

**Unmodified Opinion on Combined General Purpose Financial Statements
Accompanied by Other Information – Governmental Entity**

Independent Auditor's Report

To the Boards of Trustees of
Advanced Math and Science Academy Charter School, AMSA Charter
School Foundation, Inc. and STEM Soaring Eagles Foundation, Inc.:

Report on the Combined General Purpose Financial Statements

We have audited the accompanying combined general purpose financial statements of Advanced Math and Science Academy Charter School (a Massachusetts charter school) (the School), AMSA Charter School Foundation, Inc. (a Massachusetts corporation, not for profit) (AMSA Foundation), and STEM Soaring Eagles Foundation, Inc. (a Massachusetts corporation, not for profit) (STEM Foundation) (collectively, the Organization), which comprise the combined statements of net position as of June 30, 2015 and 2014, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined general purpose financial statements based on our audits. We conducted our audits 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 audits 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 entity'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 entity'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.



ADVANCED MATH & SCIENCE ACADEMY
C H A R T E R S C H O O L

**AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

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June 30, 2015 and 2014

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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 Advanced Math and Science Academy Charter School, AMSA Charter School Foundation, Inc. and STEM Soaring Eagles Foundation, Inc. as of June 30, 2015 and 2014, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 2 through 5 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 29, 2015, 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 for the year ended June 30, 2015. 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 the Organization's internal control over financial reporting and compliance.

Alexander, Brown, Finning & Co., P.C.

Westborough, Massachusetts
October 29, 2015

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Management's Discussion and Analysis
June 30, 2015 and 2014

Our discussion and analysis of the Advanced Math and Science Academy Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the School's combined general purpose financial statements and the related notes to the combined general purpose financial statements.

The School as a Whole

The School received its charter on February 24, 2004, and opened in September 2005 to operate as a public charter school in the Commonwealth of Massachusetts. The School opened with grades six and seven, and has added one grade each year. The Board of Trustees of the School requested approval for a charter amendment to increase the School's maximum enrollment from 828 to 966 students, an increase of 138 students. The Board of Elementary and Secondary Education voted on February 23, 2010, to approve the School's request to amend its charter to increase enrollment from 828 to 966 students and to increase grades served from grades 6 through 11 to grades 6 through 12. The School had 996 and 982 students in fiscal years 2015 and 2014, respectively.

On February 13, 2015, the School's charter was renewed by the DESE through June 30, 2020, with conditions. These conditions are as follows:

1. Beginning in March 2015 and until further notice, the School must submit to DESE, Board meeting agendas, materials, and minutes prior to each Board meeting at the same time these items are sent to the School's Board members. The School must also submit monthly financial statements.
2. By June 30, 2015, the School shall provide DESE an evaluation of its leadership structure, an organizational chart with accompanying job descriptions, and a plan to fully staff the administrative structure.
3. By October 31, 2015, the School's Board of Trustees must have completed a comprehensive self-evaluation of its practices and its capacity.
4. By December 31, 2015, the School's Board of Trustees must engage in training conducted by an external consultant, acceptable to and approved in advance by DESE, on the roles and responsibilities of a Board of Trustees for a charter school and on the Open Meeting Law.

As of October 29th, 2015, the School has met the first three conditions and is in the process of completing the fourth condition. The School expects the conditions on the renewal to be lifted in fiscal year 2016.

Financial Highlights – Charter School

The following financial highlights are for fiscal year 2015 with comparative information from fiscal year 2014:

- The School held total assets of \$8,242,916 and \$7,441,842 at June 30, 2015 and 2014, respectively, of which \$552,580 and \$642,394 were net capital assets, respectively. The majority of the remaining assets consisted of cash, tuition receivable and prepaid expenses. Capital assets were purchased to benefit the School. Some of the larger capital assets purchased during fiscal year 2015 were locks for the lockers, lab equipment, and computer hardware and software.
- The School held total liabilities of \$1,735,470 and \$1,757,926 at June 30, 2015 and 2014, respectively, of which \$1,735,470 and \$1,735,144 were current liabilities, respectively.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Management's Discussion and Analysis
June 30, 2015 and 2014

Financial Highlights – Charter School (Continued)

- Total net position for the School was \$6,507,446 and \$5,683,916 at June 30, 2015 and 2014, respectively, of which \$6,459,323 and \$5,626,132 were unrestricted, respectively. This included \$535,143 and \$601,364 invested in net capital assets, respectively. The School also had restricted net position of \$48,123 and \$57,784 at June 30, 2015 and 2014, respectively.
- The School earned total revenue of \$15,010,531 for the year ended June 30, 2015, of which approximately 99% was operating revenue. The School earned total revenue of \$14,002,721 for the year ended June 30, 2014, of which approximately 98% was operating revenue and approximately 2% was from general revenue (undesignated grants and contributions, insurance recovery, and interest and other).
- The School had total expenses of \$14,187,001 and \$13,051,073 for the years ended June 30, 2015 and 2014, respectively. Expenses that were unbudgeted were Board items, such as hiring a search firm for an executive director and a climate survey for help with school culture difficulties among the faculty and staff of the School. Electricity increased due to the inclement weather over the winter months. There was also an increase in the lease and in-kind fringe benefits.
- The School has sports in baseball, basketball, cross country, fencing, golf, lacrosse, hockey, soccer, softball, tennis, track and field, swim, volleyball, and wrestling. Athletics had income of \$173,748 and \$160,708 in fiscal years 2015 and 2014, respectively. The increase was due to increased participation and lacrosse added a girls' team. Athletics expense was \$202,442 and \$193,865 in fiscal years 2015 and 2014, respectively. The increased expense was for new team uniforms and an increase in the athletics rental facility.
- The School has carried an increased expense in legal fees due to a lawsuit with the landlord. Total legal expense was \$291,018 and \$306,601 in fiscal years 2015 and 2014, respectively.
- The School's changes in net position were \$823,530 and \$951,648 for the years ended June 30, 2015 and 2014, respectively.

Using This Annual Report

This annual report consists of a series of 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, the School issues a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Net Position* and a *Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. 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.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Management's Discussion and Analysis
June 30, 2015 and 2014

Combined General Purpose Financial Statements

The combined statement of net position presents the assets, liabilities and net position of the School as a whole, as of the end of the fiscal year. The combined statement of net position is a point-in-time general purpose financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the combined general purpose financial statements. The combined statement of net position includes year-end information concerning current and non-current assets, current and non-current liabilities, and net position. Net position represents the difference between assets and liabilities. Net position is displayed in three components: operating, invested in capital and restricted net position. Invested in capital net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted operating net position represents all other net position that do not meet the definition of restricted or invested in capital net position. Over time, readers of the combined general purpose financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the School'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 School. This statement is also a good source for readers to determine how much the School 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 report the combined financial (revenue and expenses) activities of the School and divide revenue into two categories: Operating activities and general revenue. Operating activities include all financial activities associated with the operation of the School and its related programs. General revenue includes all revenue received which is not fee generated or designated for a specific purpose with the exception of capital grants. Capital grants are reported as general revenue as the related cost has been capitalized. 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 School 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 School'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 non-capital 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 School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Budgetary Highlights

For the fiscal year ended June 30, 2015, the School incurred \$13,204,909 in actual expenditures, excluding in-kind fringe benefits, compared to budgeted expenditures of \$13,215,145.

For the fiscal year ended June 30, 2014, the School incurred \$13,051,073 in actual expenditures compared to budgeted expenditures of \$12,718,163. The actual expenses were higher than budgeted due to student program expenses; there was a book fair and summer school that was not budgeted for. Transportation was higher than budgeted due to ridership changes on the buses for non-core towns. Legal expense was also higher than budgeted due to the lawsuit that the School is currently involved in with the landlord.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Management's Discussion and Analysis
June 30, 2015 and 2014

Budgetary Highlights (Continued)

For the fiscal year ended June 30, 2015, the School received per-pupil tuition of \$12,645,110 compared to budgeted tuition of \$12,109,397. For the fiscal year ended June 30, 2014, the School received per-pupil tuition of \$12,233,918 compared to budgeted tuition of \$11,811,823. The School under budgets tuition revenue by 1% to 3% to be conservative in case there is a decrease in tuition rates.

The 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.

Per-pupil tuition funding represents 90% of the School's total revenue for fiscal year 2015 and 88% for fiscal year 2014. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$158,939 and \$193,749 for fiscal years 2015 and 2014, respectively.

Other Financial Factors

In December 2004, the School entered into an operating lease agreement with the 201 Forest Street Realty Trust for a term of twenty-five years for the location at 201 Forest Street. The lease agreement was amended on August 1, 2009, to include additional space at 199 Forest Street, which includes payments ranging from approximately \$22,000 per month in the first year to approximately \$104,000 per month in the twenty-fifth year. In accordance with the lease terms, the School is also liable for all common area maintenance expenses incurred at the premises.

Contacting the School's Financial Management

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

ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
 AMSA CHARTER SCHOOL FOUNDATION, INC. AND
 STEM SOARING EAGLES FOUNDATION, INC.

Combined Statement of Net Position
 June 30, 2015

Assets	Enterprise Fund					Component Unit AMSA Foundation	(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Eliminations	Total Enterprise Fund			
Current Assets:							
Cash	\$ 4,038	\$ 7,214,431	\$ -	\$ 7,218,469	\$ 55,882	\$ 7,274,351	
Prepaid expenses	-	437,572	-	437,572	-	437,572	
Due from STEM Foundation	-	5,000	(5,000)	-	-	-	
Total current assets	4,038	7,657,003	(5,000)	7,656,041	55,882	7,711,923	
Capital Assets, net	-	552,580	-	552,580	-	552,580	
Security Deposit	-	33,333	-	33,333	-	33,333	
Total assets	\$ 4,038	\$ 8,242,916	\$ (5,000)	\$ 8,241,954	\$ 55,882	\$ 8,297,836	
Liabilities and Net Position							
Current Liabilities:							
Note payable	\$ -	\$ 17,437	\$ -	\$ 17,437	\$ -	\$ 17,437	
Accounts payable	-	123,812	-	123,812	-	123,812	
Accrued expenses	-	1,509,762	-	1,509,762	500	1,510,262	
Deferred revenue	-	84,459	-	84,459	-	84,459	
Due to School	5,000	-	(5,000)	-	-	-	
Total current liabilities	5,000	1,735,470	(5,000)	1,735,470	500	1,735,970	
Net Position:							
Unrestricted:							
Operating	(962)	5,924,180	-	5,923,218	55,382	5,978,600	
Invested in capital	-	535,143	-	535,143	-	535,143	
Total unrestricted	(962)	6,459,323	-	6,458,361	55,382	6,513,743	
Restricted program	-	48,123	-	48,123	-	48,123	
Total net position	(962)	6,507,446	-	6,506,484	55,382	6,561,866	
Total liabilities and net position	\$ 4,038	\$ 8,242,916	\$ (5,000)	\$ 8,241,954	\$ 55,882	\$ 8,297,836	

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

ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
 AMSA CHARTER SCHOOL FOUNDATION, INC. AND
 STEM SOARING EAGLES FOUNDATION, INC.

Combined Statement of Net Position
 June 30, 2014

Assets	Enterprise Fund					Component Unit AMSA Foundation	(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Eliminations	Total Enterprise Fund			
Current Assets:							
Cash	\$ 3,510	\$ 3,169,823	\$ -	\$ 3,173,333	\$ 58,902	\$ 3,232,235	
Tuition receivable	-	3,075,756	-	3,075,756	-	3,075,756	
Prepaid expenses	-	515,536	-	515,536	-	515,536	
Due from STEM Foundation	-	5,000	(5,000)	-	-	-	
Total current assets	3,510	6,766,115	(5,000)	6,764,625	58,902	6,823,527	
Capital Assets, net	-	642,394	-	642,394	-	642,394	
Security Deposit	-	33,333	-	33,333	-	33,333	
Total assets	\$ 3,510	\$ 7,441,842	\$ (5,000)	\$ 7,440,352	\$ 58,902	\$ 7,499,254	
Liabilities and Net Position							
Current Liabilities:							
Current portion of note payable	\$ -	\$ 18,248	\$ -	\$ 18,248	\$ -	\$ 18,248	
Accounts payable	-	417,290	-	417,290	-	417,290	
Accrued expenses	-	1,182,696	-	1,182,696	1,500	1,184,196	
Deferred revenue	-	116,910	-	116,910	-	116,910	
Due to School	5,000	-	(5,000)	-	-	-	
Total current liabilities	5,000	1,735,144	(5,000)	1,735,144	1,500	1,736,644	
Note Payable, net of current portion	-	22,782	-	22,782	-	22,782	
Total liabilities	5,000	1,757,926	(5,000)	1,757,926	1,500	1,759,426	
Net Position:							
Unrestricted:							
Operating	(1,490)	5,024,768	-	5,023,278	57,402	5,080,680	
Invested in capital	-	601,364	-	601,364	-	601,364	
Total unrestricted	(1,490)	5,626,132	-	5,624,642	57,402	5,682,044	
Restricted program	-	57,784	-	57,784	-	57,784	
Total net position	(1,490)	5,683,916	-	5,682,426	57,402	5,739,828	
Total liabilities and net position	\$ 3,510	\$ 7,441,842	\$ (5,000)	\$ 7,440,352	\$ 58,902	\$ 7,499,254	

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Enterprise Fund				(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	Component Unit AMSA Foundation	
Changes in Unrestricted Net Position:					
Operating revenue:					
Per-pupil tuition	\$ -	\$ 12,645,110	\$ 12,645,110	\$ -	\$ 12,645,110
In-kind transportation and pension	-	1,256,304	1,256,304	-	1,256,304
Program service fees	-	834,050	834,050	-	834,050
Grants - government	-	158,939	158,939	-	158,939
Transfers between funds	-	48,241	48,241	-	48,241
Total operating revenue	-	14,942,644	14,942,644	-	14,942,644
Operating expenses:					
Personnel and related costs:					
Salaries	-	7,196,970	7,196,970	-	7,196,970
Payroll taxes and fringe benefits	-	1,091,193	1,091,193	-	1,091,193
In-kind fringe benefits	-	982,092	982,092	-	982,092
Staff development and recruitment	-	100,955	100,955	-	100,955
Staff travel	-	4,270	4,270	-	4,270
Total personnel and related costs	-	9,375,480	9,375,480	-	9,375,480
Direct student costs:					
Program expenses	-	1,086,924	1,086,924	-	1,086,924
Student transportation	-	568,482	568,482	-	568,482
Total direct student costs	-	1,655,406	1,655,406	-	1,655,406
Occupancy:					
Rent and related	-	1,655,534	1,655,534	-	1,655,534
Utilities	-	221,407	221,407	-	221,407
Repairs and maintenance	-	201,431	201,431	-	201,431
Equipment rental	-	90,480	90,480	-	90,480
Insurance	-	40,548	40,548	-	40,548
Storage	-	6,822	6,822	-	6,822
Total occupancy	-	2,216,222	2,216,222	-	2,216,222
Other operating costs:					
Professional fees	-	550,678	550,678	1,500	552,178
Miscellaneous	36	43,880	43,916	842	44,758
Office supplies	-	37,362	37,362	-	37,362
Dues and memberships	-	35,069	35,069	-	35,069
Communications	-	27,850	27,850	-	27,850
Marketing and fundraising	-	15,357	15,357	-	15,357
Technology	-	12,641	12,641	-	12,641
Printing and postage	-	5,042	5,042	-	5,042
Interest	-	3,944	3,944	-	3,944
Total other operating costs	36	731,823	731,859	2,342	734,201
Depreciation	-	208,070	208,070	-	208,070
Total operating expenses	36	14,187,001	14,187,037	2,342	14,189,379
Changes in unrestricted net position from operations	(36)	755,643	755,607	(2,342)	753,265
General revenue:					
Insurance recovery	-	43,858	43,858	-	43,858
Interest and other	-	32,183	32,183	292	32,475
Grants and contributions	564	1,507	2,071	30	2,101
Total general revenue	564	77,548	78,112	322	78,434
Changes in unrestricted net position	528	833,191	833,719	(2,020)	831,699
Changes in Restricted Net Position:					
Program specific grants and contributions - private	-	38,580	38,580	-	38,580
Transfers between funds	-	(48,241)	(48,241)	-	(48,241)
Changes in restricted net position	-	(9,661)	(9,661)	-	(9,661)
Changes in net position	528	823,530	824,058	(2,020)	822,038
Net Position:					
Beginning of year	(1,490)	5,683,916	5,682,426	57,402	5,739,828
End of year	\$ (962)	\$ 6,507,446	\$ 6,506,484	\$ 55,382	\$ 6,561,866

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

ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
 AMISA CHARTER SCHOOL FOUNDATION, INC. AND
 STEM SOARING EAGLES FOUNDATION, INC.

Combined Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended June 30, 2014

	Enterprise Fund				(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	Component Unit AMSA Foundation	
Changes in Unrestricted Net Position:					
Operating revenue:					
Per-pupil tuition	\$ -	\$ 12,233,918	\$ 12,233,918	\$ -	\$ 12,233,918
In-kind transportation	-	224,694	224,694	-	224,694
Program service fees	-	930,516	930,516	-	930,516
Grants - government	-	193,749	193,749	-	193,749
Transfers between funds	-	40,908	40,908	-	40,908
Total operating revenue	-	13,623,785	13,623,785	-	13,623,785
Operating expenses:					
Personnel and related costs:					
Salaries	-	6,876,790	6,876,790	-	6,876,790
Payroll taxes and fringe benefits	-	1,012,571	1,012,571	-	1,012,571
Staff development and recruitment	-	109,393	109,393	-	109,393
Staff travel	-	3,446	3,446	-	3,446
Total personnel and related costs	-	8,002,200	8,002,200	-	8,002,200
Direct student costs:					
Program expenses	-	1,217,885	1,217,885	-	1,217,885
Student transportation	-	521,913	521,913	-	521,913
Total direct student costs	-	1,739,798	1,739,798	-	1,739,798
Occupancy:					
Rent and related	-	1,621,740	1,621,740	-	1,621,740
Utilities	-	190,375	190,375	-	190,375
Repairs and maintenance	-	209,548	209,548	-	209,548
Equipment rental	-	78,650	78,650	-	78,650
Insurance	-	38,136	38,136	-	38,136
Storage	-	3,854	3,854	-	3,854
Total occupancy	-	2,142,303	2,142,303	-	2,142,303
Other operating costs:					
Professional fees	4,978	632,057	637,035	3,171	640,206
Miscellaneous	243	12,830	13,073	436	13,509
Office supplies	-	38,503	38,503	-	38,503
Dues and memberships	-	41,147	41,147	-	41,147
Communications	-	32,332	32,332	-	32,332
Marketing and fundraising	-	26,956	26,956	-	26,956
Technology	-	150,621	150,621	-	150,621
Printing and postage	-	6,030	6,030	-	6,030
Interest	-	3,641	3,641	-	3,641
Grant expense	-	-	-	45,000	45,000
Total other operating costs	5,221	944,117	949,338	48,607	997,945
Depreciation	-	222,655	222,655	-	222,655
Total operating expenses	5,221	13,051,073	13,056,294	48,607	13,104,901
Changes in unrestricted net position from operations	(5,221)	572,712	567,491	(48,607)	518,884
General revenue:					
Insurance recovery	-	253,291	253,291	-	253,291
Interest and other	-	16,262	16,262	371	16,633
Grants and contributions	-	50,316	50,316	-	50,316
In-kind goods - capital	-	23,039	23,039	-	23,039
Total general revenue	-	342,908	342,908	371	343,279
Changes in unrestricted net position	(5,221)	915,620	910,399	(48,236)	862,163
Changes in Restricted Net Position:					
Program specific grants and contributions - private	-	76,936	76,936	-	76,936
Transfers between funds	-	(40,908)	(40,908)	-	(40,908)
Changes in restricted net position	-	36,028	36,028	-	36,028
Changes in net position	(5,221)	951,648	946,427	(48,236)	898,191
Net Position:					
Beginning of year	3,731	4,732,268	4,735,999	105,638	4,841,637
End of year	\$ (1,490)	\$ 5,683,916	\$ 5,682,426	\$ 57,402	\$ 5,739,828

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Combined Statement of Cash Flows
For the Year Ended June 30, 2015

	Enterprise Fund				(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	Component Unit AMSA Foundation	
Cash Flows from Operating Activities:					
Receipts for tuition	\$ -	\$ 15,720,866	\$ 15,720,866	\$ -	\$ 15,720,866
Receipts from government grants	-	158,939	158,939	-	158,939
Receipts from private grants and contributions	564	40,087	40,651	30	40,681
Receipts from program fees and other	-	877,640	877,640	292	877,932
Payments for employee compensation and related costs	-	(8,367,252)	(8,367,252)	-	(8,367,252)
Payments for supplies and services	(36)	(4,218,121)	(4,218,157)	(3,342)	(4,221,499)
Net cash provided by (used in) operating activities	528	4,212,159	4,212,687	(3,020)	4,209,667
Cash Flows from Investing Activities:					
Cash paid for capital assets	-	(143,958)	(143,958)	-	(143,958)
Cash Flows from Financing Activities:					
Principal payments on note payable	-	(23,593)	(23,593)	-	(23,593)
Net Change in Cash	528	4,044,608	4,045,136	(3,020)	4,042,116
Cash:					
Beginning of year	3,510	3,169,823	3,173,333	58,902	3,232,235
End of year	\$ 4,038	\$ 7,214,431	\$ 7,218,469	\$ 55,882	\$ 7,274,351
Cash Flows from Operating Activities:					
Changes in net position	\$ 528	\$ 823,530	\$ 824,058	\$ (2,020)	\$ 822,038
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:					
Depreciation	-	208,070	208,070	-	208,070
Changes in operating assets and liabilities:					
Tuition receivable	-	3,075,756	3,075,756	-	3,075,756
Prepaid expenses	-	77,964	77,964	-	77,964
Accounts payable	-	(267,776)	(267,776)	-	(267,776)
Accrued expenses	-	327,066	327,066	(1,000)	326,066
Deferred revenue	-	(32,451)	(32,451)	-	(32,451)
Net cash provided by (used in) operating activities	\$ 528	\$ 4,212,159	\$ 4,212,687	\$ (3,020)	\$ 4,209,667
Supplemental Disclosure of Cash Flow Information:					
Cash paid for interest	\$ -	\$ 3,944	\$ 3,944	\$ -	\$ 3,944

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

ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
 AMSA CHARTER SCHOOL FOUNDATION, INC. AND
 STEM SOARING EAGLES FOUNDATION, INC.

Combined Statement of Cash Flows
 For the Year Ended June 30, 2014

	Enterprise Fund					
	Blended Component Unit STEM Foundation	School	Eliminations	Total Enterprise Fund	Component Unit AMSA Foundation	(Memorandum Only) Total
Cash Flows from Operating Activities:						
Receipts for tuition	\$ -	\$ 9,158,162	\$ -	\$ 9,158,162	\$ -	\$ 9,158,162
Receipts from government grants	-	193,749	-	193,749	-	193,749
Receipts from private grants and contributions	-	122,252	-	122,252	-	122,252
Receipts from program fees and other	-	1,316,979	-	1,316,979	371	1,317,350
Payments for employee compensation and related costs	-	(7,630,382)	-	(7,630,382)	-	(7,630,382)
Payments for supplies and services	(2,910)	(4,995,658)	-	(4,998,568)	(47,107)	(5,045,675)
Net cash used in operating activities	(2,910)	(1,834,898)	-	(1,837,808)	(46,736)	(1,884,544)
Cash Flows from Investing Activities:						
Cash paid for capital assets	-	(194,983)	-	(194,983)	-	(194,983)
Cash Flows from Financing Activities:						
Principal payments on note payable	-	(15,917)	-	(15,917)	-	(15,917)
Net Change in Cash	(2,910)	(2,045,798)	-	(2,048,708)	(46,736)	(2,095,444)
Cash:						
Beginning of year	6,420	5,215,621	-	5,222,041	105,638	5,327,679
End of year	\$ 3,510	\$ 3,169,823	\$ -	\$ 3,173,333	\$ 58,902	\$ 3,232,235
Cash Flows from Operating Activities:						
Changes in net position	\$ (5,221)	\$ 951,648	\$ -	\$ 946,427	\$ (48,236)	\$ 898,191
Adjustments to reconcile changes in net position to net cash used in operating activities:						
Depreciation	-	222,655	-	222,655	-	222,655
Donated equipment	-	(23,039)	-	(23,039)	-	(23,039)
Changes in operating assets and liabilities:						
Tuition receivable	-	(3,075,756)	-	(3,075,756)	-	(3,075,756)
Prepaid expenses	-	(326,546)	-	(326,546)	-	(326,546)
Due from STEM Foundation	5,000	-	(5,000)	-	-	-
Accounts payable	(2,689)	193,329	-	190,640	1,500	192,140
Accrued expenses	-	110,901	-	110,901	-	110,901
Deferred revenue	-	116,910	-	116,910	-	116,910
Due to School	-	(5,000)	5,000	-	-	-
Net cash used in operating activities	\$ (2,910)	\$ (1,834,898)	\$ -	\$ (1,837,808)	\$ (46,736)	\$ (1,884,544)
Supplemental Disclosure of Cash Flow Information:						
Capital asset additions included in accounts payable	\$ -	\$ 25,702	\$ -	\$ 25,702	\$ -	\$ 25,702
Cash paid for interest	\$ -	\$ 3,641	\$ -	\$ 3,641	\$ -	\$ 3,641
Cost basis of donated equipment	\$ -	\$ 23,039	\$ -	\$ 23,039	\$ -	\$ 23,039

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

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS

On February 24, 2004, Advanced Math and Science Academy Charter School (the School) was granted its charter by the Commonwealth of Massachusetts under Chapter 71, Section 89 of the General Laws of Massachusetts. The School's charter is subject to renewal every five years and has been renewed through June 30, 2020, with conditions (see Note 10).

The School's primary purpose is to offer an academically rigorous education, emphasizing mathematics and science to students. The School is located in Marlborough, Massachusetts. The School operates as a middle and high school with grades 6 through 12. During the fiscal years 2015 and 2014, the School had 996 and 982 students, respectively. 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.

AMSA Charter School Foundation, Inc. (AMSA Foundation) was formed in March 2004 to develop programs and enhance the educational opportunities for the children in Massachusetts by supporting the School. AMSA Foundation receives and administers funds for the operation and maintenance of the School. AMSA 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 AMSA Foundation within the requirements of the IRC. AMSA Foundation is also exempt from state income taxes.

STEM Soaring Eagles Foundation, Inc. (STEM Foundation) was formed in April 2013 to support the School through fundraising and capital acquisition. STEM Foundation is an exempt organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC.

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 entity, its accounting policies and combined general purpose financial statement presentation is governed by standards issued by the Governmental Accounting Standards Board (GASB). The School follows GASB Statement No. 34, *Basic 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 Statement No. 34 and, therefore, only has enterprise funds within its proprietary funds.

Consistent with the provisions of GASB Statement Nos. 14 and 39, as clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment to GASB Statement Nos. 14 and 39, the AMSA Foundation is "discretely" 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 Number 14. This represents the combined totals of the School and the AMSA Foundation without the elimination of inter-agency balances and transactions. Also, consistent with GASB Statement Nos. 14, 39 and 61, the STEM Foundation is presented in the combined general purpose financial statements as a "blended" component unit of the School in the total enterprise fund column. All inter-agency transactions between the School and the STEM Foundation have been eliminated.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Classification of Funds

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

Invested in Capital - represent the net book value of capital assets, net of related debt.

Restricted Program Funds - include all funds received or committed to fund specific programs which have not yet been expended.

Revenue Recognition

Per-pupil tuition, program service fees 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 the Massachusetts Department of Elementary and Secondary Education (DESE).

Unrestricted grants and contributions are recorded when they are received or unconditionally committed. Gifts of cash and other assets are recorded as restricted program funds if they are received or unconditionally committed with donor stipulations that limit the use of the donated assets. When a stipulated purpose restriction is accomplished, program restricted funds are reported in the combined statements of revenues, expenses and changes in net position as a transfer between funds. All other revenue is recorded when earned.

In fiscal years 2015 and 2014, the School filed claims with its insurance company to reimburse the School for a portion of its legal costs incurred during each year. The claims totaled \$43,858 and \$253,291 for the fiscal years ended June 30, 2015 and 2014, respectively, and are reflected in the accompanying combined statements of revenues, expenses and changes in net position as insurance recovery.

Deferred revenue at June 30, 2015 and 2014 represents student transportation and other program fees paid in advance for fiscal years 2016 and 2015 activities, respectively.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is based on management's collection experience with their funders. Amounts are charged off as uncollectible when management determines that the receivable will not be collected. There was no allowance for doubtful accounts deemed necessary as of June 30, 2015 or 2014.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
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Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets are recorded at cost, if purchased, or fair value at the time of donation (see Note 2). Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 - 5 years
Computers and software	3 - 5 years
Leasehold improvements	Life of the lease
Vehicles	7 years

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

Marketing and Advertising Costs

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

In-Kind Services and In-Kind Transportation

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

The School also receives donated transportation from the City of Marlborough for certain students, as required by DESE. The value of these services, as estimated by the City of Marlborough, is \$274,212 and \$224,694 for the years ended June 30, 2015 and 2014, respectively, and is included as in-kind transportation and pension revenue and student transportation expense in the accompanying combined statements of revenues, expenses and changes in net position. During the year ended June 30, 2014, the School also received donated equipment valued at \$23,039 as determined by the donor.

Fair Value of Financial Instruments

The Organization's financial instruments, none of which are held for trading purposes, include cash. The Organization estimates that the fair value of all financial instruments at June 30, 2015, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying combined general purpose financial statements.

Estimates

The preparation of 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 amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
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Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

Subsequent events have been evaluated through October 29, 2015, which is the date the combined general purpose financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined general purpose financial statements.

2. FIXED ASSETS

Changes in fixed assets are as follows:

<u>School</u>	<u>Balance June 30, 2013</u>	<u>2014 Additions</u>	<u>Balance June 30, 2014</u>	<u>2015 Additions</u>	<u>Balance June 30, 2015</u>
Cost:					
Furniture and equipment	\$ 877,001	\$ 51,463	\$ 928,464	\$ 14,210	\$ 942,674
Computers and software	839,777	192,261	1,032,038	104,046	1,136,084
Leasehold improvements	374,829	-	374,829	-	374,829
Vehicles	87,409	-	87,409	-	87,409
Total cost	<u>2,179,016</u>	<u>243,724</u>	<u>2,422,740</u>	<u>118,256</u>	<u>2,540,996</u>
Less - accumulated depreciation:					
Furniture and equipment	686,108	93,423	779,531	61,376	840,907
Computers and software	725,167	98,757	823,924	116,219	940,143
Leasehold improvements	115,199	17,988	133,187	17,988	151,175
Vehicles	31,217	12,487	43,704	12,487	56,191
Total accumulated depreciation	<u>1,557,691</u>	<u>222,655</u>	<u>1,780,346</u>	<u>208,070</u>	<u>1,988,416</u>
Capital assets, net	<u>\$ 621,325</u>	<u>\$ 21,069</u>	<u>\$ 642,394</u>	<u>\$ (89,814)</u>	<u>\$ 552,580</u>
AMSA Foundation					
	<u>Balance June 30, 2013</u>	<u>2014 Additions</u>	<u>Balance June 30, 2014</u>	<u>2015 Additions</u>	<u>Balance June 30, 2015</u>
Cost:					
Computers and software	\$ 1,627	\$ -	\$ 1,627	\$ -	\$ 1,627
Less - accumulated depreciation	<u>1,627</u>	<u>-</u>	<u>1,627</u>	<u>-</u>	<u>1,627</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

3. FUNDING

The School receives significant funding from DESE for its tuition revenue and grants - government. 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 financial position of the School as of June 30, 2015 and 2014, or on its changes in net position for the years then ended. The School received approximately 94% and 93% of its operating revenue, net of in-kind transportation and pension from the Commonwealth of Massachusetts for the years ended June 30, 2015 and 2014, respectively.

At June 30, 2014, \$3,075,756 was due from the Commonwealth of Massachusetts for the fourth quarterly tuition payment and is reflected in the accompanying June 30, 2014 combined statement of net position as tuition receivable. There was no tuition receivable as of June 30, 2015, from the Commonwealth of Massachusetts.

4. LEASES

The School leases its facility under a twenty-five year lease agreement which began in August 2005, with monthly rent escalating in accordance with the agreement. The lease may be cancelled by the School, without penalty, in the event that the School's charter is revoked or funding is substantially reduced. The School is also responsible for certain operating costs and real estate taxes. Under the lease, the School has the option to extend this lease for eight additional three-year periods and one last option for one year. The School also has the first right of refusal for additional space on the landlord's premises. If the School exercises this option, the School will be granted the right to purchase the entire property at a mutually agreed upon price.

In August 2011, the School entered into another lease agreement for twenty years for additional space attached to the leased premises described above. The lease may be cancelled by the School, without penalty, in the event that the School's charter is revoked or funding is substantially reduced. The School is also responsible for certain operating costs and real estate taxes.

Total rent expense paid under these agreements for fiscal years 2015 and 2014 was \$1,072,475 and \$1,048,275, respectively.

During fiscal years 2015 and 2014, the School rented gym space as a tenant-at-will. The School is billed on an hourly basis based on the amount of time the gym is used each day.

The School also leases office equipment under various operating leases expiring at dates through December 2018. These leases required the School to make aggregate monthly payments totaling approximately \$7,100 through June 30, 2015, at which time the aggregate monthly payments will decrease to approximately \$5,400. The School is also responsible for certain maintenance and operating costs. The equipment lease expense was \$90,480 and \$78,650 for the years ended June 30, 2015 and 2014, respectively.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
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Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

4. LEASES (Continued)

Future minimum payments under these lease agreements as of June 30, 2015, are as follows:

<u>Fiscal Year</u>	<u>Facility</u>		<u>Equipment</u>
	<u>Rent</u>	<u>Estimated Base Real Estate Taxes and Operating Costs</u>	
2016	\$ 1,083,587	\$ 466,346	\$ 64,814
2017	\$ 1,083,587	\$ 466,346	\$ 64,814
2018	\$ 1,119,337	\$ 466,346	\$ 52,051
2019	\$ 1,122,587	\$ 466,346	\$ 4,857
2020	\$ 1,122,587	\$ 466,346	\$ -
2021 - 2025	\$ 5,879,437	\$ 2,331,730	\$ -
2026 - 2030	\$ 6,207,250	\$ 2,331,730	\$ -
2031	\$ 1,317,500	\$ 466,346	\$ -

5. RETIREMENT PLAN

The School's teaching staff and certain administrators participate individually in the Massachusetts Teachers' Retirement System (MTRS). MTRS is managed by the Commonwealth of Massachusetts (the Commonwealth). 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 the School are exempt from Federal social security taxes for these employees. Benefits vest fully after ten years of full-time employment. An employee may receive retirement benefits after twenty years of service or ten years of service having attained the age of 55. Covered employees are required by state statute to contribute 5% 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. As of June 30, 2015 and 2014, \$53,517 and \$50,655, respectively, was withheld from employees' pay and is owed to MTRS. These amounts are included in accrued expenses in the accompanying combined statements of net position.

During fiscal year 2015, the School adopted 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 expense and in-kind revenue, "on behalf of payments", related to MTRS, as reported by the Commonwealth. In accordance with GASB 68, the School's arrangement meets the definition of a special funding situation, whereby the School does not contribute to MTRS and the Commonwealth is required to make actuarially determined contributions to maintain the financial integrity of the retirement system. The School's proportionate share of MTRS pension expense, as calculated under GASB 68, was \$982,092 for the year ended June 30, 2015, which is included in in-kind transportation and pension revenue and in-kind fringe benefits in the accompanying fiscal year 2015 combined statement of revenues, expenses and changes in net position. The School's proportionate share of MTRS's net pension liability was \$14,135,951 at the measurement date selected by the Commonwealth of June 30, 2014. In accordance with the special funding situation under GASB 68, this amount has not been recorded in the accompanying combined general purpose financial statements. For the year ended June 30, 2014, the School did not record "on-behalf of payments" as calculated under GASB 27 due to the amount being immaterial to the combined general purpose financial statements as a whole.

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Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

5. RETIREMENT PLAN (Continued)

In accordance with certain contract requirements, the School was required to make payments of \$4,176 and \$3,885 to MTRS for the years ended June 30, 2015 and 2014, respectively, which are included in payroll taxes and fringe benefits in the accompanying combined statements of revenues, expenses and changes in net position.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are comprised of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Accrued salaries and benefits	67%	68%
Payables to vendors	<u>33</u>	<u>32</u>
	<u>100%</u>	<u>100%</u>

7. CONCENTRATION OF CREDIT RISK

The School, AMSA Foundation and STEM Foundation maintain their cash balances in a credit union and a bank in Massachusetts. The National Credit Union Share Insurance Fund (NCUSIF) insures balances at each credit union up to \$250,000. The Federal Deposit Insurance Corporation (FDIC) insures bank balances up to \$250,000 for interest bearing cash accounts. At certain times during the year, cash balances exceeded the insured amounts. The School, AMSA Foundation and STEM Foundation have not experienced any losses in such accounts. The School, AMSA Foundation and STEM Foundation believe they are not exposed to any significant credit risk on their cash balances.

As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the following represents a summary of deposits at June 30:

	<u>2015</u>			<u>2014</u>		
	<u>School</u>	<u>AMSA Foundation</u>	<u>STEM Foundation</u>	<u>School</u>	<u>AMSA Foundation</u>	<u>STEM Foundation</u>
Fully insured	\$ 250,000	\$ 54,382	\$ 4,038	\$ 250,000	\$ 57,402	\$ 3,510
Uninsured	<u>6,964,431</u>	<u>1,500</u>	<u>-</u>	<u>2,919,823</u>	<u>1,500</u>	<u>-</u>
	<u>\$ 7,214,431</u>	<u>\$ 55,882</u>	<u>\$ 4,038</u>	<u>\$ 3,169,823</u>	<u>\$ 58,902</u>	<u>\$ 3,510</u>

8. LINE OF CREDIT

The School has a line of credit agreement with a credit union. Under this agreement, the School can borrow up to \$1,000,000. Principal is due on demand. Interest accrues at the *Wall Street Journal's* prime rate (3.25% at June 30, 2015 and 2014), minus 1/4%, with a minimum interest rate of 3%. This note is secured by all business assets and is also guaranteed by AMSA Foundation. Under the terms of the agreement, the School must meet certain financial and operating covenants. The School was in compliance with these covenants as of June 30, 2015 and 2014. There were no amounts outstanding under this agreement as of June 30, 2015 and 2014.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
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Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

9. NOTE PAYABLE

The School has a note payable agreement with a credit union, the proceeds of which were used to purchase two school buses. The note bears interest at 4.5% and is due in monthly principal and interest payments through June 2016. The note is secured by the school buses. Future principal payments for fiscal year 2016 under this agreement are \$17,437.

10. CONTINGENCIES

Charter Renewal

On February 13, 2015, the School's charter was renewed by DESE through June 30, 2020, with conditions. These conditions are as follows:

- Beginning in March 2015 and until further notice, the School must submit to DESE, Board meeting agendas, materials, and minutes prior to each Board meeting at the same time these items are sent to the School's Board members. The School must also submit monthly financial statements.
- By June 30, 2015, the School shall provide DESE an evaluation of its leadership structure, an organizational chart with accompanying job descriptions, and a plan to fully staff the administrative structure.
- By October 31, 2015, the School's Board of Trustees must have completed a comprehensive self-evaluation of its practices and its capacity.
- By December 31, 2015, the School's Board of Trustees must engage in training conducted by an external consultant, acceptable to and approved in advance by DESE, on the roles and responsibilities of a Board of Trustees for a charter school and on the Open Meeting Law.

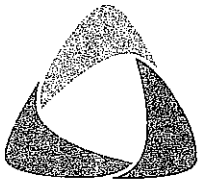
As of October 29, 2015, the School has met three of the four conditions and is in the process of completing the remaining condition. The School expects the conditions on the renewal to be lifted in fiscal year 2016.

From time-to-time, the School is involved in various disputes in the ordinary course of the School's business. Management and the Board of Trustees take the appropriate legal steps in defense of these disputes as they arise. It is management's opinion that any potential settlement would not be material to the accompanying combined general purpose financial statements.

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, 2015, 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.



**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**

Independent Auditor's Report

To the Boards of Trustees of
Advanced Math and Science Academy Charter School, AMSA Charter
School Foundation, Inc. and STEM Soaring Eagles Foundation, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined general purpose financial statements of Advanced Math and Science Academy Charter School (the School), AMSA Charter School Foundation, Inc. and STEM Soaring Eagles Foundation, Inc. (collectively, the Organization), which comprise the combined statement of net position as of June 30, 2015, 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 29, 2015.

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 combined general purpose 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2015-001 and 2015-002.

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 School's and the Foundations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Brown, Finning & Co., P.C.

Westborough, Massachusetts
October 29, 2015

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Schedule of Findings and Responses
June 30, 2015

1. CURRENT YEAR FINDINGS AND RESPONSES

Material Instances of Non-Compliance

Board of Trustees Requirements

2015-001

Condition: The Department of Elementary and Secondary Education (DESE) requires the School's Board of Trustees to complete and submit various forms related to conflict of interest, financial interest and open meeting laws by specific deadlines, as well as complete online conflict of interest training. As part of testing these requirements, we noted the following:

- Three new Board members did not sign and submit the required conflict of interest laws acknowledgement forms or complete the online conflict of interest training within thirty days of joining the Board.
- One new Board member did not sign and submit the required certificate of receipt of open meeting laws within two weeks of joining the Board.
- Two former and one current Board member did not complete conflict of interest training within the past two years.

Effect: Due to the conditions above, the School is not in compliance with DESE requirements regarding the Board of Trustees.

Cause: The Board members failed to complete these requirements by the specified deadlines.

Criteria: DESE Audit Guide reporting requirement 1006 – *Board of Trustees*.

Recommendation: To help ensure the School is in compliance with DESE requirements, the School should create a policy to ensure that the Board forms are being completed and submitted by the required DESE deadlines.

Corrective Action Plan:

The following will be developed to ensure all board requirements are met going forward:

- A New Trustee Manual, to list all compliance requirements
- A Trustee Orientation Policy, to encompass compliance requirements and broader orientation issues

Responsibility: Governance Committee of the Board of Trustees

Timing: The Governance Committee plans to implement the corrective action plan during fiscal year 2016.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Schedule of Findings and Responses
June 30, 2015

1. CURRENT YEAR FINDINGS AND RESPONSES (Continued)

Material Instances of Non-Compliance (Continued)

Charter School End of Year Financial Report

2015-002

Condition: During the testing of the DESE Audit Guide reporting requirements, we noted that the Fiscal Year 2014 End of Year Financial Report (the Report) submitted by the School's management to DESE did not reconcile with the fiscal year 2014 audit. This was due to the activity of the STEM Foundation being included in the School's column of the Report on one schedule and in the Foundation's column of the Report in another schedule.

Effect: The condition above resulted in inconsistencies in the Report and variances between the schedules. As a result, the School is not in compliance with DESE requirements regarding the Fiscal Year 2014 End of Year Financial Report.

Cause: The activity of the STEM Foundation was included in the School's column of the Report on one schedule and in the Foundation's column of the Report in another schedule.

Criteria: DESE Audit Guide reporting requirement 1011 – *Charter School End of Year Financial Report*.

Recommendation: When preparing the End of Year Financial Report, the STEM Foundation's activity should be included in the Foundation's column for all schedules. The School's management should also utilize the checks and comments tab in the Report to ensure there are no variances within the Report.

Corrective Action Plan: In September 2015, the School revised the Report and resubmitted it to DESE. Going forward, the STEM Foundation will be included in the Foundation's column.

Responsibility: Nancy Konisky, Business Manager

Timing: In September 2015, the School revised the Report and resubmitted it to DESE, therefore, the finding has been resolved.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
AMSA CHARTER SCHOOL FOUNDATION, INC. AND
STEM SOARING EAGLES FOUNDATION, INC.**

Prior Year Schedule of Findings and Responses
June 30, 2015

SIGNIFICANT DEFICIENCY

General Ledger Maintenance

Finding 2014-001

Finding Summary: During fiscal year 2014, there were several general ledger accounts that were not properly reconciled throughout the year including at year end, resulting in adjustments that increased the School's change in net position by approximately \$279,000. Several of the adjustments were needed because entries were made to the June 30, 2013 trial balance after the audited financial statements were finalized. As a result, the beginning net asset balances in the School's trial balance and the STEM Foundation's trial balance did not reconcile to the fiscal year 2013 audited financial statements.

Management Update: Management of the School has updated its monthly closing checklist to include quarterly payroll reconciliations, procedures for posting prepaid and accrual entries, and review of the trial balance at the end of each audit to ensure all balances reconcile. All of these tasks have been assigned to an employee in the accounting department with a date to be completed.

Current Status: This finding has been resolved.