



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

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

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June 30, 2018 and 2017

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**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, 2018 and 2017, 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.

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, 2018 and 2017, 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 4 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 25, 2018, 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, 2018. 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.



Westborough, Massachusetts
October 25, 2018

**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, 2018 and 2017

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, 2018 and 2017. 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 added one grade each year through grade 11. 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 990 and 970 students in fiscal years 2018 and 2017, respectively.

On February 13, 2015, the School's charter was renewed by DESE through June 30, 2020, with conditions. These conditions were partially addressed during fiscal year 2017 and fully addressed during fiscal year 2018.

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.

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: unrestricted, 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.

**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, 2018 and 2017

Combined General Purpose Financial Statements (Continued)

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.

Financial Highlights – Charter School

The following financial highlights are for fiscal year 2018, with comparative information from fiscal year 2017:

- The School held total assets of \$11,240,675 and \$10,908,887 at June 30, 2018 and 2017, respectively, of which \$5,021,941 and \$557,195 were net capital assets, respectively. Capital assets were purchased to benefit the School. In April 2018 the School purchased a building located at 165 Forest Street in Marlborough, MA. Some of the other larger capital assets purchased during fiscal year 2018 were computer hardware and software including Chromebook carts to facilitate the computer-based portion of the MCAS testing. The majority of the remaining assets consisted of cash of \$5,162,209 and \$9,574,864 as of June 30, 2018 and 2017, respectively, and prepaid expenses of \$701,548 and \$676,011, respectively.
- The School held total current liabilities of \$1,140,563 and \$1,664,886 at June 30, 2018 and 2017, respectively.
- Total net position for the School was \$10,100,112 and \$9,244,001 at June 30, 2018 and 2017, respectively, of which \$5,051,180 and \$8,658,215 were unrestricted, respectively. Invested in capital net position was \$5,021,941 and \$557,195 invested in net capital assets, respectively. The School also had restricted net position of \$26,991 and \$28,591 at June 30, 2018 and 2017, respectively.
- The School earned total revenue of \$17,712,898 for the year ended June 30, 2018, of which approximately 96% was operating revenue and 4% was from general revenue (undesignated grants and contributions, program specific grants and contributions – private, and interest and other and a one-time settlement of CAM charges). The School earned total revenue of \$16,849,440 for the year ended June 30, 2017, of which approximately 99% was operating revenue and 1% was from general revenue (insurance recovery, undesignated grants and contributions and interest and other).

**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, 2018 and 2017

Financial Highlights – Charter School (Continued)

- The School had total expenses of \$16,856,787 and \$15,982,007 for the years ended June 30, 2018 and 2017, respectively. Expenses that were unbudgeted included additional depreciation expense on the building purchase, expenses incurred to purchase the building and increased consultants for the Learning Services department.
- 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 \$196,702 and \$193,832 in fiscal years 2018 and 2017, respectively. Athletics expense was \$348,974 and \$319,490 in fiscal years 2018 and 2017, respectively. The increased expense was due to an increase in the athletics rental facility.
- The School has incurred legal fees due to a dispute with the landlord and expenses related to collective bargaining negotiations. Total legal expense was \$253,409 and \$490,813 in fiscal years 2018 and 2017, respectively. The decrease in expense was due to the settlement of the CAM charge dispute with the landlord and the successful resolution with the teacher's collective bargaining agreement.
- The School's changes in net position was \$856,111 and \$867,433 for the years ended June 30, 2018 and 2017, respectively. The School's changes in net position from operations was \$224,938 and \$705,250 during fiscal years 2018 and 2017, respectively.

Budgetary Highlights

For the fiscal year ended June 30, 2018, the School incurred \$14,493,360 in actual expenditures, excluding in-kind pension and transportation, compared to budgeted expenditures of \$14,034,000. For the fiscal year ended June 30, 2017, the School incurred \$13,648,006 in actual expenditures, excluding in-kind pension and transportation, compared to budgeted expenditures of \$13,898,599.

For the fiscal year ended June 30, 2018, the School received per-pupil tuition of \$13,761,650 compared to budgeted tuition of \$13,150,000. For the fiscal year ended June 30, 2017, the School received per-pupil tuition of \$13,534,222 compared to budgeted tuition of \$12,700,000. The School under budgets tuition revenue by 1% to be conservative in case there is a decrease in tuition rates. In June 2018 and 2017, respectively, the School received an additional \$301,414 and \$335,573 in per-pupil tuition that was not budgeted for.

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 78% of the School's total revenue for fiscal year 2018 and 80% for fiscal year 2017. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$184,053 and \$167,174 for fiscal years 2018 and 2017, respectively.

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, 2018

	Enterprise Fund				(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	Component Unit AMSA Foundation	
Assets					
Current Assets:					
Cash	\$ 58,379	\$ 5,162,209	\$ 5,220,588	\$ -	\$ 5,220,588
Prepaid expenses	-	701,548	701,548	-	701,548
Accounts and tuition receivable	-	354,977	354,977	-	354,977
Total current assets	58,379	6,218,734	6,277,113	-	6,277,113
Capital Assets, net	-	5,021,941	5,021,941	-	5,021,941
Total assets	<u>\$ 58,379</u>	<u>\$ 11,240,675</u>	<u>\$ 11,299,054</u>	<u>\$ -</u>	<u>\$ 11,299,054</u>
Liabilities and Net Position					
Current Liabilities:					
Accounts payable	\$ -	\$ 92,069	\$ 92,069	\$ -	\$ 92,069
Accrued expenses	-	974,220	974,220	-	974,220
Deferred revenue	-	74,274	74,274	-	74,274
Total current liabilities	-	1,140,563	1,140,563	-	1,140,563
Net Position:					
Unrestricted	7,555	5,051,180	5,058,735	-	5,058,735
Invested in capital	-	5,021,941	5,021,941	-	5,021,941
Restricted program	50,824	26,991	77,815	-	77,815
Total net position	58,379	10,100,112	10,158,491	-	10,158,491
Total liabilities and net position	<u>\$ 58,379</u>	<u>\$ 11,240,675</u>	<u>\$ 11,299,054</u>	<u>\$ -</u>	<u>\$ 11,299,054</u>

The accompanying notes are an integral part of these combined general purpose 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, 2017

	Enterprise Fund					Component Unit AMSA Foundation	(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Eliminations	Total Enterprise Fund			
Assets							
Current Assets:							
Cash	\$ 55,780	\$ 9,574,864	\$ -	\$ 9,630,644	\$ 1,152	\$ 9,631,796	
Prepaid expenses	-	676,011	-	676,011	-	676,011	
Accounts receivable	-	98,940	-	98,940	-	98,940	
Inventory	-	1,202	-	1,202	-	1,202	
Due from STEM Foundation	-	675	(675)	-	-	-	
Total current assets	55,780	10,351,692	(675)	10,406,797	1,152	10,407,949	
Capital Assets, net	-	557,195	-	557,195	-	557,195	
Total assets	<u>\$ 55,780</u>	<u>\$ 10,908,887</u>	<u>\$ (675)</u>	<u>\$ 10,963,992</u>	<u>\$ 1,152</u>	<u>\$ 10,965,144</u>	
Liabilities and Net Position							
Current Liabilities:							
Accounts payable	\$ -	\$ 102,035	\$ -	\$ 102,035	\$ -	\$ 102,035	
Accrued expenses	-	1,495,831	-	1,495,831	-	1,495,831	
Deferred revenue	-	67,020	-	67,020	-	67,020	
Due to School	675	-	(675)	-	-	-	
Total current liabilities	675	1,664,886	(675)	1,664,886	-	1,664,886	
Net Position:							
Unrestricted	4,281	8,658,215	-	8,662,496	1,152	8,663,648	
Invested in capital	-	557,195	-	557,195	-	557,195	
Restricted program	50,824	28,591	-	79,415	-	79,415	
Total net position	55,105	9,244,001	-	9,299,106	1,152	9,300,258	
Total liabilities and net position	<u>\$ 55,780</u>	<u>\$ 10,908,887</u>	<u>\$ (675)</u>	<u>\$ 10,963,992</u>	<u>\$ 1,152</u>	<u>\$ 10,965,144</u>	

The accompanying notes are an integral part of these combined general purpose 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, 2018
(With Summarized Comparative Totals for the Year Ended June 30, 2017)

	2018				2017	
	Enterprise Fund			Component Unit AMSA Foundation	(Memorandum Only) Total	Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund			
Changes in Unrestricted Net Position:						
Operating revenue:						
Pupil tuition	\$ -	\$ 13,761,650	\$ 13,761,650	\$ -	\$ 13,761,650	\$ 13,534,222
In-kind transportation and pension	-	2,363,427	2,363,427	-	2,363,427	2,334,001
Program service fees	-	766,995	766,995	-	766,995	651,759
Grants - government	-	184,053	184,053	-	184,053	167,174
Transfers between funds	-	5,600	5,600	-	5,600	101
Total operating revenue	-	17,081,725	17,081,725	-	17,081,725	16,687,257
Operating expenses:						
Personnel and related costs:						
Salaries	-	8,114,389	8,114,389	-	8,114,389	7,609,207
In-kind pension	-	1,920,428	1,920,428	-	1,920,428	1,964,209
Payroll taxes and fringe benefits	-	1,443,092	1,443,092	-	1,443,092	1,221,171
Staff development and recruitment	-	109,861	109,861	-	109,861	96,850
Total personnel and related costs	-	11,587,770	11,587,770	-	11,587,770	10,891,437
Direct student costs:						
Program expenses	-	1,194,693	1,194,693	-	1,194,693	1,010,623
In-kind transportation	-	442,999	442,999	-	442,999	369,792
Student transportation	-	239,999	239,999	-	239,999	166,831
Contracted services	-	160,698	160,698	-	160,698	69,422
Total direct student costs	-	2,038,389	2,038,389	-	2,038,389	1,616,668
Occupancy:						
Rent and related	-	1,505,034	1,505,034	-	1,505,034	1,588,289
Repairs and maintenance	-	414,465	414,465	-	414,465	334,554
Utilities	-	209,044	209,044	-	209,044	220,171
Equipment rental	-	89,453	89,453	-	89,453	81,036
Insurance	-	48,719	48,719	-	48,719	45,827
Total occupancy	-	2,266,715	2,266,715	-	2,266,715	2,269,877
Other operating costs:						
Professional fees	-	340,626	340,626	652	341,278	695,517
Miscellaneous	35	96,261	96,296	500	96,796	65,106
Technology	-	92,448	92,448	-	92,448	74,516
Office supplies and other	-	77,084	77,084	-	77,084	106,269
Communications	-	29,024	29,024	-	29,024	28,200
Dues and memberships	-	27,316	27,316	-	27,316	26,861
Total other operating costs	35	662,759	662,794	1,152	663,946	996,469
Depreciation	-	301,154	301,154	-	301,154	209,591
Total operating expenses	35	16,856,787	16,856,822	1,152	16,857,974	15,984,042
Changes in unrestricted net position from operations	(35)	224,938	224,903	(1,152)	223,751	703,215
General revenue:						
Settlement income	-	493,651	493,651	-	493,651	-
Grants and contributions	3,171	63,044	66,215	-	66,215	40,566
Rental income	-	40,476	40,476	-	40,476	-
Interest and other	138	35,602	35,740	-	35,740	36,822
Insurance recovery	-	-	-	-	-	82,646
Total general revenue	3,309	632,773	636,082	-	636,082	160,034
Changes in unrestricted net position	3,274	857,711	860,985	(1,152)	859,833	863,249
Changes in Restricted Net Position:						
Program specific grants and contributions - private	-	4,000	4,000	-	4,000	3,500
Transfers between funds	-	(5,600)	(5,600)	-	(5,600)	(776)
Changes in restricted net position	-	(1,600)	(1,600)	-	(1,600)	2,724
Changes in net position	3,274	856,111	859,385	(1,152)	858,233	865,973
Net Position:						
Beginning of year	55,105	9,244,001	9,299,106	1,152	9,300,258	8,434,285
End of year	\$ 58,379	\$ 10,100,112	\$ 10,158,491	\$ -	\$ 10,158,491	\$ 9,300,258

**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, 2017

	Enterprise Fund					
	Blended Component Unit STEM Foundation	School	Eliminations	Total Enterprise Fund	Component Unit AMSA Foundation	(Memorandum Only) Total
Changes in Unrestricted Net Position:						
Operating revenue:						
Pupil tuition	\$ -	\$ 13,534,222	\$ -	\$ 13,534,222	\$ -	\$ 13,534,222
In-kind transportation and pension	-	2,334,001	-	2,334,001	-	2,334,001
Program service fees	-	651,759	-	651,759	-	651,759
Grants - government	-	167,174	-	167,174	-	167,174
Transfers between funds	675	101	(675)	101	-	101
Total operating revenue	675	16,687,257	(675)	16,687,257	-	16,687,257
Operating expenses:						
Personnel and related costs:						
Salaries	-	7,609,207	-	7,609,207	-	7,609,207
In-kind pension	-	1,964,209	-	1,964,209	-	1,964,209
Payroll taxes and fringe benefits	-	1,221,171	-	1,221,171	-	1,221,171
Staff development and recruitment	-	96,850	-	96,850	-	96,850
Total personnel and related costs	-	10,891,437	-	10,891,437	-	10,891,437
Direct student costs:						
Program expenses	-	1,010,623	-	1,010,623	-	1,010,623
In-kind transportation	-	369,792	-	369,792	-	369,792
Student transportation	-	166,831	-	166,831	-	166,831
Contracted services	-	69,422	-	69,422	-	69,422
Total direct student costs	-	1,616,668	-	1,616,668	-	1,616,668
Occupancy:						
Rent and related	-	1,588,289	-	1,588,289	-	1,588,289
Repairs and maintenance	-	334,554	-	334,554	-	334,554
Utilities	-	220,171	-	220,171	-	220,171
Equipment rental	-	81,036	-	81,036	-	81,036
Insurance	-	45,827	-	45,827	-	45,827
Total occupancy	-	2,269,877	-	2,269,877	-	2,269,877
Other operating costs:						
Professional fees	-	694,892	-	694,892	625	695,517
Miscellaneous	35	63,696	-	63,731	1,375	65,106
Technology	-	74,516	-	74,516	-	74,516
Office supplies and others	-	106,269	-	106,269	-	106,269
Communications	-	28,200	-	28,200	-	28,200
Dues and memberships	-	26,861	-	26,861	-	26,861
Grant expense	675	-	(675)	-	-	-
Total other operating costs	710	994,434	(675)	994,469	2,000	996,469
Depreciation	-	209,591	-	209,591	-	209,591
Total operating expenses	710	15,982,007	(675)	15,982,042	2,000	15,984,042
Changes in unrestricted net position from operations	(35)	705,250	-	705,215	(2,000)	703,215
General revenue:						
Grants and contributions	1,159	39,407	-	40,566	-	40,566
Interest and other	91	36,731	-	36,822	-	36,822
Insurance recovery	-	82,646	-	82,646	-	82,646
Total general revenue	1,250	158,784	-	160,034	-	160,034
Changes in unrestricted net position	1,215	864,034	-	865,249	(2,000)	863,249
Changes in Restricted Net Position:						
Program specific grants and contributions - private	-	3,500	-	3,500	-	3,500
Transfers between funds	(675)	(101)	-	(776)	-	(776)
Changes in restricted net position	(675)	3,399	-	2,724	-	2,724
Changes in net position	540	867,433	-	867,973	(2,000)	865,973
Net Position:						
Beginning of year	54,565	8,376,568	-	8,431,133	3,152	8,434,285
End of year	\$ 55,105	\$ 9,244,001	\$ -	\$ 9,299,106	\$ 1,152	\$ 9,300,258

The accompanying notes are an integral part of these combined general purpose 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, 2018

	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	\$ -	\$ 13,460,236	\$ -	\$ 13,460,236	\$ -	\$ 13,460,236
Receipts from government grants	-	183,039	-	183,039	-	183,039
Receipts from private grants and contributions	3,171	67,044	-	70,215	-	70,215
Receipts from program service fees and other	138	897,393	-	897,531	-	897,531
Payments for employee compensation and related costs	-	(9,685,225)	-	(9,685,225)	-	(9,685,225)
Payments for supplies and services	(710)	(4,569,242)	-	(4,569,952)	(1,152)	(4,571,104)
Net cash provided by (used in) operating activities	2,599	353,245	-	355,844	(1,152)	354,692
Cash Flows from Investing Activities:						
Purchase of capital assets	-	(4,765,900)	-	(4,765,900)	-	(4,765,900)
Net Change in Cash	2,599	(4,412,655)	-	(4,410,056)	(1,152)	(4,411,208)
Cash:						
Beginning of year	55,780	9,574,864	-	9,630,644	1,152	9,631,796
End of year	<u>\$ 58,379</u>	<u>\$ 5,162,209</u>	<u>\$ -</u>	<u>\$ 5,220,588</u>	<u>\$ -</u>	<u>\$ 5,220,588</u>
Cash Flows from Operating Activities:						
Changes in net position	\$ 3,274	\$ 856,111	\$ -	\$ 859,385	\$ (1,152)	\$ 858,233
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	-	301,154	-	301,154	-	301,154
Settlement income	-	(493,651)	-	(493,651)	-	(493,651)
Changes in operating assets and liabilities:						
Prepaid expenses	-	(25,537)	-	(25,537)	-	(25,537)
Accounts and tuition receivable	-	(256,037)	-	(256,037)	-	(256,037)
Inventory	-	1,202	-	1,202	-	1,202
Due from STEM Foundation	-	675	(675)	-	-	-
Accounts payable	-	(9,966)	-	(9,966)	-	(9,966)
Accrued expenses	-	(27,960)	-	(27,960)	-	(27,960)
Deferred revenue	-	7,254	-	7,254	-	7,254
Due to School	(675)	-	675	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 2,599</u>	<u>\$ 353,245</u>	<u>\$ -</u>	<u>\$ 355,844</u>	<u>\$ (1,152)</u>	<u>\$ 354,692</u>

The accompanying notes are an integral part of these combined general purpose 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, 2017

	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	\$ -	\$ 13,534,222	\$ -	\$ 13,534,222	\$ -	\$ 13,534,222
Receipts from government grants	-	167,150	-	167,150	-	167,150
Receipts from private grants and contributions	1,159	42,907	-	44,066	-	44,066
Receipts from program service fees and other	91	704,090	-	704,181	-	704,181
Payments for employee compensation and related costs	-	(8,878,604)	-	(8,878,604)	-	(8,878,604)
Payments for supplies and services	(35)	(4,175,288)	-	(4,175,323)	(2,000)	(4,177,323)
Net cash provided by (used in) operating activities	1,215	1,394,477	-	1,395,692	(2,000)	1,393,692
Cash Flows from Investing Activities:						
Purchase of capital assets	-	(251,596)	-	(251,596)	-	(251,596)
Net Change in Cash	1,215	1,142,881	-	1,144,096	(2,000)	1,142,096
Cash:						
Beginning of year	54,565	8,431,983	-	8,486,548	3,152	8,489,700
End of year	\$ 55,780	\$ 9,574,864	\$ -	\$ 9,630,644	\$ 1,152	\$ 9,631,796
Cash Flows from Operating Activities:						
Changes in net position	\$ 540	\$ 867,433	\$ -	\$ 867,973	\$ (2,000)	\$ 865,973
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	-	209,591	-	209,591	-	209,591
Changes in operating assets and liabilities:						
Prepaid expenses	-	(48,981)	-	(48,981)	-	(48,981)
Accounts receivable	-	(80,367)	-	(80,367)	-	(80,367)
Inventory	-	30,397	-	30,397	-	30,397
Due from STEM Foundation	-	(675)	675	-	-	-
Accounts payable	-	(9,852)	-	(9,852)	-	(9,852)
Accrued expenses	-	412,959	-	412,959	-	412,959
Deferred revenue	-	13,972	-	13,972	-	13,972
Due to School	675	-	(675)	-	-	-
Net cash provided by (used in) operating activities	\$ 1,215	\$ 1,394,477	\$ -	\$ 1,395,692	\$ (2,000)	\$ 1,393,692

The accompanying notes are an integral part of these combined general purpose 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, 2018 and 2017

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 that were removed in fiscal year 2018 (see Note 13).

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 2018 and 2017, the School had 990 and 970 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 received and administered funds for the operation and maintenance of the School. AMSA Foundation was 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 could deduct contributions made to AMSA Foundation within the requirements of the IRC. AMSA Foundation was also exempt from state income taxes. AMSA Foundation was dissolved as of June 20, 2018. References to AMSA Foundation will be used throughout the notes to the combined general purpose financial statements to describe transactions taken place prior to June 20, 2018.

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. The School, AMSA Foundation and STEM Foundation are collectively referred to as the Organization.

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.

**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, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - GASB Standards (Continued)

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, 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 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.

Basis of Accounting

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

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the 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 – Net Position

Unrestricted - 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, if any.

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

Revenue Recognition

Pupil tuition, program service fees and grants - government revenue are recorded as services are provided and costs are incurred. The Commonwealth of Massachusetts, Executive Office of Administration and Finance, calculates pupil tuition reimbursement which is paid to the School by the Massachusetts Department of Elementary and Secondary Education (DESE).

**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, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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, purpose 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.

Deferred revenue at June 30, 2018 and 2017, represents student transportation and other program fees paid in advance for fiscal years 2019 and 2018 activities, respectively.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is based on management's collection experience with its 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, 2018 or 2017.

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:

Building	40 years
Furniture and equipment	3 - 6 years
Computers and software	3 - 5 years
Leasehold and building improvements	5 years or the 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 school year in which they are used.

Marketing and Advertising Costs

Costs related to marketing and advertising are expensed in the period incurred. Total advertising expenses were \$12,187 and \$13,189 for the years ended June 30, 2018 and 2017, respectively, and are included in office supplies and other in the accompanying combined statements of revenues, expenses and changes in net position.

**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, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Transportation and Pension

The School also receives donated transportation from the City of Marlborough for certain students, as required by DESE. The value of these services is estimated by the City of Marlborough. The School also records its share of in-kind pension related to the Massachusetts Teachers' Retirement System (MTRS) (see Note 5).

In-kind transportation and pension consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
In-kind pension	\$ 1,920,428	\$ 1,964,209
In-kind transportation	<u>442,999</u>	<u>369,792</u>
	<u>\$ 2,363,427</u>	<u>\$ 2,334,001</u>

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.

Inventory

Inventory consists of supplies that the School purchased in fiscal year 2017 for the fiscal year 2018 school year. Inventory purchased by the School is valued at cost. There was no inventory at of June 30, 2018.

Fair Value of Financial Instruments

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

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

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

Notes to Combined General Purpose Financial Statements
June 30, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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

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

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

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

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

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.

Income Taxes

The STEM Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, Income Taxes. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined general purpose financial statement regarding a tax position taken or expected to be taken in a tax return. The STEM Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined general purpose financial statements at June 30, 2018 and 2017. The STEM Foundation's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through October 25, 2018, 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.

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

Notes to Combined General Purpose Financial Statements
June 30, 2018 and 2017

2. CAPITAL ASSETS

Changes in capital assets are as follows:

School	Balance June 30, 2016	2017 Additions	Balance June 30, 2017	2018 Additions	Balance June 30, 2018
Cost:					
Building	\$ -	\$ -	\$ -	\$ 4,361,050	\$ 4,361,050
Furniture and equipment	973,125	15,000	988,125	91,849	1,079,974
Computers and software	624,120	201,966	826,086	305,720	1,131,806
Leasehold and building improvements	374,829	34,630	409,459	7,281	416,740
Vehicles	<u>87,409</u>	<u>-</u>	<u>87,409</u>	<u>-</u>	<u>87,409</u>
Total cost	<u>2,059,483</u>	<u>251,596</u>	<u>2,311,079</u>	<u>4,765,900</u>	<u>7,076,979</u>
Less - accumulated depreciation:					
Building	-	-	-	54,513	54,513
Furniture and equipment	876,224	38,434	914,658	44,320	958,978
Computers and software	430,226	138,956	569,182	173,906	743,088
Leasehold and building improvements	169,164	19,715	188,879	22,171	211,050
Vehicles	<u>68,679</u>	<u>12,486</u>	<u>81,165</u>	<u>6,244</u>	<u>87,409</u>
Total accumulated depreciation	<u>1,544,293</u>	<u>209,591</u>	<u>1,753,884</u>	<u>301,154</u>	<u>2,055,038</u>
Capital assets, net	<u>\$ 515,190</u>	<u>\$ 42,005</u>	<u>\$ 557,195</u>	<u>\$ 4,464,746</u>	<u>\$ 5,021,941</u>
AMSA Foundation	Balance June 30, 2016	2017 Additions	Balance June 30, 2017	2018 Disposal	Balance June 30, 2018
Cost:					
Computers and software	\$ 1,627	\$ -	\$ 1,627	\$ (1,627)	\$ -
Less - accumulated depreciation	<u>1,627</u>	<u>-</u>	<u>1,627</u>	<u>(1,627)</u>	<u>-</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018 and 2017, or on its changes in net position for the years then ended. The School received approximately 95% of its operating revenue, net of in-kind transportation and pension from the Commonwealth of Massachusetts, for each of the years ended June 30, 2018 and 2017. The School has 90% and 16% of accounts and tuition receivable due from the Commonwealth of Massachusetts at June 30, 2018 and 2017, respectively.

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

Notes to Combined General Purpose Financial Statements
June 30, 2018 and 2017

4. LEASES

The School leased its facility under a twenty-five year lease agreement which began in August 2005. The lease could be cancelled by the School, without penalty, in the event that the School's charter was revoked or funding was substantially reduced. The School was also responsible for certain operating costs and real estate taxes. Under the lease, the School had the option to extend this lease for eight additional three-year periods and one last option for one year. The School also had the first right of refusal for additional space on the landlord's premises. Effective June 2017, the lease was terminated and the School became a tenant-at-will with a monthly rent of \$74,750, plus real estate taxes and certain operating costs through August 2017 at which time the rent increased to \$78,000. During fiscal year 2018, the Organization received a settlement for prior common area maintenance charges. Settlement income of \$493,651 is reflected in the accompanying fiscal year 2018 combined statement of revenue, expenses, and changes in net position.

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 could be cancelled by the School, without penalty, in the event that the School's charter was revoked or funding was substantially reduced. The School was also responsible for certain operating costs and real estate taxes. Effective July 2017, the lease was terminated and the School became a tenant-at-will with a monthly rent of \$14,758, plus real estate taxes and certain operating costs through April 2018, at which time AMSA purchased the building (see Note 2).

Total rent expense paid under these agreements for fiscal years 2018 and 2017 was \$1,108,435 and \$1,074,100, respectively, is included in rent and related in the accompanying combined statements of revenues, expenses and changes in net position.

During fiscal years 2018 and 2017, 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. Total rent paid under this agreement was \$378,943 and \$354,146 for the years ended June 30, 2018 and 2017, respectively, which is included in program expenses in the accompanying combined statements of revenues, expenses and changes in net position.

The School also leases office equipment under various operating leases expiring at dates through May 2020. Effective December 2016, the aggregate monthly payments were \$7,000. The School is also responsible for certain maintenance and operating costs. The equipment lease expense was \$89,453 and \$81,036 for the years ended June 30, 2018 and 2017, respectively, and is included in equipment rental in the accompanying combined statements of revenues, expenses and changes in net position. Future minimum payments under these lease agreements as of June 30, 2018, are as follows:

Fiscal Year

2019	\$ 92,712
2020	\$ 84,986

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

Notes to Combined General Purpose Financial Statements
June 30, 2018 and 2017

5. RETIREMENT PLANS

The School’s teaching staff and certain administrators participate individually in the 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.

The School follows GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27* (GASB 27), which requires the School to recognize its proportionate share of pension 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 \$1,920,428 and \$1,964,209 for the years ended June 30, 2018 and 2017, respectively, which is included in in-kind transportation and pension revenue and in-kind pension expense in the accompanying combined statements of revenues, expenses and changes in net position. The School’s proportionate share of MTRS’s net pension liability was \$18,399,681 and \$19,255,712 at the measurement dates selected by the Commonwealth of June 30, 2017 and 2016, respectively. In accordance with the special funding situation under GASB 68, these amounts have not been recorded in the accompanying combined general purpose financial statements.

The School also has two 403(b) retirement plans covering all eligible employees. Employees become eligible to participate upon date of hire. The School does not make contributions to these plans.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2018</u>	<u>2017</u>
Accrued salaries and benefits	89%	60%
Payables to vendors	<u>11</u>	<u>40</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 Massachusetts Credit Union Share Insurance Corporation insures all deposits in excess of \$250,000. 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.

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Notes to Combined General Purpose Financial Statements
June 30, 2018 and 2017

7. CONCENTRATION OF CREDIT RISK (Continued)

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

	2018		2017		
	STEM Foundation	School	AMSA Foundation	STEM Foundation	AMSA Foundation
Fully insured	\$ 58,379	\$ 5,161,466	\$ -	\$ 55,780	\$ 9,573,948
Uninsured	-	743	-	-	916
	<u>\$ 58,379</u>	<u>\$ 5,162,209</u>	<u>\$ -</u>	<u>\$ 55,780</u>	<u>\$ 9,574,864</u>

8. LINE OF CREDIT

The School had a line of credit agreement with a credit union. Under this agreement, the School could borrow up to \$1,000,000. Principal was due on demand. Interest accrued at the *Wall Street Journal's* prime rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively), minus 1/4%, with a minimum interest rate of 3%. This note was secured by all business assets and was also guaranteed by AMSA Foundation. There were no amounts outstanding under this agreement as of June 30, 2018 and 2017. Under the terms of the agreement, the School was required to meet certain covenants. The School was in compliance with these covenants as of June 30, 2018 and 2017. This agreement expired in August 2018 and was not renewed.

9. RENTAL INCOME

During fiscal year 2018, the School purchased a building which was previously rented (see Notes 2 and 4). There is one rented space within the building and rented roof space for cell phone towers. At June 30, 2018, rental agreements between the School and the lessees have not been finalized and are therefore operating under tenant-at-will agreements. Rental income recognized in fiscal year 2018 totaled \$40,476.

10. PROFESSIONAL DEVELOPMENT

The School incurred expenditures for the purpose of providing professional development to staff and teachers. The School expended \$82,587 and \$43,245 for the years ended June 30, 2018 and 2017, respectively, which is included in staff development and recruitment in the accompanying combined statements of revenues, expenses and changes in net position.

11. INSURANCE RECOVERY

In fiscal year 2017, 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 \$82,646 for fiscal year 2017, and is reflected in the accompanying combined statements of revenues, expenses and changes in net position as insurance recovery.

12. RELATED PARTY TRANSACTION

During fiscal year 2018, the School hired a STEM Foundation board member for consulting services. Payments to this board member during fiscal year 2018 totaled \$25,329. This Board member abstains from voting on matters pertaining to their consulting contract.

**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, 2018 and 2017

13. CONTINGENCIES

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.

Charter Renewal

On February 13, 2015, the School's charter was renewed by DESE through June 30, 2020, with conditions. These conditions were partially addressed during fiscal year 2017 and fully addressed during fiscal year 2018.

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, 2018 and 2017, 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.

14. RECLASSIFICATION

Certain amounts in the fiscal year 2017 combined general purpose financial statements have been reclassified to conform with the fiscal year 2018 presentation.

**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. (AMSA Foundation) and STEM Soaring Eagles Foundation, Inc. (STEM Foundation) (collectively, the Organization), which comprise the combined statement of net position as of June 30, 2018, 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 25, 2018.

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 or significant deficiencies. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Alexander, Cross, Fenning & Co., P.C.".

Westborough, Massachusetts
October 25, 2018