

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**CAPS EDUCATION
COLLABORATIVE**

Basic Financial Statements
and Additional Information

Year Ended June 30, 2024



CAPS EDUCATION COLLABORATIVE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CAPS Education Collaborative
Westminster, Massachusetts

Opinions

We have audited the accompanying financial statements of CAPS Education Collaborative (the "Collaborative") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Collaborative'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 Collaborative as of June 30, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Collaborative 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 opinions.

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 Collaborative'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.

Auditors' 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 auditors' report that includes our opinions. 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 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, 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 Collaborative'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 Collaborative'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 the schedules listed under the required supplementary information section in the accompanying 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 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

Management is responsible for the disclosures required under Massachusetts General Law as listed under the other information section in the accompanying table of contents. This other information is required by the Massachusetts Department of Elementary and Secondary Education but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
October 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of CAPS Education Collaborative (the "Collaborative"), we offer readers of the Collaborative's financial statements this narrative overview and analysis of the financial activities of the Collaborative for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and other information found in this report.

Financial Highlights

- The assets and deferred outflows of financial resources of the Collaborative exceeded its liabilities and deferred inflows of financial resources at June 30, 2024 by \$2,862,403 (*net position*).
- The Collaborative's total net position decreased \$80,864 in fiscal year 2024. While instructional revenues increased in fiscal year 2024, these revenues did not keep pace with the increase in instructional expenses.
- As of June 30, 2024, the Collaborative's governmental funds balance sheet reported a combined ending fund balance of \$2,246,908, which is a decrease of \$230,211 from the prior year.
- At June 30, 2024, the unassigned fund balance for the general fund was over 11% of the total fiscal year 2024 general fund expenditures.
- For financial reporting purposes, the Collaborative reports long-term debt in the form of lease liabilities for its transportation equipment and facilities. These lease liabilities totaled \$1,590,162 and \$1,241,195 at June 30, 2024 and 2023, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Collaborative's basic financial statements. The Collaborative's basic financial statements comprise three components: (1) government-wide financial statements, (2) governmental fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information and other information required by the Department of Elementary and Secondary Education of the Commonwealth ("DESE") in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Collaborative's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Collaborative's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between these figures reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Collaborative is improving or deteriorating.

The statement of activities presents information showing how the Collaborative's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Collaborative is engaged in a single governmental activity. The Collaborative does not report any business-type activities.

Fund Accounting – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Collaborative, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Collaborative are governmental funds; the Collaborative does not have any proprietary or fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Collaborative maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital reserve funds.

The Collaborative adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with its corresponding notes in this report.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with prepaid items and inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by a government using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major funds, if negative.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Collaborative’s budget to actual results, pensions and other postemployment benefit liabilities.

Other Information – DESE requires that the basic financial statements be accompanied by additional disclosures, which are included in the Other Information section of these basic financial statements.

Government-Wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	June 30, 2024	June 30, 2023	Dollar Change	Percent Change
Assets:				
Current and other assets	\$ 3,975,848	\$ 4,008,667	\$ (32,819)	-0.8%
Capital assets, net	<u>2,209,339</u>	<u>1,719,685</u>	<u>489,654</u>	28.5%
Total Assets	<u>6,185,187</u>	<u>5,728,352</u>	<u>456,835</u>	8.0%
Liabilities:				
Long-term liabilities	1,285,332	894,344	390,988	43.7%
Other liabilities	<u>2,037,452</u>	<u>1,890,741</u>	<u>146,711</u>	7.8%
Total Liabilities	<u>3,322,784</u>	<u>2,785,085</u>	<u>537,699</u>	19.3%
Net Position:				
Net investment in capital assets	619,177	478,490	140,687	29.4%
Unrestricted	<u>2,243,226</u>	<u>2,464,777</u>	<u>(221,551)</u>	-9.0%
Total Net Position	<u>\$ 2,862,403</u>	<u>\$ 2,943,267</u>	<u>\$ (80,864)</u>	-2.7%

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Collaborative’s total net position decreased \$80,864 in fiscal year 2024 as the pace of increases to instructional expenses exceeded the pace of increases to instructional charges for services.

The largest portion of the Collaborative’s total net position is reported as unrestricted. Unrestricted net position decreased by \$221,551 from the prior year. The Collaborative also reports \$619,177 of its total net position as net investment in capital assets.

The condensed comparative statements of activities for the two most recent years are as follows:

	Year Ended June 30,		Dollar	Percent
	2024	2023	Change	Change
Revenues:				
Program revenues:				
Charges for services	\$ 13,423,618	\$ 11,923,707	\$ 1,499,911	12.6%
Operating grants and contributions	2,240,216	1,472,299	767,917	52.2%
General revenues:				
Member assessments	93,924	97,636	(3,712)	-3.8%
Other	74,414	35,217	39,197	111.3%
Total Revenues	<u>15,832,172</u>	<u>13,528,859</u>	<u>2,303,313</u>	17.0%
Expenses:				
Instruction and other student services	14,205,652	12,186,933	2,018,719	16.6%
Administration and office	988,399	863,880	124,519	14.4%
Facilities	622,099	564,367	57,732	10.2%
Transportation	77,948	76,269	1,679	2.2%
Interest expense	18,938	62,816	(43,878)	-69.9%
Total Expenses	<u>15,913,036</u>	<u>13,754,265</u>	<u>2,158,771</u>	15.7%
Change in Net Position	<u>(80,864)</u>	<u>(225,406)</u>	<u>144,542</u>	-64.1%
Net Position:				
Beginning of year	<u>2,943,267</u>	<u>3,168,673</u>	<u>(225,406)</u>	-7.1%
End of year	<u>\$ 2,862,403</u>	<u>\$ 2,943,267</u>	<u>\$ (80,864)</u>	-2.7%

Revenues totaled \$15,832,172 in fiscal year 2024 versus \$13,528,859 in the prior fiscal year. The \$2,303,313 increase in revenues was due primarily to increased charges for instruction as well as other services. Additionally, operating grants and contributions, which consist primarily of pension contributions made on behalf of the Collaborative by the Commonwealth, increased approximately \$773,000 year-over-year.

Expenses totaled \$15,913,036 in fiscal year 2024 versus \$13,754,265 in the prior fiscal year. The \$2,158,771 increase was due primarily to increased instructional costs associated with the Collaborative's continued expansion coupled with approximately \$773,000 in additional non-cash pension expense associated with pension contributions made on behalf of the Collaborative by the Commonwealth.

Instruction and other student services represented approximately 89% of total expenses in fiscal year 2024, which was consistent with the prior fiscal year. No other expense category represented 10% of more of total expenses in either fiscal year 2024 or 2023.

Governmental Funds Financial Analysis

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Collaborative's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Collaborative's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Collaborative's governmental funds balance sheet reported a combined ending fund balance surplus of \$2,246,908, which is a decrease of \$230,211 from the prior year.

The general fund is the chief operating fund of the Collaborative. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,793,840, while total general fund balance was \$2,098,179. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represented approximately 11% of total fiscal year 2024 general fund expenditures, while total fund balance was approximately 13% of that same amount.

The Collaborative also maintains a major governmental fund to account for its capital reserve fund. The fund balance in the capital reserve fund decreased \$54,825 to \$148,729.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget. The Collaborative develops a budget using the economic resources measurement focus and the accrual basis of accounting.

A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Long-Term Financing Administration

Capital Assets – The Collaborative's investment in capital assets as of June 30, 2024 totaled \$2,209,339, net of accumulated depreciation and amortization. Capital assets primarily include the right to use facilities under lease, leasehold improvements, equipment and vehicles. Net capital assets increased \$489,654 in fiscal year 2024, which was due primarily to the effect of the execution of a new long-term facility lease for the Collaborative's Gateway School and administration building.

Additional information on the Collaborative's capital assets can be found in the notes to the basic financial statements.

Long-Term Debt – All of the long-term debt reported by the Collaborative is in the form of lease liabilities for facilities and student transportation vehicles. The Collaborative's lease liabilities increased \$348,967 in fiscal year 2024. The lease liabilities in place at June 30, 2024 are expected to mature at various intervals through fiscal year 2029.

The Collaborative maintains a \$1,000,000 line of credit with a commercial bank. At June 30, 2024, no amount was advanced by the commercial bank to the Collaborative under this line of credit.

Additional information on the Collaborative's capital lease obligations can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budget

- The fiscal year 2025 budget was based on 185 projected student enrollments.
- Approximately 91% of budgeted fiscal year 2024 revenues are in the form of tuition. Total budgeted fiscal year 2025 revenues are over \$14.4 million.
- Employee salaries were budgeted to increase approximately 3.5% from the prior fiscal year.

The above items were considered when the Board of Directors of the Collaborative accepted its budget for fiscal year 2025 in May 2024.

Requests for Information

This financial report is designed to provide a general overview of the Collaborative's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Business Manager, CAPS Education Collaborative, 2 Narrows Road, Suite C105, Westminister, Massachusetts 01473.

CAPS EDUCATION COLLABORATIVE

STATEMENT OF NET POSITION JUNE 30, 2024

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 2,079,949
Investments at fair value	398,673
Receivables, net of allowances	1,192,887
Prepaid items	304,339
Capital assets, net	<u>2,209,339</u>
Total Assets	<u>6,185,187</u>
Liabilities:	
Accounts payable and accrued expenses	304,703
Accrued payroll and related benefits	1,338,659
Other liabilities	11,887
Unearned revenues	73,691
Noncurrent liabilities:	
Due within one year	308,512
Due in more than one year	<u>1,285,332</u>
Total Liabilities	<u>3,322,784</u>
Net Position:	
Net investment in capital assets	619,177
Unrestricted	<u>2,243,226</u>
Total Net Position	<u>\$ 2,862,403</u>

See accompanying notes to basic financial statements.

CAPS EDUCATION COLLABORATIVE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction services	\$ 11,254,799	\$ 12,076,337	\$ 1,734,696	\$ -	\$ 2,556,234
Other student services	2,950,853	1,321,032	391,191	-	(1,238,630)
Administration and office	988,399	-	98,296	-	(890,103)
Facilities	622,099	-	16,033	-	(606,066)
Transportation	77,948	26,249	-	-	(51,699)
Interest expense	18,938	-	-	-	(18,938)
Total Governmental Activities	<u>\$ 15,913,036</u>	<u>\$ 13,423,618</u>	<u>\$ 2,240,216</u>	<u>\$ -</u>	<u>(249,202)</u>
General Revenues:					
Member assessments					93,924
Unrestricted investment income					74,232
Other income					<u>182</u>
Total General Revenues					<u>168,338</u>
Change in Net Position					<u>(80,864)</u>
Net Position:					
Beginning of year					<u>2,943,267</u>
End of year					<u>\$ 2,862,403</u>

See accompanying notes to basic financial statements.

CAPS EDUCATION COLLABORATIVE

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2024

	General Fund	Capital Reserve Fund	Total
Assets:			
Cash and cash equivalents	\$ 2,079,949	\$ -	\$ 2,079,949
Investments, at fair value	398,673	-	398,673
Receivables, net of allowances	1,192,887	-	1,192,887
Due from other fund	-	148,729	148,729
Prepaid items	304,339	-	304,339
Total Assets	<u>\$ 3,975,848</u>	<u>\$ 148,729</u>	<u>\$ 4,124,577</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 304,703	\$ -	\$ 304,703
Accrued payroll and withholdings	1,338,659	-	1,338,659
Other liabilities	11,887	-	11,887
Unearned revenues	73,691	-	73,691
Due to other fund	148,729	-	148,729
Total Liabilities	<u>1,877,669</u>	<u>-</u>	<u>1,877,669</u>
Fund Balances:			
Nonspendable	304,339	-	304,339
Committed	-	148,729	148,729
Unassigned	1,793,840	-	1,793,840
Total Fund Balances	<u>2,098,179</u>	<u>148,729</u>	<u>2,246,908</u>
Total Liabilities and Fund Balances	<u>\$ 3,975,848</u>	<u>\$ 148,729</u>	<u>\$ 4,124,577</u>

See accompanying notes to basic financial statements.

CAPS EDUCATION COLLABORATIVE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION AS OF JUNE 30, 2024

Total Governmental Fund Balances		\$	2,246,908
Capital assets used in governmental activities in the statement of net position are not financial resources and therefore are not reported in the funds			2,209,339
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:			
Net other postemployment benefits liability	(3,682)		
Lease liabilities	<u>(1,590,162)</u>		
Net effect of reporting long-term liabilities			<u>(1,593,844)</u>
Net Position — Governmental Activities		\$	<u>2,862,403</u>

See accompanying notes to basic financial statements.

CAPS EDUCATION COLLABORATIVE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Capital Reserve Fund	Total
Revenues:			
Special education tuition	\$ 12,076,337	\$ -	\$ 12,076,337
Other student services	1,321,032	-	1,321,032
Member assessments	93,924	-	93,924
Transportation	26,249	-	26,249
Intergovernmental	2,240,216	-	2,240,216
Investment income	74,232	-	74,232
Other	182	-	182
Total Revenues	<u>15,832,172</u>	<u>-</u>	<u>15,832,172</u>
Expenditures:			
Current:			
Instruction services	7,851,584	-	7,851,584
Other student services	2,202,992	-	2,202,992
Administration and office	763,253	-	763,253
Facilities	622,957	-	622,957
Transportation	88,575	-	88,575
Pension and fringe benefits	4,212,726	-	4,212,726
Debt service:			
Principal	350,151	-	350,151
Interest	18,938	-	18,938
Total Expenditures	<u>16,111,176</u>	<u>-</u>	<u>16,111,176</u>
Deficiency of Revenues Over Expenditures	<u>(279,004)</u>	<u>-</u>	<u>(279,004)</u>
Other Financing Sources (Uses):			
Proceeds from issuance of long-term leases	48,793	-	48,793
Transfers in	54,825	-	54,825
Transfers out	<u>-</u>	<u>(54,825)</u>	<u>(54,825)</u>
Total Other Financing Sources (Uses)	<u>103,618</u>	<u>(54,825)</u>	<u>48,793</u>
Change in Fund Balances	(175,386)	(54,825)	(230,211)
Fund Balances:			
Beginning of the year	<u>2,273,565</u>	<u>203,554</u>	<u>2,477,119</u>
End of the year	<u>\$ 2,098,179</u>	<u>\$ 148,729</u>	<u>\$ 2,246,908</u>

See accompanying notes to basic financial statements.

CAPS EDUCATION COLLABORATIVE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

Change in Fund Balances — Total Governmental Funds	\$	(230,211)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated/amortized over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	281,477	
Effect of asset disposals	32,568	
Depreciation and amortization expense	<u>(474,716)</u>	
Net effect of reporting capital activity		(160,671)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Issuance of lease obligations	(48,793)	
Repayments on lease liabilities	<u>350,151</u>	
Net effect of reporting long-term debt activity		301,358

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:

Net other postemployment benefits liability	<u>8,660</u>	
Net effect of reporting long-term liabilities		<u>8,660</u>

Change in Net Position — Governmental Activities	\$	<u>(80,864)</u>
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See accompanying notes to basic financial statements.

CAPS EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of CAPS Education Collaborative (the “Collaborative”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Collaborative:

A. Reporting Entity

The Collaborative is an association of school committees formed for the purpose of conducting education programs and services to complement and strengthen the school programs of member school committees and increase educational opportunities for children. The Collaborative provides preschool, elementary and secondary education for students aged three to twenty-one with significant disabilities.

The Collaborative was formed by agreement on July 1, 1976, as amended. The Collaborative is governed by a Board of Directors comprised of superintendents or members of participating school committees.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Collaborative. The Collaborative has only governmental type activities; there are no business-type activities to report. Governmental activities are principally supported by charges for services and member assessments.

Separate financial statements are provided for governmental funds. Major individual government funds are reported as separate columns in the fund financial statements.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

In addition, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges for services and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member assessments, investment income and other revenues are reported as general revenues.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Collaborative applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met.

The Collaborative reports the following major governmental funds:

The general fund is the Collaborative's primary operating fund. It accounts for all financial resources of the Collaborative except those required to be accounted for in another fund.

The capital reserve fund is used to support costs associated with the acquisition, maintenance and improvement of capital assets, including real property, pursuant to a capital plan. The capital reserve fund was established pursuant to Massachusetts education laws and regulations.

The Collaborative does not report any proprietary or fiduciary funds.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Collaborative’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Collaborative reports its investments at fair value. When actively quoted observable prices are not available, the Collaborative generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Collaborative categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Collaborative’s best estimate of what market participants would use in pricing the investment at the measurement date.

Receivables – Receivables generally represent unpaid amounts due to the Collaborative for services. At June 30, 2024, there were no amounts reported as allowances for uncollectible accounts.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include the right to use leased facilities, leasehold improvements, machinery and equipment and leased vehicles are reported in the government-wide financial statements. Capital assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. All capital asset purchases are capitalized at the date of acquisition if expected lives are deemed greater than three years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated or amortized by the Collaborative on a straight-line basis over the following estimated useful lives:

Right to use facility	Remaining term of lease
Leasehold improvements	Remaining term of lease
Machinery and equipment	3 to 5 years
Vehicles	5 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Compensated Absences – It is the Collaborative’s policy to grant sick and vacation leave to its employees, who must use these benefits before the conclusion of the fiscal year. Generally, employees are not paid unused portions of their earned but unused sick and vacation leave upon retirement, death or termination. At times, the Collaborative may extend the period of time to use these benefits into the following fiscal year. Amounts related to these benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Unearned Revenues – Tuition and other amounts collected in advance are reported as unearned revenues.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide financial statements.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Collaborative is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the Collaborative’s Board of Directors, which represents the most binding constraint that gives rise to committed fund balance. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Collaborative’s intent to be used for specific purposes but are neither restricted nor committed.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

At June 30, 2024, the Collaborative reported \$304,339 as nonspendable in its general fund, which represented the value of the Collaborative’s prepaid items. The Collaborative reported \$148,729 as committed in its capital reserve fund. The remaining fund balance of \$1,793,840 is reported as unassigned in the general fund at June 30, 2024.

When both restricted and unrestricted resources are available for use, it is the Collaborative's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. The Collaborative did not report any amounts as encumbrances from normal purchasing activity at June 30, 2024 as assigned in the governmental funds financial statements.

Net Position – In the government-wide financial statements, net position reported as net investment in capital assets includes capital assets, net of accumulated depreciation and amortization, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

The Collaborative does not report any amounts as restricted in these basic financial statements.

E. Use of Estimates

The preparation of basic financial statements in conformity with GAAP 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 basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

State laws and regulations require the Collaborative to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Collaborative did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Collaborative relies on depository insurance at each financial institution to mitigate this risk. At June 30, 2024, \$2,004,002 in Collaborative bank deposits were exposed to custodial credit risk as these amounts were uninsured and uncollateralized.

Fair Value Measurements: Investments – The following table presents the Collaborative's investments carried at fair value at June 30, 2024:

Investments by Fair Value Level	June 30, 2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Governmental obligations	\$ 10,539	\$ -	\$ 10,539	-
Mutual funds	388,134	388,134	-	-
Total investments by fair value level	<u>\$ 398,673</u>	<u>\$ 388,134</u>	<u>\$ 10,539</u>	<u>\$ -</u>

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Collaborative has not adopted a formal policy related to credit risk. The Collaborative’s investments in governmental obligations were rated AA+ by Standard and Poor’s Global Ratings.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Collaborative may not be able to recover the full amount of its principal investment and/or investment earnings. All of the Collaborative’s investments are registered in its name and cannot be pledged or assigned. As a result, the Collaborative does not believe it is exposed to custodial credit risk on its investments.

Concentration of Credit Risk: Investments – The Collaborative does not place a limit on the amount that may be invested in any one issuer. The following investments held by the Collaborative at June 30, 2024 exceeded 5% of total investments:

Lord Abbett Affiliated Fund Class A	29.4%
Lord Abbett Total Return Fund Class A	9.6%
Lord Abbett Bond Debenture Fund Class A	8.9%
Lord Abbett Short Duration Fund Class A	8.9%
Lord Abbett Fundamental Equity Fund Class A	8.3%
Lord Abbett Alpha Strategy Fund Class A	7.4%
Lord Abbett International Equity Fund Class A	7.1%
Lord Abbett International Value Fund Class A	<u>6.7%</u>
	<u>86.3%</u>

B. Receivables

Receivables at June 30, 2024 consisted of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Due from member communities	\$ 550,196	\$ -	\$ 550,196
Due from others	<u>642,691</u>	<u>-</u>	<u>642,691</u>
Totals	<u>\$ 1,192,887</u>	<u>\$ -</u>	<u>\$ 1,192,887</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated or amortized:				
Right to use facilities under lease	\$ 1,620,920	\$ -	\$ (163,167)	\$ 1,457,753
Leasehold improvements	289,349	55,118	(78,653)	265,814
Furniture and equipment	428,490	177,566	(27,867)	578,189
Leased vehicles	<u>249,200</u>	<u>48,793</u>	<u>(34,478)</u>	<u>263,515</u>
Total capital assets being depreciated/amortized	<u>2,587,959</u>	<u>281,477</u>	<u>(304,165)</u>	<u>2,565,271</u>
Less accumulated depreciation and amortization for:				
Right to use facilities under lease	(570,374)	(285,186)	855,560	-
Leasehold improvements	(99,579)	(60,242)	78,653	(81,168)
Furniture and equipment	(77,783)	(100,622)	27,867	(150,538)
Leased vehicles	<u>(120,538)</u>	<u>(28,666)</u>	<u>24,978</u>	<u>(124,226)</u>
Total accumulated depreciation and amortization	<u>(868,274)</u>	<u>(474,716)</u>	<u>987,058</u>	<u>(355,932)</u>
Total capital assets, net	<u>\$ 1,719,685</u>	<u>\$ (193,239)</u>	<u>\$ 682,893</u>	<u>\$ 2,209,339</u>

Depreciation and amortization expense for fiscal year 2024 was charged to functions as follows:

	Depreciation	Amortization	Total
Instruction	\$ 83,650	\$ 250,974	\$ 334,624
Other student services	2,847	-	2,847
Administration and office	9,996	34,212	44,208
Facilities	64,371	-	64,371
Transportation	<u>-</u>	<u>28,666</u>	<u>28,666</u>
	<u>\$ 160,864</u>	<u>\$ 313,852</u>	<u>\$ 474,716</u>

D. Line of Credit

In June 2018, the Collaborative executed a \$500,000 line of credit with a commercial bank which was modified to \$1,000,000 in October 2023. The line of credit is secured by all Collaborative assets and is payable on demand by the commercial bank. The line of credit bears interest at variable rates with a floor of 6.50%. At June 30, 2024, there were no advancements to the Collaborative on the line of credit.

E. Long-Term Liabilities

The Collaborative enters into facility and transportation equipment leases, which for financial reporting purposes have been capitalized. Additionally, the Collaborative incurs various other long-term obligations relative to personnel costs. The following reflects the fiscal year 2024 activity in the Collaborative's long-term liability accounts:

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Lease liabilities - facilities	\$ 1,118,443	\$ 339,310	\$ -	\$ 1,457,753	\$ 254,696
Lease liabilities - vehicles	122,752	48,793	(39,136)	132,409	53,816
Net OPEB liability	12,342	-	(8,660)	3,682	-
Total long-term liabilities	<u>\$ 1,253,537</u>	<u>\$ 388,103</u>	<u>\$ (47,796)</u>	<u>\$ 1,593,844</u>	<u>\$ 308,512</u>

F. Lease Liabilities

The Collaborative is party to several noncancellable leases for facilities and transportation equipment. For financial reporting purposes, these leases have been capitalized. Principal and interest requirements to maturity for lease liabilities in which the lease term is greater than one year are as follows at June 30, 2024:

Year Ended June 30,	Facilities			Vehicles		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 254,696	\$ 63,859	\$ 318,555	\$ 53,816	\$ 7,273	\$ 61,089
2026	272,163	52,763	324,926	31,632	6,011	37,643
2027	290,597	40,827	331,424	17,639	2,169	19,808
2028	309,971	28,082	338,053	18,162	1,645	19,807
2029	330,326	14,487	344,813	11,160	426	11,586
	<u>\$ 1,457,753</u>	<u>\$ 200,018</u>	<u>\$ 1,657,771</u>	<u>\$ 132,409</u>	<u>\$ 17,524</u>	<u>\$ 149,933</u>

The following summarizes leased assets and their related accumulated amortization expense as of June 30, 2024:

Facilities	\$ 1,457,753
Vehicles	<u>263,515</u>
Total leased assets	1,721,268
Less accumulated amortization	<u>(124,226)</u>
Net carrying value	<u>\$ 1,597,042</u>

In fiscal year 2024, the Collaborative paid \$276,350 and \$356,267, respectively, to related and unrelated parties for facility rent.

III. Other Information

A. Defined Contribution Pension Plan

The Collaborative established a 457(b) deferred compensation plan for eligible employees in 2017, which is available to all eligible employees over twenty-one years of age. This plan is intended to qualify as a defined contribution plan in accordance with Section 457(b) of the Internal Revenue Code. Participants may defer compensation under this plan subject to statutory limits.

The Collaborative makes matching contributions on the first \$1,000 of annual individual employees' contributions to this plan. The Collaborative made contributions of \$66,817 to the plan during the fiscal year ended June 30, 2024.

B. Massachusetts Teachers' Retirement System

Teachers and certain other instructional employees of the Collaborative participate in the Massachusetts Teachers' Retirement System ("MTRS"), a cost-sharing, multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The MTRS was established under Chapter 32 of Massachusetts General Laws ("MGL"). The Commonwealth's legislature has the authority to amend or modify the MTRS's funding policies. MTRS is a component unit of the Commonwealth and does not issue stand-alone audited financial statements.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Collaborative is in a special funding situation as defined under GAAP.

For the year ended June 30, 2023 (the latest period for which MTRS has provided financial data), the Commonwealth contributed \$1,010,673 to the MTRS on behalf of the Collaborative. The Collaborative's proportionate share of the collective MTRS net pension liability at this reporting date was approximately 0.047037%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Collaborative as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Collaborative was \$12,366,159 at June 30, 2023 (the latest period for which MTRS has provided financial data).

The pension expense incurred by the Commonwealth on behalf of the Collaborative was \$1,154,630 for the year ended June 30, 2023 (the latest period for which MTRS has provided financial data). This amount has been recognized by the Collaborative as intergovernmental revenue and pension expense in the statement of activities for the year ended June 30, 2024.

Additional information on MTRS can be found on its website.

C. Massachusetts State Employees' Retirement System

Full-time employees of the Collaborative that do not participate in the MTRS participate in the Massachusetts State Employees' Retirement System ("MERS"), a cost-sharing, multiple employer defined benefit pension plan established under Chapter 32 of MGL. MERS is administered by the Massachusetts State Retirement Board, which consists of five members. MERS is a component unit of the Commonwealth and does not issue stand-alone audited financial statements.

Educational collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Massachusetts Public Employees' Retirement Administration Commission, which is currently 6.1% of covered payroll. Legally, educational collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the educational collaboratives. The Commonwealth, as a nonemployer contributor to MERS, is legally responsible for the entire past service costs related to the educational collaboratives and has a 100% special funding situation as defined under GAAP.

The Collaborative contributed \$252,307 to MERS during the fiscal year ended June 30, 2024.

For the year ended June 30, 2023 (the latest period for which MERS has provided financial data), the Commonwealth contributed \$667,204 to MERS on behalf of the Collaborative. The Collaborative's proportionate share of the collective MERS net pension liability at this reporting date was approximately 0.006020%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Collaborative as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Collaborative was \$8,817,479 at June 30, 2023 (the latest period for which MERS provided financial data).

The pension expense incurred by the Commonwealth on behalf of the Collaborative was \$1,046,908 for the year ended June 30, 2023 (the latest period for which MERS has provided financial data). This amount has been recognized by the Collaborative as intergovernmental revenue and pension expense in the statement of activities for the year ended June 30, 2024.

D. Other Postemployment Benefits

The Collaborative administers a single employer defined benefit healthcare plan (the "OPEB Plan") that provides health insurance benefits (other postemployment benefits) to certain employees grandfathered into the OPEB Plan after the Board of Directors voted to eliminate other postemployment benefits in October 2016.

Eligible employees must retire after age sixty to receive benefits under the OPEB Plan; furthermore, these benefits terminate once the eligible employee reaches aged sixty-five. All benefits are paid through the Collaborative's existing health insurance program. The OPEB Plan does not issue a stand-alone financial report.

There is currently one retiree covered under the OPEB Plan. This employee's benefit will terminate in November 2024.

Contributions – The Collaborative pays approximately 75% of retiree post-retirement health insurance. The Collaborative currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis. Administration costs of the OPEB Plan are paid by the Collaborative. The Collaborative is not prefunding its OPEB Plan and the OPEB Plan has no assets at June 30, 2024.

Net OPEB Liability – The components of the net OPEB liability at June 30, 2024 were as follows:

Total OPEB liability	\$	3,682
Plan fiduciary net position		<u>-</u>
Net OPEB liability	\$	<u>3,682</u>
Plan fiduciary net position as a percentage of the total OPEB liability		0.0%

The Collaborative's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined using an alternative measurement method, which is an approach that includes the same broad measurement steps as an actuarial valuation (i.e., projecting benefit payments, discounting projected benefit payments to a present value and attributing the present value of projected benefit payments to periods using an actuarial cost method). The Collaborative is permitted to use an alternative measurement method as there are fewer than one hundred employees (active and inactive) eligible to receive OPEB benefits.

E. Contingencies

During its day-to-day operations, the Collaborative is party to certain legal claims, which are subject to many uncertainties. The outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2024 cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Collaborative at June 30, 2024.

IV. Implementation of GASB Pronouncements

A. Current Year Implementations

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement was to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement became effective in fiscal year 2024. The adoption of this accounting standard did not have a material effect on the Collaborative's financial statements.

B. Future Year Implementations

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Collaborative is currently evaluating whether adoption will have a material impact on its financial statements.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2024 (fiscal year 2025). The Collaborative is currently evaluating whether adoption will have a material impact on its financial statements.

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). The Collaborative is currently evaluating whether adoption will have a material impact on its financial statements.

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CAPS EDUCATION COLLABORATIVE

**REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

**SCHEDULE OF THE COMMONWEALTH'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

(dollar amounts are in thousands)

For the Year Ended June 30, *	Commonwealth's Proportion of the Net Pension Liability	Collaborative's Proportion of the Net Pension Liability	Commonwealth's Proportionate Share of the Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	100%	0%	\$ 8,817	70.7%
2023	100%	0%	7,763	71.1%
2022	100%	0%	4,392	77.5%
2021	100%	0%	8,423	62.5%
2020	100%	0%	6,958	66.3%
2019	100%	0%	6,009	67.9%
2018	100%	0%	5,974	67.2%
2017	100%	0%	5,489	63.5%
2016	100%	0%	4,204	67.9%

**SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS TO THE
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

(dollar amounts are in thousands)

For the Year Ended June 30,	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 252	\$ 252	\$ 4,131	6.1%
2023	231	231	3,787	6.1%
2022	217	217	3,557	6.1%
2021	178	178	2,918	6.1%
2020	183	183	3,000	6.1%
2019	156	156	2,557	6.1%
2018	145	145	2,377	6.1%
2017	124	124	2,033	6.1%
2016	113	113	1,852	6.1%

* Amounts are based on measurement date as of the previous June 30th.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

CAPS EDUCATION COLLABORATIVE

REQUIRED SUPPLEMENTARY INFORMATION MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF THE COMMONWEALTH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

For the Year Ended June 30, *	Commonwealth's Proportion of the Net Pension Liability	Collaborative's Proportion of the Net Pension Liability	Commonwealth's Proportionate Share of the Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	100%	0%	\$ 12,366	58.5%
2023	100%	0%	9,944	57.8%
2022	100%	0%	7,808	62.0%
2021	100%	0%	10,539	50.7%
2020	100%	0%	9,524	53.9%
2019	100%	0%	7,799	54.8%
2018	100%	0%	7,635	54.3%
2017	100%	0%	6,854	52.7%
2016	100%	0%	5,008	55.4%

* Amounts are based on measurement date as of the previous June 30th.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Collaborative has not recognized any portion of the net pension liability relative to Collaborative employees covered under the MTRS pension plan.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

CAPS EDUCATION COLLABORATIVE

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual	Positive
	Original Budget	Final Budget	Budgetary Amounts	(Negative) Variance
Revenues:				
Special education tuition	\$ 11,255,823	\$ 11,255,823	\$ 12,076,337	\$ 820,514
Other student services	1,240,000	1,240,000	1,321,032	81,032
Member assessments	93,924	93,924	93,924	-
Transportation	20,000	20,000	26,249	6,249
Investment income	-	-	74,232	74,232
Other	80,000	80,000	38,860	(41,140)
Total Revenues	<u>12,689,747</u>	<u>12,689,747</u>	<u>13,630,634</u>	<u>940,887</u>
Expenses:				
Instruction services	6,514,213	6,514,213	7,691,946	(1,177,733)
Other student services	2,214,018	2,214,018	1,839,752	374,266
Administration and office	509,486	509,486	684,047	(174,561)
Facilities	758,236	758,236	1,171,488	(413,252)
Transportation	59,800	59,800	29,547	30,253
Pension and fringe benefits	2,540,257	2,540,257	2,294,718	245,539
Total Expenses	<u>12,596,010</u>	<u>12,596,010</u>	<u>13,711,498</u>	<u>(1,115,488)</u>
Net Budget	<u>\$ 93,737</u>	<u>\$ 93,737</u>	<u>\$ (80,864)</u>	<u>\$ (174,601)</u>

See notes to required supplementary information.

See accompanying independent auditors' report.

CAPS EDUCATION COLLABORATIVE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

An annual budget for the general fund is prepared under the direction of the Executive Director and approved by majority vote of the Board of Directors.

The Collaborative's annual budget is prepared using the economic resources measurement focus and the accrual basis of accounting. However, there are some differences between the Collaborative's budgetary balances and the final figures included in the Collaborative's Statement of Activities, which again is reported on the accrual basis of accounting. A complete reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 13,630,634
On-behalf pension payments	\$ 2,201,538	\$ -	2,201,538
Revenues — GAAP basis	<u>\$ 2,201,538</u>	<u>\$ -</u>	<u>\$ 15,832,172</u>
Expenses — budgetary basis			\$ 13,711,498
On-behalf pension payments	\$ 2,201,538	\$ -	2,201,538
Expenses — GAAP basis	<u>\$ 2,201,538</u>	<u>\$ -</u>	<u>\$ 15,913,036</u>

CAPS EDUCATION COLLABORATIVE

OTHER INFORMATION – UNAUDITED AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

The following other information is provided to comply with the requirements of Chapter 40 of Massachusetts General Law.

Note 1 – Names, Duties and Total Compensation of the Five Most Highly Compensated Employees

Employee Name	Duties	Total Compensation
Jennifer Gates	Executive Director	\$ 152,997
Sheri D’Annolfo	Program Director	136,114
Michelle Ann Atter	Program Director	127,391
Justin Nussey	Director of Finance and Operations	125,162
Courtney Dunne	Program Director	122,297

Note 2 – Transactions Between the Collaborative and any Related For-Profit or Non-Profit Organization

None.

Note 3 – Amounts Expenses on Services for Individuals with Disabilities, Aged 22 and Older

None.

Note 4 – Amounts Expenses on Administration and Overhead

The Collaborative expended \$684,047 and \$1,171,488 for administration and overhead, respectively, for the year ended June 30, 2024.

Note 5 – Accounts Held by the Collaborative That May be Spent at the Discretion of Another Person/Entity

None.

Note 6 – Transactions or Contracts Related to the Purchase, Sale, Rental or Lease of Real Property

The Collaborative is party to several lease agreements for classroom and administrative office space under noncancellable leases, several of which are with related parties (i.e., member school systems). The Collaborative paid \$276,350 and \$356,267, respectively, to related and unrelated parties for facility rent, inclusive of common area maintenance of \$69,518, in fiscal year 2024.

Based on executed facility leases in effect at June 30, 2024, future minimum lease payments for facility leases are as follows:

<u>Fiscal Year</u>	<u>Future Minimum Payments</u>
2025	\$ 351,055
2026	324,926
2027	331,424
2028	338,053
2029	344,814
	<u>\$ 1,690,272</u>

Although the Collaborative only has a single executed facility leases with related parties in effect at June 30, 2024, the Collaborative expects additional facility leases incurring approximately \$284,750 in facility rent in fiscal year 2025 with related parties.

Note 7 – Annual Determination and Disclosure of Cumulative Surplus

Cumulative surplus is defined as the amount of general fund surplus in the Collaborative's accounts, as reported through an independent audit. Cumulative surplus is derived from a collaborative's unexpended general funds over a number of fiscal years. Cumulative surplus cannot exceed 25% of the previous year's general fund expenditures.

Certified cumulative surplus is the total amount of general fund surplus as certified through an independent audit. The certified cumulative surplus at June 30, 2024 is \$1,793,960. The following table illustrates the Collaborative's compliance with the 25% limitation rule:

Cumulative Surplus Worksheet CAPS Collaborative

Surplus Calculation

Fiscal Year 2024

Enter values below

Page in
FY24 FS

(A) Surplus as of June 30, 2023

\$ 2,018,167 (A) p. 14 *

(Breakdown of use of 2023 surplus)

B(1) used to support the FY24 budget

\$ -

B(2) issued as credits to member districts

\$ -

B(3) issued as a check(s) to member district(s)

\$ -

B(4) deposited to a restricted account(s)

\$ -

(B) Board voted uses of surplus funds during FY24

(total from B1:B4) \$ - (B) p. N/A

(C) Unexpended FY24 General Funds

\$ (224,327) (C) p. 14 **

(D) Cumulative Surplus as of June 30, 2024

(A) - (B) + (C) = (D) \$ 1,793,840 (D) p. N/A

(E) FY24 Total General Fund Expenditures

\$ 16,111,176 (E) p. 14

(F) Cumulative Surplus Percentage

(D) ÷ (E) 11.13% (F) p. N/A

* Amount consists of the prior year's unassigned fund balance in the general fund. The unassigned portion of the reported general fund balance at the beginning of the year was \$2,018,167; the nonspendable portion of the reported general fund balance at the beginning of the year was \$255,398 (total fund balance in the general fund at the beginning of the year was \$2,273,565). Note that nonspendable fund balance is a GAAP measurement.

** Amount consists of the following:

Decrease in fund balance in the general fund - FY 2024 \$ (175,386) p. 14

Increase in nonspendable fund balance in general fund (48,941)

\$ (224,327)

CUMULATIVE SURPLUS REDUCTION

Allowable uses of surplus - in excess of the 25% limit

(G) Cumulative surplus as of June 30, 2024

\$ 1,793,840

25% limit (allowed) \$ 4,027,794

(H) Cumulative Surplus REDUCTIONS

(H)1 Credited to member districts for tuition, services, etc.

\$ -

(H)2 Deposited to an established trust and/or reserve fund

\$ -

(H)3 Returned (check) to school districts/towns

\$ -

Total Reductions \$ -

FY24 Cumulative Surplus Percentage after Reductions 11.13%

The following is a reconciliation of the fund balance in the general fund for the fiscal year ended June 30, 2024:

	<u>Nonspendable</u>	<u>Unassigned</u>	<u>Total</u>
Balance — June 30, 2023	\$ 255,398	\$ 2,018,167	\$ 2,273,565
Changes in fund balances	<u>48,941</u>	<u>(224,327)</u>	<u>(175,386)</u>
Balance — June 30, 2024	<u>\$ 304,339</u>	<u>\$ 1,793,840</u>	<u>\$ 2,098,179</u>

* * * * *



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APPENDIX D Certification of Board Acceptance

ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of the **CAPS Collaborative** have voted to accept the representations of management and the expression of the opinions made by **Roselli, Clarke and Associates** as embodied in the financial statements, required supplementary schedules and independent auditor's reports for the year ended June 30, 2024.

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 under Commonwealth of Massachusetts laws for the year ended June 30, 2024.

Peter V. Stephens

Board Chairperson

11/13/2024

Date of Board Vote