



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

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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

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June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 27, 2016, 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, 2016. 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 27, 2016

**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, 2016 and 2015

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, 2016 and 2015. 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 989 and 996 students in fiscal years 2016 and 2015, 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 June 15th, 2016, the Commissioner of Elementary and Secondary Education determined that the above mentioned conditions were met; however, three new modified conditions were imposed as follows:

1. Until further notice, the School must submit to DESE Board meeting agendas, materials, minutes and monthly financial statements prior to each Board meeting.
2. By September 30, 2016, the School's Board of Trustees will create or select an evaluation system for the Executive Director to ensure regular, systematic, measureable, and transparent evaluation that aligns with best practices and provides the School leader with robust supervision and evaluation.
3. By September 30, 2016, to ensure regular, systematic, measureable, and transparent evaluation that aligns with best practices and provides school leadership with robust supervision and evaluation, the School will create or select an evaluation system for school leadership including, but not limited to, the principal and vice principal positions.

As of October 27, 2016, the School has met the first condition above. The School submitted the items for the remaining two conditions to DESE for approval, and DESE has requested additional documentation from the School to meet these conditions. Upon submitting these additional items to DESE, the School expects the conditions on the renewal to be lifted in fiscal year 2017.

**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, 2016 and 2015

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. 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.

**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, 2016 and 2015

Financial Highlights – Charter School

The following financial highlights are for fiscal year 2016 with comparative information from fiscal year 2015:

- The School held total assets of \$9,624,375 and \$8,242,916 at June 30, 2016 and 2015, respectively, of which \$515,190 and \$552,580 were net capital assets, respectively. 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 majority of the remaining assets consisted of cash of \$8,431,983 and \$7,214,431 as of June 30, 2016 and 2015, respectively and prepaid expenses.
- The School held total current liabilities of \$1,247,807 and \$1,735,470 at June 30, 2016 and 2015, respectively.
- Total net position for the School was \$8,376,568 and \$6,507,446 at June 30, 2016 and 2015, respectively, of which \$7,836,186 and \$5,924,180 were unrestricted, respectively. Invested in capital net position was \$515,190 and \$535,143 invested in net capital assets, respectively. The School also had restricted net position of \$25,192 and \$48,123 at June 30, 2016 and 2015, respectively.
- The School earned total revenue of \$16,577,656 for the year ended June 30, 2016, of which approximately 94% was operating revenue and 6% was from general revenue (settlement income, undesignated grants and contributions, interest and other and insurance recovery). The School earned total revenue of \$15,010,531 for the year ended June 30, 2015, of which approximately 99% was operating revenue and approximately 1% was from general revenue (undesignated grants and contributions, interest and other and insurance recovery).
- The School had total expenses of \$14,708,534 and \$14,187,001 for the years ended June 30, 2016 and 2015, respectively. Expenses that were unbudgeted included consulting fees to cover open positions and higher amounts in benefits due to more employees enrolling. Expenses were also decreased due to open positions that were not filled, a reduction of a school bus for regional transportation and fewer field trips.
- 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 \$188,853 and \$173,748 in fiscal years 2016 and 2015, respectively. The increase was due to increased participation and an indoor track team was added. Athletics expense was \$273,188 and \$242,779 in fiscal years 2016 and 2015, respectively. The increased expense was due to increased participation and an increase in the athletics rental facility.
- The School has incurred legal fees due to a lawsuit with the landlord and expenses related to collective bargaining negotiations. Total legal expense was \$169,539 and \$291,018 in fiscal years 2016 and 2015, respectively. The expenses decreased in fiscal year 2016 because the lawsuit began slowing down and the arbitration from 2005-2012 was resolved.
- The School received a one-time settlement award from an arbitration hearing involving the landlord in connection with the ownership, operation and maintenance of the buildings and grounds used by AMSA for the period 2005-2012 totaling \$966,576.
- The School's changes in net position were \$1,869,122 and \$823,530 for the years ended June 30, 2016 and 2015, respectively. The School's changes in net position from operations was \$835,317 and \$755,643 during fiscal years 2016 and 2015, 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, 2016 and 2015

Budgetary Highlights

For the fiscal year ended June 30, 2016, the School incurred \$13,220,587 in actual expenditures, excluding in-kind pension, compared to budgeted expenditures of \$13,641,061. For the fiscal year ended June 30, 2015, the School incurred \$13,204,909 in actual expenditures, excluding in-kind pension compared to budgeted expenditures of \$13,215,145.

For the fiscal year ended June 30, 2016, the School received per-pupil tuition of \$12,841,442 compared to budgeted tuition of \$12,700,838. 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. 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 77% of the School's total revenue for fiscal year 2016 and 84% for fiscal year 2015. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$162,100 and \$158,939 for fiscal years 2016 and 2015, 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, 2016

	Enterprise Fund				(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Total Enterprise Fund	Component Unit AMSA Foundation	
Assets					
Current Assets:					
Cash	\$ 54,565	\$ 8,431,983	\$ 8,486,548	\$ 3,152	\$ 8,489,700
Prepaid expenses	-	593,697	593,697	-	593,697
Accounts receivable	-	18,573	18,573	-	18,573
Inventory	-	31,599	31,599	-	31,599
Total current assets	54,565	9,075,852	9,130,417	3,152	9,133,569
Capital Assets, net	-	515,190	515,190	-	515,190
Security Deposit	-	33,333	33,333	-	33,333
Total assets	<u>\$ 54,565</u>	<u>\$ 9,624,375</u>	<u>\$ 9,678,940</u>	<u>\$ 3,152</u>	<u>\$ 9,682,092</u>
Liabilities and Net Position					
Current Liabilities:					
Accounts payable	\$ -	\$ 111,887	\$ 111,887	\$ -	\$ 111,887
Accrued expenses	-	1,082,872	1,082,872	-	1,082,872
Deferred revenue	-	53,048	53,048	-	53,048
Total current liabilities	-	1,247,807	1,247,807	-	1,247,807
Net Position:					
Unrestricted	3,066	7,836,186	7,839,252	3,152	7,842,404
Invested in capital	-	515,190	515,190	-	515,190
Restricted program	51,499	25,192	76,691	-	76,691
Total net position	54,565	8,376,568	8,431,133	3,152	8,434,285
Total liabilities and net position	<u>\$ 54,565</u>	<u>\$ 9,624,375</u>	<u>\$ 9,678,940</u>	<u>\$ 3,152</u>	<u>\$ 9,682,092</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, 2015

	Enterprise Fund			Total Enterprise Fund	Component Unit AMSA Foundation	(Memorandum Only) Total
	Blended Component Unit STEM Foundation	School	Eliminations			
Assets						
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	<u>\$ 4,038</u>	<u>\$ 8,242,916</u>	<u>\$ (5,000)</u>	<u>\$ 8,241,954</u>	<u>\$ 55,882</u>	<u>\$ 8,297,836</u>
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	(962)	5,924,180	-	5,923,218	55,382	5,978,600
Invested in capital	-	535,143	-	535,143	-	535,143
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	<u>\$ 4,038</u>	<u>\$ 8,242,916</u>	<u>\$ (5,000)</u>	<u>\$ 8,241,954</u>	<u>\$ 55,882</u>	<u>\$ 8,297,836</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, 2016
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016					2015
	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	\$ -	\$ 12,841,442	\$ 12,841,442	\$ -	\$ 12,841,442	\$ 12,645,110
In-kind transportation and pension	-	1,780,760	1,780,760	-	1,780,760	1,256,304
Program service fees	-	725,953	725,953	-	725,953	834,050
Grants - government	-	162,100	162,100	-	162,100	158,939
Transfers between funds	-	33,596	33,596	-	33,596	48,241
Total operating revenue	-	15,543,851	15,543,851	-	15,543,851	14,942,644
Operating expenses:						
Personnel and related costs:						
Salaries	-	7,459,485	7,459,485	-	7,459,485	7,230,794
In-kind pension	-	1,487,947	1,487,947	-	1,487,947	982,092
Payroll taxes and fringe benefits	-	1,187,516	1,187,516	-	1,187,516	1,091,193
Staff development and recruitment	-	54,081	54,081	-	54,081	105,225
Total personnel and related costs	-	10,189,029	10,189,029	-	10,189,029	9,409,304
Direct student costs:						
Program expenses	-	1,075,175	1,075,175	-	1,075,175	1,053,100
In-kind transportation	-	292,813	292,813	-	292,813	274,212
Student transportation	-	203,181	203,181	-	203,181	294,270
Total direct student costs	-	1,571,169	1,571,169	-	1,571,169	1,621,582
Occupancy:						
Rent and related	-	1,652,789	1,652,789	-	1,652,789	1,662,356
Utilities	-	225,298	225,298	-	225,298	221,407
Repairs and maintenance	-	202,261	202,261	-	202,261	192,145
Equipment rental	-	85,687	85,687	-	85,687	90,480
Insurance	-	44,055	44,055	-	44,055	40,548
Total occupancy	-	2,210,090	2,210,090	-	2,210,090	2,206,936
Other operating costs:						
Professional fees	-	307,643	307,643	1,375	309,018	552,178
Technology	-	61,398	61,398	-	61,398	21,927
Office supplies	-	53,858	53,858	-	53,858	57,761
Grant expense	-	-	-	51,499	51,499	-
Miscellaneous	34	50,592	50,626	-	50,626	48,702
Communications	-	31,843	31,843	-	31,843	27,850
Dues and memberships	-	28,870	28,870	-	28,870	35,069
Total other operating costs	34	534,204	534,238	52,874	587,112	743,487
Depreciation	-	204,042	204,042	-	204,042	208,070
Total operating expenses	34	14,708,534	14,708,568	52,874	14,761,442	14,189,379
Changes in unrestricted net position from operations	(34)	835,317	835,283	(52,874)	782,409	753,265
General revenue:						
Settlement income	-	966,576	966,576	-	966,576	-
Grants and contributions	4,062	30,365	34,427	25	34,452	2,101
Interest and other	-	30,857	30,857	619	31,476	32,475
Insurance recovery	-	28,938	28,938	-	28,938	43,858
Total general revenue	4,062	1,056,736	1,060,798	644	1,061,442	78,434
Changes in unrestricted net position	4,028	1,892,053	1,896,081	(52,230)	1,843,851	831,699
Changes in Restricted Net Position:						
Program specific grants and contributions - private	51,499	10,665	62,164	-	62,164	38,580
Transfers between funds	-	(33,596)	(33,596)	-	(33,596)	(48,241)
Changes in restricted net position	51,499	(22,931)	28,568	-	28,568	(9,661)
Changes in net position	55,527	1,869,122	1,924,649	(52,230)	1,872,419	822,038
Net Position:						
Beginning of year	(962)	6,507,446	6,506,484	55,382	6,561,866	5,739,828
End of year	\$ 54,565	\$ 8,376,568	\$ 8,431,133	\$ 3,152	\$ 8,434,285	\$ 6,561,866

**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:					
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	-	7,230,794	7,230,794	-	7,230,794
In-kind pension	-	982,092	982,092	-	982,092
Payroll taxes and fringe benefits	-	1,091,193	1,091,193	-	1,091,193
Staff development and recruitment	-	105,225	105,225	-	105,225
Total personnel and related costs	-	9,409,304	9,409,304	-	9,409,304
Direct student costs:					
Program expenses	-	1,053,100	1,053,100	-	1,053,100
In-kind transportation	-	274,212	274,212	-	274,212
Student transportation	-	294,270	294,270	-	294,270
Total direct student costs	-	1,621,582	1,621,582	-	1,621,582
Occupancy:					
Rent and related	-	1,662,356	1,662,356	-	1,662,356
Utilities	-	221,407	221,407	-	221,407
Repairs and maintenance	-	192,145	192,145	-	192,145
Equipment rental	-	90,480	90,480	-	90,480
Insurance	-	40,548	40,548	-	40,548
Total occupancy	-	2,206,936	2,206,936	-	2,206,936
Other operating costs:					
Professional fees	-	550,678	550,678	1,500	552,178
Technology	-	21,927	21,927	-	21,927
Office supplies	-	57,761	57,761	-	57,761
Miscellaneous	36	47,824	47,860	842	48,702
Communications	-	27,850	27,850	-	27,850
Dues and memberships	-	35,069	35,069	-	35,069
Total other operating costs	36	741,109	741,145	2,342	743,487
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:					
Grants and contributions	564	1,507	2,071	30	2,101
Interest and other	-	32,183	32,183	292	32,475
Insurance recovery	-	43,858	43,858	-	43,858
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

**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, 2016

	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	\$ -	\$ 12,841,442	\$ -	\$ 12,841,442	\$ -	\$ 12,841,442
Receipts from government grants	-	145,912	-	145,912	-	145,912
Receipts from private grants and contributions	55,561	41,030	-	96,591	25	96,616
Receipts from program service fees and other	-	756,952	-	756,952	619	757,571
Payments for employee compensation and related costs	-	(8,487,127)	-	(8,487,127)	-	(8,487,127)
Payments for supplies and services	(5,034)	(3,896,568)	-	(3,901,602)	(53,374)	(3,954,976)
Net cash provided by (used in) operating activities	50,527	1,401,641	-	1,452,168	(52,730)	1,399,438
Cash Flows from Investing Activities:						
Purchase of capital assets	-	(166,652)	-	(166,652)	-	(166,652)
Cash Flows from Financing Activities:						
Principal payments on note payable	-	(17,437)	-	(17,437)	-	(17,437)
Net Change in Cash	50,527	1,217,552	-	1,268,079	(52,730)	1,215,349
Cash:						
Beginning of year	4,038	7,214,431	-	7,218,469	55,882	7,274,351
End of year	<u>\$ 54,565</u>	<u>\$ 8,431,983</u>	<u>\$ -</u>	<u>\$ 8,486,548</u>	<u>\$ 3,152</u>	<u>\$ 8,489,700</u>
Cash Flows from Operating Activities:						
Changes in net position	\$ 55,527	\$ 1,869,122	\$ -	\$ 1,924,649	\$ (52,230)	\$ 1,872,419
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	-	204,042	-	204,042	-	204,042
Settlement income	-	(966,576)	-	(966,576)	-	(966,576)
Changes in operating assets and liabilities:						
Prepaid expenses	-	(156,125)	-	(156,125)	-	(156,125)
Accounts receivable	-	(18,573)	-	(18,573)	-	(18,573)
Inventory	-	(31,599)	-	(31,599)	-	(31,599)
Due from STEM Foundation	-	5,000	(5,000)	-	-	-
Accounts payable	-	(11,925)	-	(11,925)	-	(11,925)
Accrued expenses	-	539,686	-	539,686	(500)	539,186
Deferred revenue	-	(31,411)	-	(31,411)	-	(31,411)
Due to School	(5,000)	-	5,000	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 50,527</u>	<u>\$ 1,401,641</u>	<u>\$ -</u>	<u>\$ 1,452,168</u>	<u>\$ (52,730)</u>	<u>\$ 1,399,438</u>

**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 service 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:					
Prepaid expenses	-	77,964	77,964	-	77,964
Tuition receivable	-	3,075,756	3,075,756	-	3,075,756
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

**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, 2016 and 2015

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 12).

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 2016 and 2015, the School had 989 and 996 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. 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.

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, 2016 and 2015

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

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.

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, 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, 2016 and 2015 represents student transportation and other program fees paid in advance for fiscal years 2017 and 2016 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, 2016 or 2015.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

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 school year in which they are used.

Marketing and Advertising Costs

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

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 during fiscal years 2016 and 2015:

	<u>2016</u>	<u>2015</u>
In-kind pension	\$ 1,487,947	\$ 982,092
In-kind transportation	<u>292,813</u>	<u>274,212</u>
	<u>\$ 1,780,760</u>	<u>\$ 1,256,304</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 2016 for the fiscal year 2017 school year. Inventory purchased by the School is valued at cost.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Organization follows the accounting and disclosure standards pertaining to GASB 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. 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.

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.

Subsequent Events

Subsequent events have been evaluated through October 27, 2016, 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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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

2. CAPITAL ASSETS

Changes in capital assets are as follows:

<u>School</u>	<u>Balance June 30, 2014</u>	<u>2015 Additions</u>	<u>Balance June 30, 2015</u>	<u>2016 Additions</u>	<u>2016 Disposals</u>	<u>Balance June 30, 2016</u>
Cost:						
Furniture and equipment	\$ 928,464	\$ 14,210	\$ 942,674	\$ 40,997	\$ (10,546)	\$ 973,125
Computers and software	1,032,038	104,046	1,136,084	125,655	(637,619)	624,120
Leasehold improvements	374,829	-	374,829	-	-	374,829
Vehicles	<u>87,409</u>	<u>-</u>	<u>87,409</u>	<u>-</u>	<u>-</u>	<u>87,409</u>
Total cost	<u>2,422,740</u>	<u>118,256</u>	<u>2,540,996</u>	<u>166,652</u>	<u>(648,165)</u>	<u>2,059,483</u>
Less - accumulated depreciation:						
Furniture and equipment	779,531	61,376	840,907	45,863	(10,546)	876,224
Computers and software	823,924	116,219	940,143	127,702	(637,619)	430,226
Leasehold improvements	133,187	17,988	151,175	17,989	-	169,164
Vehicles	<u>43,704</u>	<u>12,487</u>	<u>56,191</u>	<u>12,488</u>	<u>-</u>	<u>68,679</u>
Total accumulated depreciation	<u>1,780,346</u>	<u>208,070</u>	<u>1,988,416</u>	<u>204,042</u>	<u>(648,165)</u>	<u>1,544,293</u>
Capital assets, net	<u>\$ 642,394</u>	<u>\$ (89,814)</u>	<u>\$ 552,580</u>	<u>\$ (37,390)</u>	<u>\$ -</u>	<u>\$ 515,190</u>
<u>AMSA Foundation</u>	<u>Balance June 30, 2014</u>	<u>2015 Additions</u>	<u>Balance June 30, 2015</u>	<u>2016 Additions</u>	<u>Balance June 30, 2016</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>	

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, 2016 and 2015, or on its changes in net position for the years then ended. The School received approximately 93% of its operating revenue, net of in-kind transportation and pension from the Commonwealth of Massachusetts for each of the years ended June 30, 2016 and 2015.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL,
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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

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 2016 and 2015 was \$1,074,100 and \$1,072,475, respectively, and is included in rent and related in the accompanying statements of net position.

During fiscal years 2016 and 2015, 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 August 2019. Effective June 2016, the aggregate monthly payments increased to \$7,695. The School is also responsible for certain maintenance and operating costs. The equipment lease expense was \$85,687 and \$90,480 for the years ended June 30, 2016 and 2015, respectively. Future minimum payments under these lease agreements as of June 30, 2016, 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>	
2017	\$ 1,074,100	\$ 466,346	\$ 92,339
2018	\$ 1,109,850	\$ 466,346	\$ 78,433
2019	\$ 1,113,100	\$ 466,346	\$ 15,910
2020	\$ 1,113,100	\$ 466,346	\$ 1,627
2021	\$ 1,158,337	\$ 466,346	\$ -
2022 - 2026	\$ 5,924,850	\$ 2,331,730	\$ -
2027 - 2031	\$ 6,321,000	\$ 2,331,730	\$ -

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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

5. RETIREMENT PLAN

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. As of June 30, 2015, \$53,517 was withheld from employees' pay and was owed to MTRS. This amount is included in accrued expenses in the accompanying June 30, 2015 combined statement of net position. All amounts withheld from employees' pay and owed to MTRS were paid in July 2015. There were no amounts due to MTRS as of June 30, 2016.

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 \$1,487,947 and \$982,092 for the years ended June 30, 2016 and 2015, 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 \$18,345,053 and \$14,135,951 at the measurement dates selected by the Commonwealth of June 30, 2015 and 2014, 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.

In accordance with certain contract requirements, the School was required to make payments of \$4,176 to MTRS for the year ended June 30, 2015, which is included in payroll taxes and fringe benefits in the accompanying combined fiscal year 2015 statement of revenues, expenses and changes in net position. There were no required payments to MTRS due during fiscal year 2016.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2016</u>	<u>2015</u>
Accrued salaries and benefits	66%	67%
Payables to vendors	<u>34</u>	<u>33</u>
	<u>100%</u>	<u>100%</u>

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Notes to Combined General Purpose Financial Statements
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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.

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

	2016			2015		
	School	AMSA Foundation	STEM Foundation	School	AMSA Foundation	STEM Foundation
Fully insured	\$ 8,431,983	\$ 1,652	\$ 54,565	\$ 7,214,431	\$ 54,382	\$ 4,038
Uninsured	-	1,500	-	-	1,500	-
	<u>\$ 8,431,983</u>	<u>\$ 3,152</u>	<u>\$ 54,565</u>	<u>\$ 7,214,431</u>	<u>\$ 55,882</u>	<u>\$ 4,038</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 (3.5% and 3.25% at June 30, 2016 and 2015, respectively), 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, 2016 and 2015. There were no amounts outstanding under this agreement as of June 30, 2016 and 2015.

9. NOTE PAYABLE

During fiscal years 2016 and 2015, the School had a note payable agreement with a credit union, the proceeds of which were used to purchase two school buses. The note bore interest at 4.5% and was due in monthly principal and interest payments through June 2016. The note was secured by the school buses. The note was paid in full in May 2016.

10. PROFESSIONAL DEVELOPMENT

The School incurred expenditures for the purpose of providing professional development to staff and teachers. The School expended \$20,770 and \$98,462 for the years ended June 30, 2016 and 2015, respectively, which is included in staff development and recruitment 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, 2016 and 2015

11. INSURANCE RECOVERY

In fiscal years 2016 and 2015, 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 \$28,938 and \$43,858 for fiscal years ended 2016 and 2015, respectively, and are reflected in the accompanying combined statements of revenues, expenses and changes in net position as insurance recovery.

12. 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.

Upon the School meeting the conditions above, DESE implemented the following conditions in fiscal year 2016:

- Until further notice, the School must submit to DESE Board meeting agendas, materials, minutes and monthly financial statements prior to each Board meeting.
- By September 30, 2016, the School's Board of Trustees will create or select an evaluation system for the Executive Director to ensure regular, systematic, measureable, and transparent evaluation that aligns with best practices and provides the School leader with robust supervision and evaluation.
- By September 30, 2016, to ensure regular, systematic, measureable, and transparent evaluation that aligns with best practices and provides school leadership with robust supervision and evaluation, the School will create or select an evaluation system for school leadership including, but not limited to, the principal and vice principal positions.

As of October 27, 2016, the School has met the first condition above. The School submitted the items for the remaining two conditions to DESE for approval, and DESE has requested additional documentation from the School to meet these conditions. Upon submitting these additional items to DESE, the School expects the conditions on the renewal to be lifted in fiscal year 2017.

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.

**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, 2016 and 2015

12. CONTINGENCIES (Continued)

In fiscal year 2016, the School received a legal settlement in the amount of \$966,576, which is reflected as settlement income in the accompanying fiscal year 2016 combined statement of revenues, expenses and changes in net position.

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, 2016 and 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.



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**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, 2016, 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 27, 2016.

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 2016-001 and 2016-002.

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 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, Crossen, Fenning & Co., P.C.".

Westborough, Massachusetts
October 27, 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, 2016

1. CURRENT YEAR FINDINGS AND RESPONSES

Material Instances of Non-Compliance

2016-001

MTRS Disbursements

Condition: We examined the twelve months of Massachusetts Teachers' Retirement Board payments submitted for fiscal year 2016 and noted the retirement withholdings for February 2016 were not remitted to the MTRS by the tenth day of the month following the payroll month.

Effect: The condition above resulted in one month noted in which employees' retirement withholdings were not remitted to the MTRS by the tenth day of the month following the payroll month. As a result, the School is not in compliance with DESE requirements regarding MTRS disbursements.

Cause: In February 2016, the School experienced turnover in the Business Manager position, which caused a delay in payment of employee withholdings to the MTRS during the month of the turnover.

Criteria or Specific Requirement: DESE Audit Guide reporting requirement 1010 – *Massachusetts Teachers' Retirement System*.

Recommendation: Management should modify its current monthly close process to include a review of MTRS payments to ensure its policies and procedures surrounding MTRS payments are operating as intended and to ensure compliance with DESE requirements.

2016-002

Charter School End of Year Financial Report

Condition: During the testing of the DESE Audit Guide reporting requirements, we noted that the Fiscal Year 2015 End of Year Financial Report (the Report) submitted by the School's management to DESE did not reconcile with the fiscal year 2015 audit.

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 2015 End of Year Financial Report.

Cause: The revenue and expenses are understated on the Report. Both revenue and expenses vary from the fiscal year 2015 audited financial statements by \$68,772. Insurance recovery revenue, interest and other revenue, restricted grant activity and a portion of the grants and contributions are not included on the Report. We are not able to determine the specific expenses missing on the report.

**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, 2016

1. CURRENT YEAR FINDINGS AND RESPONSES (Continued)

Material Instances of Non-Compliance (Continued)

2016-002 (Continued)

Charter School End of Year Financial Report (Continued)

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

Recommendation: When preparing the End of Year Financial Report, the School's management should ensure that all amounts tie exactly to the audited financial statements for that fiscal year. The School's management should also utilize the checks and comments tab in the Report to ensure there are no variances within the Report.

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

Schedule of Prior Year Findings and Responses
June 30, 2016

MATERIAL INSTANCE OF NONCOMPLIANCE

Finding 2015-001

Board of Trustees Requirements

Finding Summary: 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 in fiscal year 2015, 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.

Update: Per the updated DESE Audit Guide reporting requirements, AAF is no longer required to test these Board of Trustees requirements.

Current Status: This finding has been resolved.

Finding 2015-002

Charter School End of Year Financial Report

Finding Summary: During the fiscal year 2015 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. 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.

Update: See finding **2016-002** on pages 24 - 25.

Current Status: This finding has not been resolved.