,145,883 | 3,259,262 |
| TOTAL LIABILITIES..... | 3,766,098 | 3,758,723 |
| NET POSITION | | |
| Net investment in capital assets..... | 3,004,019 | 2,711,981 |
| Unrestricted..... | 3,537,895 | 3,326,501 |
| TOTAL NET POSITION..... | \$ 6,541,914 | \$ 6,038,482 |

See notes to financial statements.

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| OPERATING REVENUES: | | |
| State allocation - tuition..... | \$ 6,985,283 | \$ 6,512,383 |
| Federal and state grants..... | 545,688 | 673,740 |
| Student activities..... | 30,563 | 25,262 |
| Transportation..... | 56,790 | 68,128 |
| Nonemployer pension contributions..... | 880,623 | 713,674 |
| Performing arts productions..... | 20,638 | 15,127 |
| Miscellaneous..... | 660 | - |
| Total operating revenues..... | 8,520,245 | 8,008,314 |
| OPERATING EXPENSES: | | |
| Current: | | |
| Personnel..... | 4,242,361 | 4,163,137 |
| Payroll taxes and fringe benefits..... | 818,637 | 841,142 |
| Pension benefits..... | 880,623 | 713,674 |
| Advertising and recruiting..... | 15,568 | 17,262 |
| Performing arts productions..... | 69,520 | 92,852 |
| Classroom materials..... | 58,948 | 43,437 |
| Technology..... | 52,861 | 41,320 |
| Academic support..... | 34,147 | 34,252 |
| Consultants and stipends..... | 109,100 | 147,660 |
| Grants..... | 195,288 | 214,153 |
| Professional fees..... | 84,954 | 41,125 |
| Office supplies..... | 5,526 | 5,181 |
| Testing/assessment..... | 2,389 | 3,290 |
| Insurance..... | 42,726 | 40,711 |
| Student activities..... | 55,662 | 50,723 |
| Student transportation..... | 230,466 | 177,064 |
| Depreciation..... | 360,020 | 306,457 |
| Food services..... | 52,137 | 6,614 |
| Professional development..... | 10,132 | 14,494 |
| Travel and meetings..... | 13,309 | 5,051 |
| Utilities..... | 91,798 | 74,428 |
| Memberships and subscriptions..... | 59,533 | 46,422 |
| Maintenance - facilities..... | 401,211 | 292,779 |
| Other..... | 10,682 | 2,689 |
| Printing, copying and postage..... | 28,055 | 26,748 |
| Payroll service/bank fee..... | 19,091 | 22,833 |
| Nurse supplies..... | 5,328 | 8,276 |
| Total operating expenses..... | 7,950,072 | 7,433,774 |
| Operating income (loss)..... | 570,173 | 574,540 |
| NONOPERATING REVENUES (EXPENSES): | | |
| Interest income..... | 6,200 | 5,350 |
| Contributions..... | 38,725 | 51,651 |
| Other income..... | 10,446 | 39,716 |
| Interest expense..... | (121,049) | (124,927) |
| Fundraising expense..... | (1,063) | (16,082) |
| Total nonoperating revenues (expenses), net..... | (66,741) | (44,292) |
| Change in net position..... | 503,432 | 530,248 |
| Net position at beginning of year..... | 6,038,482 | 5,508,234 |
| Net position at end of year..... | \$ 6,541,914 | \$ 6,038,482 |

See notes to financial statements.

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STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

| | 2023 | 2022 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from state allocation..... | \$ 6,985,283 | \$ 6,512,383 |
| Receipts from federal and state grants..... | 652,403 | 551,781 |
| Receipts from programs..... | 21,298 | 15,127 |
| Receipts from student activities..... | 30,563 | 25,262 |
| Receipts from transportation..... | 64,589 | 51,783 |
| Payments to employees..... | (4,241,723) | (4,292,750) |
| Payments to vendors..... | (2,351,931) | (2,119,647) |
| NET CASH FROM OPERATING ACTIVITIES..... | 1,160,482 | 743,939 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Contributions..... | 38,725 | 51,651 |
| Other income..... | 10,446 | 39,716 |
| Fundraising expense..... | (1,063) | (16,082) |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | 48,108 | 75,285 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and construction of capital assets..... | (542,381) | (156,599) |
| Principal payments on bonds and notes..... | (111,678) | (107,802) |
| Interest expense..... | (119,048) | (122,927) |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (773,107) | (387,328) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment income from interest, dividends, and capital gains/(losses)..... | 6,200 | 5,350 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | 441,683 | 437,246 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 3,485,797 | 3,048,551 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 3,927,480 | \$ 3,485,797 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | |
| FROM OPERATING ACTIVITIES: | | |
| Operating income (loss)..... | \$ 570,173 | \$ 574,540 |
| Adjustments to reconcile operating income to net cash from operating activities: | | |
| Depreciation..... | 360,020 | 306,457 |
| Changes in assets and liabilities: | | |
| Departmental and other..... | 7,799 | (16,345) |
| Intergovernmental - grants..... | 108,167 | (106,400) |
| Prepaid expense..... | (2,730) | 158,165 |
| Accounts payable..... | 32,677 | (5,425) |
| Accrued payroll..... | 638 | (129,613) |
| Accrued expense..... | 28,333 | (20,321) |
| Other liabilities..... | 56,857 | (1,560) |
| Unearned revenue..... | (1,452) | (15,559) |
| Total adjustments..... | 590,309 | 169,399 |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 1,160,482 | \$ 743,939 |

See notes to basic financial statements.

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Notes to Financial Statements

Year Ended June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Pioneer Valley Performing Arts Charter Public School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The PVPA is a Commonwealth Charter School, established on March 15, 1996, by the granting of a charter by the Secretary of Education of the Commonwealth of Massachusetts (Commonwealth), pursuant to Chapter 71, Section 89 of Massachusetts General Laws (MGL). Commonwealth Charter Schools are instrumentalities of the state, established and operated independently of any municipal or regional school committee. The Secretary's grant of a charter authorized the operation of a charter school for the period from 1996 to 2001. The initial charter has been renewed by the Commonwealth of Massachusetts Department of Elementary and Secondary Education five times. The current charter expires in 2026. The PVPA is governed by a Board of Trustees (Board). The Board consists of fifteen to twenty voting members. The term of office of a Trustee is typically three years. The Trustees are elected from members of the PVPA community who have committed their time and energies to oversee the PVPA's mission and practice.

PVPA has one location in South Hadley, Massachusetts, and offers children in the Western Massachusetts area in grades seven through twelve a publicly supported education. The enrollment reported at June 30, 2023 was 399 students. The enrollment reported at June 30, 2022 was 394 students.

PVPA's mission is to offer its students intensive exposure to the performing arts within the context of an excellent college preparatory curriculum.

As required by GAAP, these financial statements present the PVPA and its component units. The PVPA has one component unit that requires inclusion in these financial statements.

The financial information of the Friends of Pioneer Valley Performing Arts Charter Public School (Friends) is reported as a blended component unit within the PVPA's financial statements. The Friends is a legally separate, tax-exempt organization that acts primarily as a fundraising organization to supplement the resources of the PVPA. Although the PVPA does not control the timing or amounts of receipts from the Friends, the majority of the resources or income thereon that the Friends holds is restricted to the activities of the PVPA. The Friends also issued debt for the purchase of the land and building upon which the PVPA's facilities are located. The loan payments are financed through rental income received from the PVPA. Because the Friends debt is expected to be repaid entirely with resources of the PVPA, the Friends is reported as a blended component unit within the PVPA's financial statements.

B. Tax Status

As a state-chartered organization, the PVPA is not subject to federal or state income taxes. Donors may deduct contributions to the PVPA within Internal Revenue Service regulations.

The Friends is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Friends is also exempt from state income taxes. Contributors to the Friends qualify for the charitable contribution deduction under Section 170(b)(1)(A). The Friends has been classified as an organization other than a private foundation under section 509(a)(2).

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Notes to Financial Statements

Year Ended June 30, 2023 and 2022

C. Financial Statement Presentation

The School, in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis, - for State and Local Governments* is a special purpose governmental entity that engages in only business type activities and, accordingly, the financial statements are prepared using the accrual basis of accounting. Accordingly, revenue is recognized when earned and capital assets and expenses are recorded when received and incurred, respectively.

D. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

E. Accounts Receivable

The School uses the allowance method for uncollectible accounts. No allowance for doubtful accounts has been recorded for departmental and other receivables since management has deemed all receivables to be collectable.

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenses are incurred, and all other grant requirements are met. These receivables are considered 100% collectable and therefore do not report an allowance for uncollectible accounts.

Contributions receivable represent promises to give by donors and are considered to be 100% collectable and therefore do not report an allowance for uncollectible accounts.

F. Capital Assets

Capital assets are recorded at cost, if purchased, or at the estimated fair value at the date of donation. All purchases and construction costs in excess of \$1,000 with expected useful lives of greater than one year are capitalized at the date of acquisition or construction. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

| <u>Capital Asset Type</u> | <u>Estimated Useful Life (in years)</u> |
|-------------------------------------|---|
| Computer hardware and software..... | 5-10 |
| Furniture and equipment..... | 5-10 |
| Leasehold improvements..... | 10-30 |
| Buildings..... | 40 |

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Notes to Financial StatementsYear Ended June 30, 2023 and 2022G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The School did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School did not have any items that qualify for reporting in this category.

H. Net Position Flow Assumption

Sometimes the School will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

I. Revenue Recognition

Student 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 Massachusetts Department of Elementary and Secondary Education (DESE).

The School records unrestricted contributions when they are received or unconditionally committed. The School reports gifts of cash and other assets as restricted program funds if they are received with donor stipulations that limit the use of donated assets.

Funds received that are not earned as of year-end are recorded as a liability (unearned revenue).

J. In-Kind Services

The School occasionally receives contributed services from employees of the School. When received, the value of these services is included in the financial statements as donated services in private grants and contributions revenue, and salaries and wages. No in-kind services were received for the years ended June 30, 2023 and 2022.

The School also receives donated services from a variety of volunteers. No amounts have been recognized in the financial statements since these services do not meet the criteria for recording in accordance with accounting principles generally accepted in the United States of America.

K. Expense Allocation

Expenses directly related to a program are distributed to that program. Other expenses are allocated based on management's estimate of the percentage attributable to each program.

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Notes to Financial Statements

Year Ended June 30, 2023 and 2022

L. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

M. Fair Value Measurements

The School reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. As of June 30, 2023, the School does not have any investments subject to fair value measurements.

N. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing educational experiences and instructional services that reflect PVPA's mission. Operating revenues and expenses include federal and state grant activity. Operating expenses also include educational costs, administrative costs, facilities costs, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

DRAFT**Notes to Financial Statements****Year Ended June 30, 2023 and 2022****O. Net Position**

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

NOTE 2 – CASH AND CASH EQUIVALENTS

Statutes authorize the School to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, and bank deposits. In addition, there are various restrictions limiting the amount and length of deposits and investments.

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned to it. At June 30, 2023, the carrying amount of the School’s deposits totaled \$3,927,480 and the bank balance totaled \$4,104,134. Of the bank balance, \$504,617 was covered by the Federal Deposit Insurance Corporation and \$3,599,517 was covered by the Depositors Insurance Fund.

At June 30, 2022, the carrying amount of the School’s deposits totaled \$3,485,797 and the bank balance totaled \$3,837,630. Of the bank balance, \$504,555 was covered by the Federal Deposit Insurance Corporation and \$3,333,075 was covered by the Depositors Insurance Fund.

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the School for the fiscal year ended June 30, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-------------|---------------------|
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 500,000 | \$ - | \$ - | \$ 500,000 |
| <u>Capital assets:</u> | | | | |
| Building..... | 4,194,421 | 12,030 | - | 4,206,451 |
| Building addition..... | 2,292,321 | - | - | 2,292,321 |
| Building and design..... | 375,893 | - | - | 375,893 |
| Equipment and instructional materials..... | 857,974 | 213,511 | - | 1,071,485 |
| Leasehold improvements..... | 1,039,717 | 316,840 | - | 1,356,557 |
| Total capital assets being depreciated..... | 8,760,326 | 542,381 | - | 9,302,707 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Building..... | (1,718,475) | (104,151) | - | (1,822,626) |
| Building addition..... | (372,306) | (57,308) | - | (429,614) |
| Building and design..... | (62,929) | (13,987) | - | (76,916) |
| Equipment and instructional materials..... | (616,349) | (101,593) | - | (717,942) |
| Leasehold improvements..... | (407,339) | (82,982) | - | (490,321) |
| Total accumulated depreciation..... | (3,177,398) | (360,021) | - | (3,537,419) |
| Total capital assets being depreciated, net..... | 5,582,928 | 182,360 | - | 5,765,288 |
| Total capital assets, net..... | \$ 6,082,928 | \$ 182,360 | \$ - | \$ 6,265,288 |

DRAFT**Notes to Financial Statements****Year Ended June 30, 2023 and 2022**

Capital asset activity of the School for the fiscal year ended June 30, 2022, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 500,000 | \$ - | \$ - | \$ 500,000 |
| <u>Capital assets being depreciated:</u> | | | | |
| Building..... | 4,166,000 | 28,421 | - | 4,194,421 |
| Building addition..... | 2,292,321 | - | - | 2,292,321 |
| Building and design..... | 353,218 | 22,675 | - | 375,893 |
| Equipment and instructional materials..... | 800,741 | 57,233 | - | 857,974 |
| Leasehold improvements..... | 991,447 | 48,270 | - | 1,039,717 |
| Total capital assets being depreciated..... | 8,603,727 | 156,599 | - | 8,760,326 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Building..... | (1,614,325) | (104,150) | - | (1,718,475) |
| Building addition..... | (314,998) | (57,308) | - | (372,306) |
| Building and design..... | (53,438) | (9,491) | - | (62,929) |
| Equipment and instructional materials..... | (550,623) | (65,726) | - | (616,349) |
| Leasehold improvements..... | (337,557) | (69,782) | - | (407,339) |
| Total accumulated depreciation..... | (2,870,941) | (306,457) | - | (3,177,398) |
| Total capital assets being depreciated, net..... | 5,732,786 | (149,858) | - | 5,582,928 |
| Total capital assets, net..... | \$ 6,232,786 | \$ (149,858) | \$ - | \$ 6,082,928 |

NOTE 4 – GRANTS AND OTHER RECEIVABLES

Grants and other receivables at June 30, 2023 and 2022, are as follows:

| | June 30, 2023 | June 30, 2022 |
|------------------------------------|------------------|------------------|
| <u>Receivables:</u> | | |
| Commonwealth of Massachusetts..... | \$ 87,637 | \$ 195,804 |
| Departmental and other..... | 12,752 | 20,551 |
| Total..... | \$ 100,389 | \$ 216,355 |

DRAFT**Notes to Financial Statements****Year Ended June 30, 2023 and 2022****NOTE 5 – LONG-TERM FINANCING**

State law permits the PVPA, under the provisions of Chapter 71, Section 89 (j) (6), to authorize indebtedness with repayment terms not to exceed the duration of the School's Charter, unless approved by the Massachusetts Department of Elementary and Secondary Education. The PVPA did not have authorized and unissued debt at June 30, 2023 and 2022.

The Friends entered into an agreement with the Massachusetts Development Finance Agency (MDFA) for the purchase of the land and building upon which the School's facilities are located. The MDFA approved the issuance of eighteen-year tax-exempt bonds that were issued on January 6, 2006, in the amount of \$3,800,000 that the Friends used to acquire the land and building. On June 1, 2014, the Friends borrowed \$4,260,000 in the form of MDFA Series 2014 Revenue Bonds. The proceeds from the bond were used to refinance the outstanding MDFA Series 2006 Revenue Bonds, and to fund additional building improvements. The 2014 bond matures on June 26, 2044. The interest rate is 3.49% and is adjusted by the bank every ten years. The bonds are secured by the building located on 15 Mulligan Drive.

The School is required to maintain a combined minimum debt service ratio of 1.25:1.0, measured on an annual basis. As of June 30, 2023 and June 30, 2022, the School was in compliance with this covenant.

PVPA has guaranteed the above debt for the Friends. In the event that the Friends defaults, PVPA would be required to perform under this guarantee. PVPA does not have any recourse against the Friends.

Details related to the Friends outstanding indebtedness at June 30, 2023 and 2022, and the related debt service requirements are as follows:

| Project | Maturities Through | Original Loan Amount | Outstanding at June 30, 2023 | Outstanding at June 30, 2022 |
|--|-----------------------|----------------------------|------------------------------------|------------------------------------|
| Land and building acquisition..... | 2044 | \$ <u>4,260,000</u> | \$ 3,303,254 | \$ 3,414,932 |
| Less: Unamortized debt issuance costs..... | | | (41,985) | (43,985) |
| Total Bonds Payable, net..... | | | \$ <u>3,261,269</u> | \$ <u>3,370,947</u> |

Debt service requirements for principal in future fiscal years are as follows:

| Year | Principal | Interest | Total |
|-----------------|---------------------|---------------------|---------------------|
| 2024.....\$ | 115,386 | \$ 115,342 | \$ 230,728 |
| 2025..... | 119,852 | 110,876 | 230,728 |
| 2026..... | 124,162 | 106,566 | 230,728 |
| 2027..... | 128,627 | 102,101 | 230,728 |
| 2028..... | 132,987 | 97,741 | 230,728 |
| 2029 to 2033... | 741,423 | 412,216 | 1,153,639 |
| 2034 to 2038... | 884,753 | 271,890 | 1,156,643 |
| 2039 to 2043... | 1,055,787 | 97,943 | 1,153,730 |
| 2044..... | <u>277</u> | <u>-</u> | <u>277</u> |
| Total..... \$ | \$ <u>3,303,254</u> | \$ <u>1,314,675</u> | \$ <u>4,617,929</u> |

See Note 11 for other related matters.

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Notes to Financial Statements

Year Ended June 30, 2023 and 2022

NOTE 6 – LINE OF CREDIT

PVPA has a demand line of credit (limit of \$450,000) with a bank. The line of credit must have a zero balance for a minimum of thirty consecutive days during each calendar year. The existing loan documents allow the line to remain open until the bank makes a demand. Interest is calculated on the daily unpaid principal of all amounts owing in PVPA's loan account, floating at 'base rate' plus 1.0% percent per annum. As of June 30, 2023, and 2022, there was no balance due on the line of credit.

NOTE 7 – PENSION PLAN

The School is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

Participants and the School are exempt from Federal social security taxes for these employees. Benefits vest fully after 10 years of qualified employment. An employee may receive retirement benefits after 20 years of service or 10 years of service having attained age 55. Covered employees are required by state statute to contribute 8% to 11% of their salaries.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the School to the MTRS. Therefore, the School is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the School does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The School's portion of the collective pension expense, contributed by the Commonwealth, of \$880,623 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the School is \$10,705,389 as of the measurement date.

The School also offers a voluntary retirement plan which allows eligible employees to save on a tax deferred basis for retirement. The School does not make contributions to the supplemental retirement savings plan.

NOTE 8 – RISK FINANCING

The PVPA is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the PVPA carries commercial insurance. The PVPA participates in premium-based health care plans for its employees.

Friends has no employees and requires the PVPA to maintain insurance coverage on the building and contents.

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Notes to Financial Statements

Year Ended June 30, 2023 and 2022

NOTE 9 – CONTINGENCIES

The School participates in a number of federal and state award programs. These programs are subject to financial and compliance audits. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

In the course of its operations various legal actions and claims may occur. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. At June 30, 2023, management is not aware of any pending or outstanding claims.

NOTE 10 – SUBSEQUENT EVENTS

The School has evaluated subsequent events through _____, 2023, which is the date the financial statements were issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

NOTE 11 – RELATED PARTY TRANSACTIONS

PVPA leases the school building (including parking areas and land) from the Friends under a lease agreement. The lease began June 7, 2004, and has been amended several times. Under the most recent amendment, the lease expires on June 30, 2044. PVPA has an option to terminate this lease if its charter is not renewed or if the state tuition allocation is reduced by 10%. Rent expense related to this lease was \$300,726 for the years ended June 30, 2023 and 2022. Future minimum annual lease payments will be a fixed amount of \$300,726 until the lease expires. In accordance with GAAP, all lease activity has been eliminated through the consolidation of the primary government and its blended component unit.

There are two employees of PVPA who are also voting Board members. Total compensation paid to these employees amounted to \$87,923 in 2023 and \$85,201 in 2022.

As of June 30, 2023 and 2022, amounts due to PVPA from the Friends totaled \$205,357 and \$191,743, respectively.

NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

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Notes to Financial Statements

Year Ended June 30, 2023 and 2022

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

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Required Supplementary Information

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Pension Plan Schedule

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the School along with related ratios.

This schedule is intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

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**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

| <u>Year</u> | <u>Commonwealth's 100% Share of the Associated Net Pension Liability</u> | <u>Expense and Revenue Recognized for the Commonwealth's Support</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u> |
|-------------|--|--|---|
| 2023..... | \$ 10,705,389 | \$ 880,623 | 57.75% |
| 2022..... | 8,893,590 | 713,674 | 62.03% |
| 2021..... | 12,182,810 | 1,504,752 | 50.67% |
| 2020..... | 11,529,144 | 1,398,109 | 53.95% |
| 2019..... | 10,368,216 | 1,050,669 | 54.84% |
| 2018..... | 10,132,494 | 1,057,558 | 54.25% |
| 2017..... | 9,236,690 | 942,203 | 52.73% |
| 2016..... | 8,565,830 | 694,765 | 55.38% |
| 2015..... | 6,338,217 | 440,346 | 61.64% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which
information is available.

See notes to required supplementary information.

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Notes to Required Supplementary InformationYear Ended June 30, 2023**NOTE A – PENSION PLAN**A. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the School does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the School; the portion of the collective pension expense as both a revenue and pension expense recognized by the School; and the Plan's fiduciary net position as a percentage of the total liability.

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Combining Statements

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COMBINING STATEMENT OF NET POSITION

JUNE 30, 2023

| | PVPA | Friends of PVPA | Combining Adjustments | Combining Total June 30, 2023 |
|--|---------------------|---------------------|--------------------------|-------------------------------------|
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ 3,307,490 | \$ 619,990 | \$ - | \$ 3,927,480 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Departmental and other..... | 10,252 | 2,500 | - | 12,752 |
| Intergovernmental..... | 87,637 | - | - | 87,637 |
| Due from related party..... | 205,357 | - | (205,357) | - |
| Prepaid expense..... | 14,855 | - | - | 14,855 |
| Total current assets..... | 3,625,591 | 622,490 | (205,357) | 4,042,724 |
| NONCURRENT: | | | | |
| Capital assets, nondepreciable..... | - | 500,000 | - | 500,000 |
| Capital assets, net of accumulated depreciation..... | 1,184,317 | 4,580,971 | - | 5,765,288 |
| Total noncurrent assets..... | 1,184,317 | 5,080,971 | - | 6,265,288 |
| TOTAL ASSETS..... | 4,809,908 | 5,703,461 | (205,357) | 10,308,012 |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Accounts payable..... | 40,336 | - | - | 40,336 |
| Accrued payroll..... | 349,544 | - | - | 349,544 |
| Accrued expense..... | 37,144 | - | - | 37,144 |
| Due to related party..... | - | 205,357 | (205,357) | - |
| Other liabilities..... | 58,484 | - | - | 58,484 |
| Unearned revenue..... | 19,321 | - | - | 19,321 |
| Bonds payable..... | - | 115,386 | - | 115,386 |
| Total current liabilities..... | 504,829 | 320,743 | (205,357) | 620,215 |
| NONCURRENT: | | | | |
| Bonds payable..... | - | 3,145,883 | - | 3,145,883 |
| TOTAL LIABILITIES..... | 504,829 | 3,466,626 | (205,357) | 3,766,098 |
| NET POSITION | | | | |
| Net investment in capital assets..... | 1,184,317 | 1,819,702 | - | 3,004,019 |
| Unrestricted..... | 3,120,762 | 417,133 | - | 3,537,895 |
| TOTAL NET POSITION..... | \$ 4,305,079 | \$ 2,236,835 | \$ - | \$ 6,541,914 |

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COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

| | PVPA | Friends of PVPA | Combining Adjustments | Combining Total June 30, 2023 |
|--|--------------|--------------------|--------------------------|-------------------------------------|
| OPERATING REVENUES: | | | | |
| State allocation - tuition..... | \$ 6,985,283 | \$ - | \$ - | \$ 6,985,283 |
| Federal and state grants..... | 545,688 | - | - | 545,688 |
| Student activities..... | 30,563 | - | - | 30,563 |
| Transportation..... | 56,790 | - | - | 56,790 |
| Rent..... | - | 300,726 | (300,726) | - |
| Nonemployer pension contributions..... | 880,623 | - | - | 880,623 |
| Performing arts productions..... | 20,638 | - | - | 20,638 |
| Miscellaneous..... | 100 | 560 | - | 660 |
| Total operating revenues..... | 8,519,685 | 301,286 | (300,726) | 8,520,245 |
| OPERATING EXPENSES: | | | | |
| Current: | | | | |
| Personnel..... | 4,242,361 | - | - | 4,242,361 |
| Payroll taxes and fringe benefits..... | 818,637 | - | - | 818,637 |
| Pension benefits..... | 880,623 | - | - | 880,623 |
| Advertising and recruiting..... | 15,568 | - | - | 15,568 |
| Performing arts productions..... | 69,520 | - | - | 69,520 |
| Classroom materials..... | 58,948 | - | - | 58,948 |
| Technology..... | 52,861 | - | - | 52,861 |
| Academic support..... | 34,147 | - | - | 34,147 |
| Consultants and stipends..... | 109,100 | - | - | 109,100 |
| Grants..... | 195,288 | 75 | (75) | 195,288 |
| Professional fees..... | 78,854 | 6,100 | - | 84,954 |
| Office supplies..... | 5,526 | - | - | 5,526 |
| Testing/assessment..... | 2,389 | - | - | 2,389 |
| Insurance..... | 42,726 | - | - | 42,726 |
| Student activities..... | 55,662 | - | - | 55,662 |
| Student transportation..... | 230,466 | - | - | 230,466 |
| Depreciation..... | 163,380 | 196,640 | - | 360,020 |
| Food services..... | 52,137 | - | - | 52,137 |
| Professional development..... | 10,132 | - | - | 10,132 |
| Travel and meetings..... | 13,309 | - | - | 13,309 |
| Utilities..... | 91,798 | - | - | 91,798 |
| Memberships and subscriptions..... | 59,533 | - | - | 59,533 |
| Leases - school building..... | 300,726 | - | (300,726) | - |
| Maintenance - facilities..... | 401,211 | - | - | 401,211 |
| Other..... | 10,682 | - | - | 10,682 |
| Printing, copying and postage..... | 28,055 | - | - | 28,055 |
| Payroll service/bank fees..... | 18,275 | 816 | - | 19,091 |
| Nurse supplies..... | 5,328 | - | - | 5,328 |
| Total operating expenses..... | 8,047,242 | 203,631 | (300,801) | 7,950,072 |
| Operating income (loss)..... | 472,443 | 97,655 | 75 | 570,173 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest income..... | 5,725 | 475 | - | 6,200 |
| Contributions..... | 32,218 | 6,582 | (75) | 38,725 |
| Other income..... | 10,446 | - | - | 10,446 |
| Interest expense..... | - | (121,049) | - | (121,049) |
| Fundraising expense..... | (1,063) | - | - | (1,063) |
| Total nonoperating revenues (expenses), net..... | 47,326 | (113,992) | (75) | (66,741) |
| Change in net position..... | 519,769 | (16,337) | - | 503,432 |
| Net position at beginning of year..... | 3,785,310 | 2,253,172 | - | 6,038,482 |
| Net position at end of year..... | \$ 4,305,079 | \$ 2,236,835 | \$ - | \$ 6,541,914 |

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Report on Internal Control Over Financial Reporting and on Compliance

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Board of Trustees
Pioneer Valley Performing Arts Charter Public School
South Hadley, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pioneer Valley Performing Arts Charter Public School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Performing Arts Charter Public School's basic financial statements, and have issued our report thereon dated _____, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pioneer Valley Performing Arts Charter Public School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pioneer Valley Performing Arts Charter Public School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

_____, 2023

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Board Acceptance

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ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Pioneer Valley Performing Arts Charter Public School, have voted to accept the representations of management and the expression of the opinions made by Powers & Sullivan, LLC as embodied in the financial statements, supplemental schedules and independent auditor's report for the year ended June 30, 2023.

We also certify that the representations made by management and the disclosures in the 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 Recommended Audit Guide* for the period ended June 30, 2023.

Board President

_____, 2023

Coversheet

FY24 1st Quarter Budget vs Actual

| | |
|--------------------------|---------------------------------------|
| Section: | II. Finance |
| Item: | B. FY24 1st Quarter Budget vs Actual |
| Purpose: | Discuss |
| Submitted by: | |
| Related Material: | FY24 1st Qtr P&L Budget vs Actual.pdf |

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Accrual Basis

Pioneer Valley Performing Arts Charter Public School

Profit & Loss Budget vs. Actual

July 2023 through June 2024

| | Jul '23 - Jun 24 | Budget | \$ Over Budget | % of Budget |
|---|------------------|--------------|----------------|-------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 4000410 - Comm of Mass Sources | | | | |
| 4000411 - Per Pupil Income | 1,262,565.00 | 7,110,170.00 | -5,847,605.00 | 17.8% |
| 4000412 - Grants | 0.00 | 425,000.00 | -425,000.00 | 0.0% |
| 4000413 - MassHealth Reimbursement | 10.00 | | | |
| Total 4000410 - Comm of Mass Sources | 1,262,575.00 | 7,535,170.00 | -6,272,595.00 | 16.8% |
| 4000420 - Production Revenue | 0.00 | 28,500.00 | -28,500.00 | 0.0% |
| 4000430 - Student Activities Revenue | 2,557.00 | 54,500.00 | -51,943.00 | 4.7% |
| 4000440 - Auxiliary Revenue | 79,130.10 | 30,000.00 | 49,130.10 | 263.8% |
| 4000450 - Interest | 982.17 | 6,000.00 | -5,017.83 | 16.4% |
| 4000460 - Fundraising | | | | |
| 4000463 - Contributions-Unrestricted | 0.00 | 30,000.00 | -30,000.00 | 0.0% |
| Total 4000460 - Fundraising | 0.00 | 30,000.00 | -30,000.00 | 0.0% |
| 4000470 - Miscellaneous Revenue | 0.00 | 2,500.00 | -2,500.00 | 0.0% |
| 4000490 - Rental Income | 0.00 | 4,000.00 | -4,000.00 | 0.0% |
| Total Income | 1,345,244.27 | 7,690,670.00 | -6,345,425.73 | 17.5% |
| Gross Profit | 1,345,244.27 | 7,690,670.00 | -6,345,425.73 | 17.5% |
| Expense | | | | |
| 5200000 - Education Expense | | | | |
| 5200001 - Salaries and Benefits | | | | |
| 5200500 - Salaries | 362,885.85 | 3,160,995.00 | -2,798,109.15 | 11.5% |
| 5200560 - Taxes and Benefits | 149,725.33 | 748,476.00 | -598,750.67 | 20.0% |
| Total 5200001 - Salaries and Benefits | 512,611.18 | 3,909,471.00 | -3,396,859.82 | 13.1% |
| 5210600 - General Educational Expense | 11,717.61 | 39,400.00 | -27,682.39 | 29.7% |
| 5220000 - Departmental Expense | 9,490.38 | 34,520.00 | -25,029.62 | 27.5% |
| 5229500 - Grants | 15,133.33 | 425,000.00 | -409,866.67 | 3.6% |
| 5290000 - Education-Other | 10,661.66 | 138,300.00 | -127,638.34 | 7.7% |
| Total 5200000 - Education Expense | 559,614.16 | 4,546,691.00 | -3,987,076.84 | 12.3% |
| 5245000 - Production | | | | |
| 5245500 - Salaries | 11,171.52 | 48,410.00 | -37,238.48 | 23.1% |
| 5245560 - Taxes and Benefits | 51.28 | 5,133.48 | -5,082.20 | 1.0% |
| 5245600 - Production-Other | 972.15 | 89,160.00 | -88,187.85 | 1.1% |
| Total 5245000 - Production | 12,194.95 | 142,703.48 | -130,508.53 | 8.5% |
| 5250600 - Technology | 23,436.66 | 57,062.00 | -33,625.34 | 41.1% |
| 5300600 - Administrative | | | | |
| 5300500 - Salaries | 218,417.25 | 1,032,401.00 | -813,983.75 | 21.2% |
| 5300560 - Taxes and Benefits | 43,634.13 | 226,013.00 | -182,378.87 | 19.3% |
| 5300580 - Workers' Compensation Insurance | 12,809.00 | 31,940.00 | -19,131.00 | 40.1% |
| 5300601 - General Administrative Expenses | 17,283.51 | 89,000.00 | -71,716.49 | 19.4% |
| 5310600 - Recruitment-Students | 1,164.72 | 8,200.00 | -7,035.28 | 14.2% |
| 5311600 - Recruitment-Employees | 18,619.61 | 14,000.00 | 4,619.61 | 133.0% |
| 5315600 - Business Office Expense | 4,199.36 | 36,700.00 | -32,500.64 | 11.4% |
| 5320600 - Board of Trustees Expense | 19,189.78 | 42,250.00 | -23,060.22 | 45.4% |
| Total 5300600 - Administrative | 335,317.36 | 1,480,504.00 | -1,145,186.64 | 22.6% |
| 5330600 - Development | 118.75 | 2,600.00 | -2,481.25 | 4.6% |

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09/29/23

Accrual Basis

Pioneer Valley Performing Arts Charter Public School**Profit & Loss Budget vs. Actual**

July 2023 through June 2024

| | Jul '23 - Jun 24 | Budget | \$ Over Budget | % of Budget |
|---|---------------------|---------------------|----------------------|--------------|
| 5400000 · Facilities Expense | | | | |
| 5400500 · Salaries | 23,073.26 | 94,278.00 | -71,204.74 | 24.5% |
| 5400560 · Taxes and Benefits-Facilities | 6,185.07 | 27,677.00 | -21,491.93 | 22.3% |
| 5400600 · Facilities Expense-Other | 231,100.44 | 798,115.00 | -567,014.56 | 29.0% |
| Total 5400000 · Facilities Expense | 260,358.77 | 920,070.00 | -659,711.23 | 28.3% |
| 5500700 · Depreciation Expense | 0.00 | 114,000.00 | -114,000.00 | 0.0% |
| 5600600 · Auxiliary Expense | 4,968.16 | 254,471.00 | -249,502.84 | 2.0% |
| 5700900 · Other Expense | 0.00 | 6,500.00 | -6,500.00 | 0.0% |
| Total Expense | 1,196,008.81 | 7,524,601.48 | -6,328,592.67 | 15.9% |
| Net Ordinary Income | 149,235.46 | 166,068.52 | -16,833.06 | 89.9% |
| Net Income | 149,235.46 | 166,068.52 | -16,833.06 | 89.9% |