

**MAP ACADEMY CHARTER SCHOOL AND  
MAP EDUCATION, INC.**

COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS,  
AND INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2019

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT ON COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS ACCOMPANIED BY OTHER INFORMATION – GOVERNMENTAL ENTITY .....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-6
COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS:	
COMBINED STATEMENT OF NET POSITION .....	7
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION....	8
COMBINED STATEMENT OF CASH FLOWS.....	9
NOTES TO THE COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS .....	10-18
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	19-20
SCHEDULE OF AUDIT FINDINGS AND RESPONSES .....	21
SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS.....	22
ACCEPTANCE OF THE BOARD OF TRUSTEES .....	23



**INDEPENDENT AUDITORS' REPORT ON COMBINED GENERAL PURPOSE FINANCIAL  
STATEMENTS ACCOMPANIED BY OTHER INFORMATION – GOVERNMENTAL ENTITY**

To the Board of Trustees  
MAP Academy Charter School and  
MAP Education, Inc.  
Plymouth, Massachusetts

**Report on the Combined General Purpose Financial Statements**

We have audited the accompanying combined general purpose financial statements of MAP Academy Charter School and MAP Education, Inc. (a nonprofit organization) (collectively, the "Organization"), which comprise the combined statement of net position as of June 30, 2019, and the related combined statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the combined general purpose financial statements.

**Management's Responsibility for the Combined General Purpose Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these combined general purpose financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined general purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined general purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined general purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined general purpose financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined general purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Opinion**

In our opinion, the combined general purpose financial statements referred to on page one present fairly, in all material respects, the combined net position of MAP Academy Charter School and MAP Education, Inc. as of June 30, 2019, and the changes in their net position, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 6 be presented to supplement the basic combined general purpose financial statements. Such information, although not a part of the basic combined general purpose 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 combined general purpose 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 combined general purpose financial statements, and other knowledge we obtained during our audit of the basic combined general purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019, 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 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 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 Organization's internal control over financial reporting and compliance.

*Livingston & Haynes, P.C.*

Ware, Massachusetts

October 21, 2019

# MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.

## Management's Discussion and Analysis

(Unaudited)

June 30, 2019

The following discussion and analysis of Map Academy Charter School (the "School") and MAP Education, Inc. (the "Foundation") (collectively, the "Organization") financial performance provides an overview of the Organization's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Organization's combined general purpose financial statements and the related notes to the combined general purpose financial statements, which begin on page 7.

### ***The School as a Whole***

The School was established on February 27, 2017, after receiving its 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 Department of Elementary and Secondary Education (DESE). At full capacity, the School will service 250 students for grades nine through twelve. During the year ended June 30, 2019 the School served, and their enrollment was, 130 students.

### ***The Foundation as a Whole***

The Foundation was formed on October 31, 2016, to promote the financial well-being of the School by soliciting, receiving and administering funds for the operations of the School. The Foundation's activities consist of raising funds on behalf of the School. The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC.

### ***Using This Annual Report***

This annual report consists of a series of audited combined general purpose financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments (GASB No. 34)*, the School is considered a special purpose government entity that engages in only business-type activities. All of the financial activity of the School is recorded in an Enterprise Fund within the Proprietary Fund group. In accordance with GASB No. 34, GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, the School issues a *Statement of Net Position, 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 Organization, as a whole. This annual report also contains notes to the combined general purpose financial statements, which provide additional information that is essential to a full understanding of the information provided in the basic combined general purpose financial statements.

### ***Combined General Purpose Financial Statements***

The *Combined Statement of Net Position* presents the assets, liabilities, 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 general purpose 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. Net position represents the difference between all other elements in a combined statement of financial position and is displayed in three components - *invested in capital assets, restricted* (distinguishing between major categories of restriction) *and unrestricted*.



**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

Management's Discussion and Analysis (Continued)

(Unaudited)

June 30, 2019

***Combined General Purpose Financial Statements (Continued)***

The *net investment in capital assets* component of net position 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 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 general purpose 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.

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 general purpose financial statements provide additional information that is essential to a full understanding of the information provided in the Organization's combined general purpose financial statements.

**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

**Management's Discussion and Analysis (Continued)**

(Unaudited)

June 30, 2019

***Financial Highlights***

The following financial highlights are for the fiscal year 2019.

- The School held total assets of \$1,108,310, of which \$329,347 was net capital assets. The majority of the remaining assets consisted of cash, receivables, due from Foundation and prepaid expenses.
- At June 30, 2019, the School held no deferred outflows of resources.
- The School held total liabilities of \$224,008. All the liabilities were current.
- At June 30, 2019, the School held no deferred inflows of resources.
- Total net position for the School was \$884,302, of which \$196,210 was unrestricted, \$358,745 was restricted – expendable and \$329,347 was investments in capital assets.
- The Foundation had total assets of \$300,148, which consist of cash and a security deposit.
- The Foundation had total liabilities of \$285,000, which was due to the School.
- The Foundation had a net position of \$15,148, of which \$148 was unrestricted and \$15,000 was restricted – expendable.
- The School earned total operating revenues of \$2,956,252, of which \$526,255 was released from restriction. The School also received a \$560,000 restricted grant from the Foundation.
- The School had total expenses of \$2,448,797.
- The School incurred a change in net position of \$541,200, all of which was comprised of operating income.
- The Foundation earned total operating revenues of \$26,005, of which \$25,000 was released from restriction. The Foundation also received a \$300,000 restricted grant.
- The Foundation had total operating expenses of \$28,785. The Foundation also made a \$560,000 restricted grant to the School.

***Budgetary Highlights***

The School's annual budget was amended as the year progressed. For the fiscal year ended June 30, 2019 the School incurred \$2,448,797 in actual expenditures compared to original budgeted expenditures of \$2,514,860. The School budgeted conservatively for its first year of operations and actual revenue surpassed the budget (due to unanticipated grants and higher than expected tuition rate) earning \$2,989,997 compared to the original budget of \$2,709,256.

The School budgeted tuition for fiscal year 2019 based on enrollment of 130, using the average per pupil rate from the sending districts as calculated by Massachusetts Department of Elementary and Secondary Education.



**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

**Management's Discussion and Analysis (Continued)**

**(Unaudited)**

**June 30, 2019**

***School's Financial Activities***

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per pupil. The School received \$1,937,274 in per pupil funding in fiscal year 2019, which represents 65% of the School's revenue. In addition, the School received various federal, state and private grants, which totaled \$406,429.

***Other Financial Factors***

Management has no knowledge of other significant financial factors regarding the fiscal year ended June 30, 2019.

***Current Known Facts, Decisions, and Conditions***

Management has no knowledge of significant or unusual facts, decisions or conditions regarding the fiscal year ended June 30, 2019.

***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 accountability for the funds received. If you have questions about this report or need additional information, for the School or the Foundation, contact the Co-Directors of the School, Joshua Charpentier or Rachel Babcock.



MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.

COMBINED STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS

	Enterprise Fund - School	Component Unit - Foundation	(Memorandum Only) Total
Current Assets:			
Cash and cash equivalents	\$ 380,316	\$ 297,548	\$ 677,864
Accounts receivable	107,722	-	107,722
Due from Foundation	285,000	-	285,000
Prepaid expenses	5,925	-	5,925
Total Current Assets	<u>778,963</u>	<u>297,548</u>	<u>1,076,511</u>
Noncurrent Assets:			
Capital assets, net of depreciation	329,347	-	329,347
Security deposit	-	2,600	2,600
	<u>329,347</u>	<u>2,600</u>	<u>331,947</u>
Total Assets	<u>\$ 1,108,310</u>	<u>\$ 300,148</u>	<u>\$ 1,408,458</u>

LIABILITIES AND NET POSITION

Current Liabilities:			
Accounts payable and accrued expenses	\$ 224,008	\$ -	\$ 224,008
Due to School	-	285,000	285,000
Total Current Liabilities	<u>224,008</u>	<u>285,000</u>	<u>509,008</u>
Net Position:			
Invested in capital assets	329,347	-	329,347
Unrestricted	196,210	148	196,358
Restricted - expendable	358,745	15,000	373,745
Total Net Position	<u>884,302</u>	<u>15,148</u>	<u>899,450</u>
Total Liabilities and Net Position	<u>\$ 1,108,310</u>	<u>\$ 300,148</u>	<u>\$ 1,408,458</u>

The accompanying notes are an integral part of these financial statements.

## MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.

## COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund - School	Component Unit - Foundation	(Memorandum Only) Total
Operating Revenue:			
Per-pupil tuition	\$ 1,937,274	\$ -	\$ 1,937,274
Satisfaction of program restrictions	526,255	585,000	1,111,255
Government grants	361,607	-	361,607
Contributions - in kind pension	85,535	-	85,535
Program specific and contributions - private	25,500	1,005	26,505
Nutrition reimbursements	19,322	-	19,322
Other income	759	-	759
Total operating revenue	2,956,252	586,005	3,542,257
Operating Expenses:			
Personnel and related:			
Salaries and wages	1,271,491	-	1,271,491
Payroll taxes and fringe benefits	118,742	-	118,742
In-kind pension	85,535	-	85,535
Recruitment and staff development	55,603	-	55,603
Consultants and contracted services	21,458	-	21,458
Total personnel and related	1,552,829	-	1,552,829
Occupancy:			
Rent	221,833	15,600	237,433
Consultants and contracted services	65,327	1,300	66,627
Insurance	20,622	615	21,237
Repairs and maintenance	17,613	-	17,613
Telecommunications and internet	16,461	-	16,461
Utilities	13,332	170	13,502
Supplies	1,594	-	1,594
Total occupancy	356,782	17,685	374,467
Direct Student Costs:			
Meals	74,443	-	74,443
Contracted services	59,739	-	59,739
Student transportation	56,418	-	56,418
Miscellaneous student services community and culture	53,751	-	53,751
Instructional materials	22,711	-	22,711
Technology, equipment	11,289	-	11,289
Program expenses	10,304	-	10,304
Testing and assessment	6,625	-	6,625
Total direct student costs	295,280	-	295,280
Other Operating Costs:			
Grants	-	560,000	560,000
Information management and technology	116,849	-	116,849
Professional fees	36,256	250	36,506
Other miscellaneous costs	19,540	2,288	21,828
Data management/website support	7,365	-	7,365
Dues, licenses, fees and subscriptions	6,201	-	6,201
Advertising and recruitment	4,249	-	4,249
Rental/lease of equipment	4,095	-	4,095
Supplies and office expenses	1,595	8,562	10,157
Total other operating costs	196,150	571,100	767,250
Depreciation	47,756	-	47,756
Total operating expenses	2,448,797	588,785	3,037,582
Changes in operating income	507,455	(2,780)	504,675
Changes in Restricted Net Position:			
Grant - private	-	300,000	300,000
Grant - Foundation	560,000	-	560,000
Satisfaction of program restrictions	(526,255)	(585,000)	(1,111,255)
Changes in restricted net position	33,745	(285,000)	(251,255)
Changes in net position	541,200	(287,780)	253,420
Net Position:			
Beginning of year	343,102	302,928	646,030
End of year	\$ 884,302	\$ 15,148	\$ 899,450

The accompanying notes are an integral part of these financial statements.



MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund - School	Component Unit - Foundation	(Memorandum Only) Total
<b>Cash flows from operating activities:</b>			
Receipts from tuition	\$ 1,839,789	\$ -	\$ 1,839,789
Receipts from government grants	355,483	-	355,483
Receipts from private grants and contributions	275,500	301,005	576,505
Receipts from other revenue sources	759	-	759
Payments to employees	(1,115,377)	-	(1,115,377)
Payments for payroll related expenses	(108,806)	-	(108,806)
Payments to vendors and suppliers	(521,265)	(13,185)	(534,450)
Payments on facility lease	(356,782)	(15,600)	(372,382)
Payments to School for Foundation grants	-	(275,000)	(275,000)
Net cash provided (used) by operating activities	<u>369,301</u>	<u>(2,780)</u>	<u>366,521</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	<u>(352,103)</u>	-	<u>(352,103)</u>
Net cash used by capital and related financing activities	<u>(352,103)</u>	-	<u>(352,103)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	17,198	(2,780)	14,418
<b>Cash and cash equivalents - beginning of year</b>	<u>363,118</u>	<u>300,328</u>	<u>663,446</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 380,316</u>	<u>\$ 297,548</u>	<u>\$ 677,864</u>
<b>Reconciliation of change in net position to net cash provided (used) by operating activities:</b>			
Change in net position	\$ 541,200	\$ (287,780)	\$ 253,420
Adjustments to reconcile change in net position to net cash provided (used) by operating activities			
Depreciation	47,756	-	47,756
Noncash donation	(25,000)	-	(25,000)
Changes in assets and liabilities:			
Accounts receivable	(107,140)	-	(107,140)
Prepaid expense	(5,925)	-	(5,925)
Due from Foundation	(285,000)	-	(285,000)
Accounts payable	219,201	-	219,201
Due to School	-	285,000	285,000
Unearned revenue	<u>(15,791)</u>	<u>-</u>	<u>(15,791)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 369,301</u>	<u>\$ (2,780)</u>	<u>\$ 366,521</u>
<b>Supplemental disclosure of non-cash capital and related financing activities:</b>			
The Organization received a donation of a printer	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>

The accompanying notes are an integral part of these financial statements.

# MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.

## Notes to Combined General Purpose Financial Statements

June 30, 2019

### 1. ORGANIZATION AND OPERATIONS

MAP Academy Charter School (the School) operates under a charter granted by the Commonwealth of Massachusetts (the Commonwealth) under Chapter 71, Section 89 of the General Laws. The School's charter is subject to renewal every five years. The School's initial charter was granted on February 27, 2017 (the School's inception). The School is authorized to operate a public charter school through June 30, 2023. The School opened in September 2018, with an initial enrollment of 130 students. The School's mission is to help youth find their way with individualized roadmaps designed to promote success in students for whom traditional school has not worked. At full enrollment, the School will serve 250 students in grades nine through twelve.

As a state chartered organization, the School is not subject to Federal or state income taxes. Donors may deduct contributions made to the School within Internal Revenue Code (IRC) regulations.

MAP Education, Inc. (the Foundation) was formed on October 31, 2016 (the Foundation's inception), to promote the financial well-being of the School by soliciting, receiving and administering funds for the operations of the School. The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. Donors may deduct contributions made to the Foundation within the requirements of the IRC. The Foundation is also exempt from state income taxes. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation had no unrelated business income tax during the year ended June 30, 2019. The Foundation's activities consist of raising funds on behalf of the School. These restricted resources can only be used by or for the benefit of the School; therefore, the Foundation is considered a component unit of the School. The School and the Foundation have common management. Because of these factors, the combined general purpose financial statements of the School and the Foundation are presented on a combined basis (see below).

The School and the Foundation are collectively referred to as the Organization throughout these combined general purpose financial statements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation – GASB Standards

The accompanying combined general purpose financial statements were prepared on the accrual basis. Since the School is a quasi-public organization, its accounting policies and financial statement presentation are governed by standards issued by the Governmental Accounting Standards Board (GASB). The School follows GASB statement No. 34, *Basic Combined financial statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 34 outlines financial reporting requirements for state and local governments. The School is considered a special-purpose government organization that conducts only business-type activities within the meaning of GASB No. 34 and, therefore, only has enterprise funds within its proprietary fund.

Consistent with the provision of GASB Statement Nos. 14 and 39, as clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, the Foundation is presented in these combined general purpose financial statements as a component unit of the School. The "Memorandum Only Total" is presented in accordance with GASB Statement No. 14. This represents the combined totals of the School and the Foundation without the eliminations of intercompany balances and transactions.



**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**  
Notes to Combined General Purpose Financial Statements (Continued)  
June 30, 2019

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

**Basis of Accounting**

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

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

**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, 2019 the Organization held no cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

An allowance for doubtful accounts is recorded based upon management's analysis of specific accounts and their estimate of amounts that may be uncollectible. There was no allowance deemed necessary at June 30, 2019.

**Capital Assets and Depreciation**

Capital assets (see Note 6) are recorded at cost, if purchased, or fair value at the time of donation. The Organization capitalizes assets with a unit cost greater than \$5,000 and a useful life greater than one year. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 - 7 years
Computers and software	2 - 3 years

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

**Deferred Outflows/Inflows**

In addition to assets, the combined 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/expenditure) until then. The Organization did not have any items that qualified for reporting in this category for the current fiscal year.

**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

Notes to Combined General Purpose Financial Statements (Continued)

June 30, 2019

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

**Deferred Outflows/Inflows (Continued)**

In addition to liabilities, the combined 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 Organization did not have any items that qualified for reporting in this category for the current fiscal year.

**Classification of Net Position**

**Invested in capital assets** - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of outflows of resources related to those assets.

**Unrestricted** – Represents the portion of expendable funds that are used to support operations, including funds for which donor-imposed restrictions have been met in accordance with funding agreements.

**Restricted – expendable** – Represents all funds contributed by donors to fund specific programs which have not yet been expended.

**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 per-pupil tuition reimbursement which is paid to the School by DESE.

The Organization records unrestricted fundraising grants and contributions when they are received or unconditionally committed. Gifts of cash and other assets are reported as program restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated purpose restriction is accomplished, donor restricted net position is reclassified to unrestricted net position and is reported in the combined statement of revenues, expenses and changes in net position as transfers between funds.

All other income is recorded when earned.

**Operating Revenue and Expenses**

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



**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

Notes to Combined General Purpose Financial Statements (Continued)

June 30, 2019

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

**Estimates**

The preparation of the combined general purpose financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined general purpose financial statements and the reported amount of revenues and expenses during the reporting period. Actual result could differ from these estimates.

**Fair Value Measurements**

The Organization follows the accounting and disclosure standards pertaining to GASB Statement No. 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgement or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

Notes to Combined General Purpose Financial Statements (Continued)

June 30, 2019

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

**Advertising Costs**

Costs related to marketing and advertising are expensed in the period incurred.

**In-Kind Services and Pension**

From time to time, the Organization receives donated services from a variety of volunteers. No amounts have been recognized in the accompanying combined general purpose financial statements since their services do not meet the criteria for recording in accordance with accounting principles generally accepted in the United States of America.

The Commonwealth provides in-kind pension payments on behalf of the School (see Note 10). These payments are reflected in the accompanying combined general purpose financial statements based upon the estimated value assigned by the Commonwealth.

**Impact of Recently Issued Accounting Principles**

During the fiscal year ended June 30, 2019, the following GASB pronouncements were implemented:

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented in fiscal year 2019 provides guidance to recognize a liability for future asset retirement obligation activities related to tangible capital assets. The adoption of GASB No. 83 does not have any impact on the Organization's combined general purpose financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The adoption of GASB No. 84 does not have any impact on the Organization's combined general purpose financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. GASB No. 88, defines "debt" for note disclosure as: a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The adoption of GASB No. 88 does not have any impact on the Organization's combined general purpose financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

The GASB issued Statement No. 87, *Leases*, which is required to be implemented in fiscal year 2021. Management is currently evaluating the impact of the adoption of this statement on the Organization's combined general purpose financial statements.



**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**  
Notes to Combined General Purpose Financial Statements (Continued)  
June 30, 2019

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

**Impact of Recently Issued Accounting Principles (Continued)**

The GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statement No. 14 and No. 16*, which is required to be implemented in fiscal year 2020. Management is currently evaluating the impact of the adoption of this statement on the Organization's combined general purpose financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2022. Management is currently evaluating the impact of the adoption of this statement on the Organization's combined general purpose financial statements.

**Subsequent Events**

The Organization has evaluated subsequent events through October 21, 2019, which is the date the combined general purpose financial statements were available to be issued. There are no recognized subsequent 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 date, which are necessary to disclose to keep the combined general purpose financial statements from being misleading.

**3. FUNDING**

The School receives significant funding from the Commonwealth for its tuition revenue and grant support. This funding is subject to audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined statement of net position of the School as of June 30, 2019, or on the change in net position for the year then ended. The School received approximately 78% of its operating revenue from the Commonwealth for the year ended June 30, 2019.

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS**

The Organization maintains its cash balances in Massachusetts banks, which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes they are not exposed to any significant credit risk on their operating cash balances. The Organization's management believes the Organization is not exposed to any significant credit risk on cash.

**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

## Notes to Combined General Purpose Financial Statements (Continued)

June 30, 2019

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)**

As required by *Governmental Accounting Standards Board Statement GASB No. 40, Deposits and Investment Risk Disclosures*, the following represents a summary of deposits as of June 30, 2019:

	<u>School</u>	<u>Foundation</u>
Fully insured deposits	\$ 250,000	\$ 250,000
Uninsured	<u>130,316</u>	<u>47,548</u>
Total	<u>\$ 380,316</u>	<u>\$ 297,548</u>

**5. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019 are as follows:

Commonwealth of Massachusetts per-pupil tuition	\$ 97,485
Commonwealth of Massachusetts grant	<u>10,237</u>
Total	<u>\$107,722</u>

**6. CAPITAL ASSETS**

Changes in capital assets for the fiscal year 2019 are as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Balance June 30, 2019</u>
Cost:			
Furniture	\$ -	\$215,129	\$215,129
Equipment and hardware	-	149,774	149,774
Website	<u>-</u>	<u>12,200</u>	<u>12,200</u>
Total cost	<u>-</u>	<u>377,103</u>	<u>377,103</u>
Less – accumulated depreciation:			
Furniture	-	25,611	25,611
Equipment and hardware	-	20,452	20,452
Website	<u>-</u>	<u>1,693</u>	<u>1,693</u>
Total accumulated depreciation	<u>-</u>	<u>47,756</u>	<u>47,756</u>
Capital assets, net	<u>\$ -</u>	<u>\$329,347</u>	<u>\$ 329,347</u>



**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

Notes to Combined General Purpose Financial Statements (Continued)

June 30, 2019

**7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2019 are as follows:

Payables to vendors	\$ 53,151
Accrued salaries and benefits	<u>170,857</u>
Total	<u>\$224,008</u>

**8. LEASE OBLIGATIONS**

During fiscal year 2018, the School entered into a lease agreement expiring on June 30, 2023, for classroom space in Plymouth, Massachusetts. The agreement provides the School with an option to extend the lease for an additional five years. This lease requires monthly payments of \$19,950 which began in September 2018.

Expected future minimum lease payments under the lease are as follows for the years ending June 30:

2020	\$ 239,400
2021	\$ 239,400
2022	\$ 239,400
2023	\$ 239,400

**9. RETIREMENT PLANS**

The School's teaching staff and administrators participate individually in the Massachusetts Teachers' Retirement System (MTRS). The School is not legally required to contribute to MTRS. All full-time teaching staff and administrators are covered by, and must participate in MTRS. The teachers and administrators who qualify for the plan, along with the School, are exempt from federal social security taxes for these employees. Benefits vest fully after ten years of qualified employment and an employee may receive retirement benefits after 20 years of service or having reached the age of 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. Covered employees are required by state statute to contribution 8% to 11% of their salaries, depending on their date of hire, and an additional 2% of their salary in excess of \$30,000 to the plan.

The School's proportionate share of MTRS pension expense, as calculated under GASB 68, was \$85,535 for the year ended June 30, 2019, which is reflected as in-kind pension revenue and in-kind pension expense in the accompanying fiscal year 2019 combined statement of revenues, expenses and changes in net position. The School's proportionate share of MTRS's net pension liability was \$844,074 at the measurement date selected by the Commonwealth of June 30, 2018. In accordance with the special funding situation under GASB 68, this amount has not been recorded in the accompanying fiscal year 2019 combined general purpose financial statements.

As of June 30, 2019, \$9,936 was withheld from employees' pay and is owed to MTRS and is included in accrued expenses in the accompanying combined statement of net position.

**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**

**Notes to Combined General Purpose Financial Statements (Continued)**

June 30, 2019

**10. ON-BEHALF PAYMENTS**

The School follows GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* (GASB 27), which requires the School to recognize its proportionate share of pension revenue and expenses, as reported by MTRS, as “on-behalf of payments” in their combined general purpose financial statements. As of June 30, 2019, the School’s share of MTRS net pension liability was \$85,535.

**11. RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Foundation will raise funds on behalf of the School and make grants to the School in accordance with the funder’s designations. These amounts are presented as grants in the accompanying combined statement of revenues, expenses and changes in net position and totaled \$560,000 for the year ended June 30, 2019.

**12. CONDITIONAL GRANT**

During fiscal year 2017, the Foundation received a grant commitment from a donor totaling \$750,000. The Foundation’s receipt of this grant is conditional upon the School and Foundation meeting certain benchmarks, as defined in the agreement. Since being awarded the grant, the Foundation has received \$600,000 and recognized \$585,00 in revenue and \$15,000 restricted revenue as of June 30, 2019. The Foundation made an grant to the School of \$560,000 for this grant. The School recognized \$201,255 in revenue and \$358,745 in restricted revenue as of June 30, 2019. The balance of \$150,000 has not been reflected in the accompanying combined general purpose financial statements and will be recognized when the conditions are substantially met.

**13. CUMULATIVE SURPLUS REVENUE**

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

As of June 30, 2019, the School’s cumulative surplus revenue was less than 20%; however, the calculation is subject to DESE review and approval. Management does not anticipate any material change in the calculation.





INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED  
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees  
MAP Academy Charter School and  
MAP Education, Inc.  
Plymouth, Massachusetts

We have audited, 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, the combined general purpose financial statements of MAP Academy Charter School and MAP Education, Inc. (collectively, the "Organization") which comprise the combined statement of net position as of June 30, 2019, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined general purpose financial statements, and have issued our report thereon dated October 21, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined general purpose financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined general purpose 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 general purpose 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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's combined general purpose 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Livingston & Haynes, P.C.*

Ware, Massachusetts  
October 21, 2019



**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**  
**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**  
**JUNE 30, 2019**

***SECTION I - SUMMARY OF AUDITORS' RESULTS***

***Combined general purpose financial statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? No
- Significant deficiency (es) identified that are not considered to be material weakness (es)? None reported

Noncompliance which is material to combined general purpose financial statements noted? No

**MAP ACADEMY CHARTER SCHOOL AND MAP EDUCATION, INC.**  
**SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS**  
**JUNE 30, 2019**

**Prior Year**

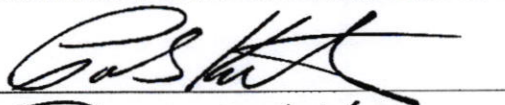
The prior year was not audited.



# ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of MAP Academy Charter School and MAP Education, Inc., have voted to accept the representations of management and the expression of the opinion made by Livingston & Haynes, P.C. as embodied in the combined general purpose financial statements and independent auditors' reports for the year ended June 30, 2019.

We also certify that the representations made by management and the disclosures in the combined general purpose 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, 2019.



Paul B. Kitchen, Treasurer.

October 21, 2019