



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

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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

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JUNE 30, 2014 AND 2013**

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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), which comprise the combined statements of net position as of June 30, 2014 and 2013, 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 above 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, 2014 and 2013, 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.

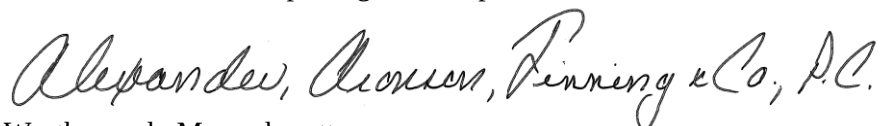
Other Matters

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 23, 2014, on our consideration of the School's, AMSA Foundation's and STEM Foundation'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, 2014. 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 School's, AMSA Foundation's and STEM Foundation's internal control over financial reporting and compliance.



Westborough, Massachusetts
October 23, 2014

**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, 2014 AND 2013**

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, 2014 and 2013. 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 their charter on February 24, 2004, to operate as a public charter school in the Commonwealth of Massachusetts. The charter term is five years, beginning July 1, 2010, and expiring June 30, 2015. 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 982 and 969 students in fiscal years 2014 and 2013, respectively.

Financial Highlights – Charter School

The following financial highlights are for fiscal year 2014 with comparative information from fiscal year 2013:

- The School held total assets of \$7,440,352 and \$6,065,689 at June 30, 2014 and 2013, respectively, of which \$642,394 and \$621,325 were net capital assets, respectively. The majority of the remaining assets consisted of cash, tuition receivable and prepaid expenses.
- The School held total liabilities of \$1,757,776 and \$1,329,690 at June 30, 2014 and 2013, respectively.
- Total net position for the School was \$5,682,576 and \$4,735,999 at June 30, 2014 and 2013, respectively, of which \$5,624,792 and \$4,714,243 were unrestricted, respectively. This included \$575,662 and \$564,378 invested in net capital assets, respectively. The School also had restricted net position of \$57,784 and \$21,756 at June 30, 2014 and 2013, respectively.
- The School earned total revenue of \$14,002,721 for the year ended June 30, 2014, of which approximately 97.55% was operating revenue and approximately 2.45% was from general revenue (undesignated grants and contributions, insurance recovery, and interest and other). The School earned total revenue of \$12,899,963 for the year ended June 30, 2013, of which approximately 99.8% was operating revenue and approximately 0.2% was from general revenue (undesignated grants and contributions and interest and other).
- The School had total expenses of \$13,056,144 and \$12,325,629 for the years ended June 30, 2014 and 2013, respectively.
- The School's changes in net position were \$946,577 and \$574,334 for the years ended June 30, 2014 and 2013, 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, 2014 AND 2013
(Continued)**

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*, *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 financial statements. The combined statement of net position includes year-end information concerning current and non-current assets, current and non-current liabilities, and net position. Net position represents the difference between assets and liabilities. Net position is displayed in three components: operating, invested in capital and restricted net position. Invested in capital net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted operating net position represents all other net position that do not meet the definition of restricted or invested in capital net position. Over time, readers of the combined general purpose financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The combined statement of revenues, expenses and changes in net position report the combined financial (revenue and expenses) activities of the School and divide revenue into two categories: Operating activities and general revenue. Operating activities include all financial activities associated with the operation of the School and its related programs. General revenue includes all revenue received which is not fee generated or designated for a specific purpose with the exception of capital grants. Capital grants are reported as general revenue as the related cost has been capitalized. Changes in total net position as presented on the combined statement of net position are based on the activity presented in this statement. This statement helps to determine whether the School had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

**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, 2014 AND 2013
(Continued)**

Combined General Purpose Financial Statements (Continued)

The combined statement of cash flows provides information about the School's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in helping users assess the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Budgetary Highlights

For the fiscal year ended June 30, 2014, the School incurred \$13,056,144 in actual expenditures compared to budgeted expenditures of \$12,718,163. Actual expenses were higher than budgeted due to the legal expenses being higher than budgeted by \$254,000, a new book fair that was not anticipated which caused an increase of approximately \$40,000, a new summer school program which caused an increase of approximately \$20,000 and expenses related to the School's prom was higher than budgeted by approximately \$16,000. The remaining increase is due to small overages compared to budget in program expenses.

For the fiscal year ended June 30, 2013, the School incurred \$12,325,629 in actual expenditures compared to budgeted expenditures of \$12,016,748. The actual expenses were higher than budget due to actual legal expense being higher than budget by \$50,000, student transportation costs being higher than budget by approximately \$280,000 mostly due to additional buses added which were not budgeted, and additional fieldtrips not budgeted for which increased actual expenses by approximately \$50,000.

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

For the fiscal year ended June 30, 2013, the School received per-pupil tuition of \$11,638,139 compared to budgeted tuition of \$11,405,038. The School under budgets tuition revenue by 1-3% to be conservative if 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 87.3% of the School's total revenue for fiscal year 2014 and 90.2% for fiscal year 2013. In addition, the School received various Federal, Commonwealth of Massachusetts and private grants, which totaled \$193,749 and \$208,667 for fiscal years 2014 and 2013, 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 in 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.

**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, 2014 AND 2013
(Continued)**

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, 2014**

<u>ASSETS</u>	<u>ENTERPRISE FUND SCHOOL</u>	<u>COMPONENT UNIT AMSA FOUNDATION</u>	<u>(Memorandum Only) TOTAL</u>
CURRENT ASSETS:			
Cash	\$ 3,173,333	\$ 58,902	\$ 3,232,235
Tuition receivable	3,075,756	-	3,075,756
Prepaid expenses	515,536	-	515,536
Total current assets	6,764,625	58,902	6,823,527
CAPITAL ASSETS, net	642,394	-	642,394
SECURITY DEPOSIT	33,333	-	33,333
Total assets	<u>\$ 7,440,352</u>	<u>\$ 58,902</u>	<u>\$ 7,499,254</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES:			
Current portion of note payable	\$ 18,248	\$ -	\$ 18,248
Accounts payable	417,140	-	417,140
Accrued expenses	1,182,696	1,500	1,184,196
Deferred revenue	116,910	-	116,910
Total current liabilities	1,734,994	1,500	1,736,494
NOTE PAYABLE, net of current portion	22,782	-	22,782
Total liabilities	1,757,776	1,500	1,759,276
NET POSITION:			
Unrestricted:			
Operating	5,049,130	57,402	5,106,532
Invested in capital	575,662	-	575,662
Total unrestricted	5,624,792	57,402	5,682,194
Restricted program	57,784	-	57,784
Total net position	5,682,576	57,402	5,739,978
Total liabilities and net position	<u>\$ 7,440,352</u>	<u>\$ 58,902</u>	<u>\$ 7,499,254</u>

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

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

**COMBINED STATEMENT OF NET POSITION
JUNE 30, 2013**

<u>ASSETS</u>	<u>ENTERPRISE FUND SCHOOL</u>	<u>COMPONENT UNIT AMSA FOUNDATION</u>	<u>(Memorandum Only) TOTAL</u>
CURRENT ASSETS:			
Cash	\$ 5,222,041	\$ 105,638	\$ 5,327,679
Prepaid expenses	188,990	-	188,990
Total current assets	5,411,031	105,638	5,516,669
CAPITAL ASSETS, net	621,325	-	621,325
SECURITY DEPOSIT	33,333	-	33,333
Total assets	<u>\$ 6,065,689</u>	<u>\$ 105,638</u>	<u>\$ 6,171,327</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES:			
Current portion of note payable	\$ 17,447	\$ -	\$ 17,447
Accounts payable	200,948	-	200,948
Accrued expenses	1,071,795	-	1,071,795
Total current liabilities	1,290,190	-	1,290,190
NOTE PAYABLE, net of current portion	39,500	-	39,500
Total liabilities	<u>1,329,690</u>	<u>-</u>	<u>1,329,690</u>
NET POSITION:			
Unrestricted:			
Operating	4,149,865	105,638	4,255,503
Invested in capital	564,378	-	564,378
Total unrestricted	4,714,243	105,638	4,819,881
Restricted program	21,756	-	21,756
Total net position	<u>4,735,999</u>	<u>105,638</u>	<u>4,841,637</u>
Total liabilities and net position	<u>\$ 6,065,689</u>	<u>\$ 105,638</u>	<u>\$ 6,171,327</u>

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

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	ENTERPRISE FUND SCHOOL	COMPONENT UNIT AMSA FOUNDATION	(Memorandum Only) TOTAL
CHANGES IN UNRESTRICTED NET POSITION:			
OPERATING REVENUE:			
Per-pupil tuition	\$ 12,233,918	\$ -	\$ 12,233,918
Program service fees	930,516	-	930,516
In-kind transportation	224,694	-	224,694
Grants - government	193,749	-	193,749
Transfers between funds	40,908	-	40,908
Total operating revenue	<u>13,623,785</u>	<u>-</u>	<u>13,623,785</u>
OPERATING EXPENSES:			
Personnel and related costs:			
Salaries	6,876,790	-	6,876,790
Payroll taxes and fringe benefits	1,012,571	-	1,012,571
Staff development and recruitment	109,243	-	109,243
Staff travel	3,446	-	3,446
Total personnel and related costs	<u>8,002,050</u>	<u>-</u>	<u>8,002,050</u>
Direct student costs:			
Program expenses	1,217,885	-	1,217,885
Student transportation	521,913	-	521,913
Total direct student costs	<u>1,739,798</u>	<u>-</u>	<u>1,739,798</u>
Occupancy:			
Rent and related	1,621,740	-	1,621,740
Repairs and maintenance	360,169	-	360,169
Utilities	190,375	-	190,375
Equipment rental	78,650	-	78,650
Insurance	38,136	-	38,136
Storage	3,854	-	3,854
Total occupancy	<u>2,292,924</u>	<u>-</u>	<u>2,292,924</u>
Other operating costs:			
Professional fees	637,035	3,171	640,206
Grant expense	-	45,000	45,000
Dues and memberships	41,147	-	41,147
Office supplies	38,503	-	38,503
Communications	32,332	-	32,332
Marketing and fundraising	26,956	-	26,956
Miscellaneous	13,073	436	13,509
Printing and postage	6,030	-	6,030
Interest	3,641	-	3,641
Total other operating costs	<u>798,717</u>	<u>48,607</u>	<u>847,324</u>
Depreciation	<u>222,655</u>	<u>-</u>	<u>222,655</u>
Total operating expenses	<u>13,056,144</u>	<u>48,607</u>	<u>13,104,751</u>
Changes in net position from operations	<u>567,641</u>	<u>(48,607)</u>	<u>519,034</u>
GENERAL REVENUE:			
Insurance recovery	253,291	-	253,291
Grants and contributions	50,316	-	50,316
In-kind goods - capital	23,039	-	23,039
Interest and other	16,262	371	16,633
Total general revenue	<u>342,908</u>	<u>371</u>	<u>343,279</u>
Changes in unrestricted net position	910,549	(48,236)	862,313
CHANGES IN RESTRICTED NET POSITION:			
Program specific grants and contributions - private	76,936	-	76,936
Transfers between funds	(40,908)	-	(40,908)
Changes in restricted net position	<u>36,028</u>	<u>-</u>	<u>36,028</u>
Changes in net position	946,577	(48,236)	898,341
NET POSITION, beginning of year	<u>4,735,999</u>	<u>105,638</u>	<u>4,841,637</u>
NET POSITION, end of year	<u>\$ 5,682,576</u>	<u>\$ 57,402</u>	<u>\$ 5,739,978</u>

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

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	ENTERPRISE FUND SCHOOL	COMPONENT UNIT AMSA FOUNDATION	(Memorandum Only) TOTAL
CHANGES IN UNRESTRICTED NET POSITION:			
OPERATING REVENUE:			
Per-pupil tuition	\$ 11,638,139	\$ -	\$ 11,638,139
Program service fees	801,926	-	801,926
In-kind transportation	198,361	-	198,361
Grants - government	208,667	-	208,667
Transfers between funds	3,645	-	3,645
Total operating revenue	<u>12,850,738</u>	<u>-</u>	<u>12,850,738</u>
OPERATING EXPENSES:			
Personnel and related costs:			
Salaries	6,765,180	-	6,765,180
Payroll taxes and fringe benefits	847,766	-	847,766
Staff development and recruitment	92,618	-	92,618
Staff travel	7,818	-	7,818
Total personnel and related costs	<u>7,713,382</u>	<u>-</u>	<u>7,713,382</u>
Direct student costs:			
Program expenses	1,038,080	-	1,038,080
Student transportation	473,945	-	473,945
Total direct student costs	<u>1,512,025</u>	<u>-</u>	<u>1,512,025</u>
Occupancy:			
Rent and related	1,670,990	-	1,670,990
Repairs and maintenance	444,610	-	444,610
Utilities	174,790	-	174,790
Equipment rental	53,016	-	53,016
Insurance	34,738	1,087	35,825
Storage	1,520	-	1,520
Total occupancy	<u>2,379,664</u>	<u>1,087</u>	<u>2,380,751</u>
Other operating costs:			
Professional fees	280,503	14,448	294,951
Grant expense	-	4,000	4,000
Dues and memberships	40,014	-	40,014
Office supplies	59,220	123	59,343
Communications	45,058	-	45,058
Marketing and fundraising	14,958	-	14,958
Miscellaneous	21,508	269	21,777
Printing and postage	5,786	-	5,786
Interest	3,338	-	3,338
Total other operating costs	<u>470,385</u>	<u>18,840</u>	<u>489,225</u>
Depreciation	<u>250,173</u>	<u>-</u>	<u>250,173</u>
Total operating expenses	<u>12,325,629</u>	<u>19,927</u>	<u>12,345,556</u>
Changes in net position from operations	<u>525,109</u>	<u>(19,927)</u>	<u>505,182</u>
GENERAL REVENUE:			
Grants and contributions	17,028	588	17,616
Interest and other	13,411	501	13,912
Total general revenue	<u>30,439</u>	<u>1,089</u>	<u>31,528</u>
Changes in unrestricted net position	555,548	(18,838)	536,710
CHANGES IN RESTRICTED NET POSITION:			
Program specific grants and contributions - private	22,431	-	22,431
Transfers between funds	(3,645)	-	(3,645)
Changes in restricted net position	<u>18,786</u>	<u>-</u>	<u>18,786</u>
Changes in net position	574,334	(18,838)	555,496
NET POSITION, beginning of year	<u>4,161,665</u>	<u>124,476</u>	<u>4,286,141</u>
NET POSITION, end of year	<u>\$ 4,735,999</u>	<u>\$ 105,638</u>	<u>\$ 4,841,637</u>

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

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

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014**

	ENTERPRISE FUND SCHOOL	COMPONENT UNIT AMSA FOUNDATION	(Memorandum Only) TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for tuition	\$ 9,158,162	\$ -	\$ 9,158,162
Receipts from government grants	193,749	-	193,749
Receipts from private grants and contributions	127,252	-	127,252
Receipts from program fees and other	1,316,979	371	1,317,350
Payments for employee compensation and related costs	(7,630,382)	-	(7,630,382)
Payments for supplies and services	<u>(5,003,568)</u>	<u>(47,107)</u>	<u>(5,050,675)</u>
Net cash used in operating activities	(1,837,808)	(46,736)	(1,884,544)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for capital assets	(194,983)	-	(194,983)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on note payable	<u>(15,917)</u>	<u>-</u>	<u>(15,917)</u>
NET DECREASE IN CASH	(2,048,708)	(46,736)	(2,095,444)
CASH, beginning of year	<u>5,222,041</u>	<u>105,638</u>	<u>5,327,679</u>
CASH, end of year	<u><u>\$ 3,173,333</u></u>	<u><u>\$ 58,902</u></u>	<u><u>\$ 3,232,235</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Changes in net position	\$ 946,577	\$ (48,236)	\$ 898,341
Adjustments to reconcile changes in net position to net cash used in operating activities:			
Depreciation	222,655	-	222,655
Donated equipment	(23,039)	-	(23,039)
Changes in operating assets and liabilities:			
Tuition receivable	(3,075,756)	-	(3,075,756)
Prepaid expenses	(326,546)	-	(326,546)
Accounts payable	190,490	-	190,490
Accrued expenses	110,901	1,500	112,401
Deferred revenue	<u>116,910</u>	<u>-</u>	<u>116,910</u>
Net cash used in operating activities	<u><u>\$ (1,837,808)</u></u>	<u><u>\$ (46,736)</u></u>	<u><u>\$ (1,884,544)</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Capital asset additions included in accounts payable	<u><u>\$ 25,702</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,702</u></u>
Cash paid for interest	<u><u>\$ 3,641</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,641</u></u>
Cost basis of donated equipment	<u><u>\$ 23,039</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,039</u></u>

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

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

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013**

	ENTERPRISE FUND SCHOOL	COMPONENT UNIT AMSA FOUNDATION	(Memorandum Only) TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for tuition	\$ 11,638,139	\$ -	\$ 11,638,139
Receipts from government grants	208,667	-	208,667
Receipts from private grants and contributions	47,163	588	47,751
Receipts from program fees and other	815,337	501	815,838
Payments for employee compensation and related costs	(7,759,387)	-	(7,759,387)
Payments for supplies and services	<u>(3,998,559)</u>	<u>(37,631)</u>	<u>(4,036,190)</u>
Net cash provided by (used in) operating activities	951,360	(36,542)	914,818
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for fixed assets	(100,960)	-	(100,960)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on note payable	<u>(14,590)</u>	<u>-</u>	<u>(14,590)</u>
NET INCREASE (DECREASE) IN CASH	835,810	(36,542)	799,268
CASH, beginning of year	<u>4,386,231</u>	<u>142,180</u>	<u>4,528,411</u>
CASH, end of year	<u><u>\$ 5,222,041</u></u>	<u><u>\$ 105,638</u></u>	<u><u>\$ 5,327,679</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Changes in net position	\$ 574,334	\$ (18,838)	\$ 555,496
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:			
Depreciation	250,173	-	250,173
Donated equipment	-	-	-
Changes in operating assets and liabilities:			
Prepaid expenses	(135,844)	-	(135,844)
Due to (from)	17,704	(17,704)	-
Accounts payable	(11,288)	-	(11,288)
Accrued expenses	<u>256,281</u>	<u>-</u>	<u>256,281</u>
Net cash provided by (used in) operating activities	<u><u>\$ 951,360</u></u>	<u><u>\$ (36,542)</u></u>	<u><u>\$ 914,818</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	<u><u>\$ 3,338</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,338</u></u>

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

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

(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, 2015.

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 2014 and 2013, the School had 982 and 969 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 has applied for exemption from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. STEM Foundation's application for tax exemption was approved on July 16, 2014.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - GASB Standards

The accompanying combined general purpose financial statements were prepared on the accrual basis of accounting. Because the School is a quasi-public corporation, its accounting policies and financial statement presentation are governed by standards issued by the Governmental Accounting Standards Board (GASB). The School has adopted 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.

Consistent with the provisions of 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 and 39, STEM Foundation is presented in the combined general purpose financial statements as a "blended" component unit of the School. All inter-agency transactions between the School and 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, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accrual method of accounting is used for all governmental entities that operate as business-type entities. Accordingly, revenue is recognized when earned and 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 elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Classification of Funds

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

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

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

Revenue Recognition

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

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

In fiscal year 2014, the School filed a claim with its insurance company to reimburse the School for a portion of its legal costs incurred during the year. The total claim of \$253,291 is reflected on the accompanying fiscal year 2014 combined statement of revenues, expenses, and changes in net position as insurance recovery.

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

**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, 2014 AND 2013
(Continued)**

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

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

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

Marketing and Advertising Costs

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

Allowance for Doubtful Accounts

An allowance for doubtful accounts is based on management's collection experience with their funders. Amounts are charged off as uncollectible when management determines that the receivable will not be collected. There was no allowance for doubtful accounts deemed necessary as of June 30, 2014 or 2013.

In-Kind Services and In-Kind Transportation

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

The School also receives donated transportation from the City of Marlborough for certain students, as required by DESE. The value of these services, as estimated by the City of Marlborough, is \$224,694 and \$198,361 for the years ended June 30, 2014 and 2013, respectively, and is included as in-kind transportation revenue and student transportation expense in the accompanying combined general purpose financial statements. During the year ended June 30, 2014, the School also received donated equipment valued at \$23,039 as determined by the donor.

**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, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(2) FIXED ASSETS

Changes in fixed assets are as follows:

<u>SCHOOL</u>	<u>Balance June 30, 2012</u>	<u>2013 Additions</u>	<u>Balance June 30, 2013</u>	<u>2014 Additions</u>	<u>Balance June 30, 2014</u>
Cost:					
Furniture and equipment	\$ 846,010	\$ 30,991	\$ 877,001	\$ 51,463	\$ 928,464
Computers and software	769,808	69,969	839,777	192,261	1,032,038
Leasehold improvements	374,829	-	374,829	-	374,829
Vehicles	87,409	-	87,409	-	87,409
Total cost	<u>2,078,056</u>	<u>100,960</u>	<u>2,179,016</u>	<u>243,724</u>	<u>2,422,740</u>
Less - accumulated depreciation:					
Furniture and equipment	577,029	109,079	686,108	93,423	779,531
Computers and software	614,547	110,620	725,167	98,757	823,924
Leasehold improvements	97,211	17,988	115,199	17,988	133,187
Vehicles	18,731	12,486	31,217	12,487	43,704
Total accumulated depreciation	<u>1,307,518</u>	<u>250,173</u>	<u>1,557,691</u>	<u>222,655</u>	<u>1,780,346</u>
Fixed assets, net	<u>\$ 770,538</u>	<u>\$(149,213)</u>	<u>\$ 621,325</u>	<u>\$ 21,069</u>	<u>\$ 642,394</u>
 <u>AMSA FOUNDATION</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>
Fixed assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(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, 2014 and 2013, or on its changes in net position for the years then ended. The School received approximately 91% and 92% of its operating revenue from the Commonwealth of Massachusetts for the years ended June 30, 2014 and 2013, respectively.

At June 30, 2014, \$3,075,756 was due from the Commonwealth of Massachusetts for the fourth quarterly tuition payment and is reflected on the accompanying June 30, 2014 combined statement of net position as tuition receivable. There was no tuition receivable as of June 30, 2013, as the Commonwealth of Massachusetts typically pays all tuition on the last day of the quarter.

(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 2014 and 2013 was \$1,048,275 and \$1,046,650, respectively.

During fiscal years 2014 and 2013, 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 May, 2017. These leases require the School to make aggregate monthly payments totaling approximately \$6,350. The equipment lease expense was \$78,650 and \$53,016 for the years ended June 30, 2014 and 2013, respectively.

**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, 2014 AND 2013
(Continued)**

(4) LEASES (Continued)

Future minimum payments under these lease agreements as of June 30, 2014, 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>		
2015	\$1,054,600	\$	466,346	\$76,203
2016	\$1,081,962	\$	466,346	\$62,115
2017	\$1,083,587	\$	466,346	\$41,678
2018	\$1,083,587	\$	466,346	\$ -
2019	\$1,119,337	\$	466,346	\$ -
2020 - 2024	\$5,726,687	\$	2,331,730	\$ -
2025 - 2029	\$6,087,087	\$	2,331,730	\$ -
2030 - 2031	\$2,612,250	\$	932,692	\$ -

(5) RETIREMENT PLAN

The School's teaching staff and certain administrators participate individually in the Massachusetts Teachers' Retirement System (MTRS). The School is not legally required to contribute to MTRS. During the years ended June 30, 2014 and 2013, the School contributed \$3,885 and \$3,651, respectively, to MTRS in accordance with requirements of certain grants. 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 8% to 11% of their salaries, depending on their date of hire. The Commonwealth of Massachusetts is required to make actuarially determined contributions to maintain the financial integrity of the retirement system.

(6) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2014</u>	<u>2013</u>
Accrued salaries and benefits	68%	55%
Payables to vendors	<u>32</u>	<u>45</u>
	<u>100%</u>	<u>100%</u>

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(7) CONCENTRATION OF CREDIT RISK

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

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

	<u>2014</u>			<u>2013</u>		
	<u>School</u>	<u>AMSA Foundation</u>	<u>STEM Foundation</u>	<u>School</u>	<u>AMSA Foundation</u>	<u>STEM Foundation</u>
Fully insured	\$ 250,000	\$57,402	\$3,510	\$ 250,000	\$105,638	\$6,420
Uninsured	<u>2,919,823</u>	<u>1,500</u>	<u>-</u>	<u>4,965,621</u>	<u>-</u>	<u>-</u>
	<u>\$3,169,823</u>	<u>\$58,902</u>	<u>\$3,510</u>	<u>\$5,215,621</u>	<u>\$105,638</u>	<u>\$6,420</u>

(8) LINE OF CREDIT

The School has a line of credit agreement with a credit union. Under this agreement, the School can borrow up to \$1,000,000. Principal is due on demand. Interest accrues at the *Wall Street Journal's* prime rate (3.25% at June 30, 2013 and 2012), 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, 2014 and 2013. There were no amounts outstanding under this agreement as of June 30, 2014 and 2013.

(9) NOTE PAYABLE

The School has a note payable agreement with a credit union, the proceeds of which were used to purchase two school buses. The note bears interest at 4.5% and is due in monthly principal and interest payments through June, 2016. The note is secured by the school buses.

Future minimum principal and interest payments under this agreement are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$18,248	\$1,307
2016	\$22,782	\$ 468

**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, 2014 AND 2013
(Continued)**

(10) CONTINGENCY

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.

(11) 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, 2014, the School's cumulative surplus revenue was less than 20%; however, the calculation is subject to DESE review and approval. Management does not anticipate any material change in the calculation.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined general purpose financial statements of Advanced Math and Science Academy Charter School, AMSA Charter School Foundation, Inc. and STEM Soaring Eagles Foundation, Inc. (collectively, AMSA), which comprise the combined statement of net position as of June 30, 2014, 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 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined general purpose financial statements, we considered AMSA'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 AMSA's internal control. Accordingly, we do not express an opinion on the effectiveness of AMSA'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 AMSA'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. We did identify a certain deficiency in internal control, described in the accompany Schedule of Findings and Responses that we consider to be a significant deficiency. See finding 2014-001.

Internal Control Over Financial Reporting (Continued)

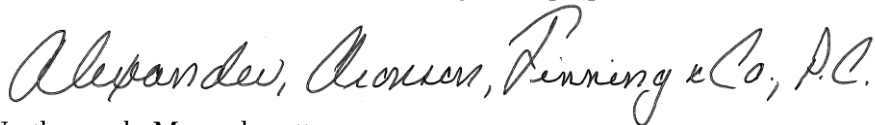
The School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The School's response was not subjected to the auditing procedures applied in the audit of the combined general purpose financial statements and accordingly we do not express an opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AMSA'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 AMSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AMSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Westborough, Massachusetts
October 23, 2014

**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, 2014**

I. CURRENT YEAR FINDING AND RESPONSE

SIGNIFICANT DEFICIENCY

General Ledger Maintenance

2014-001

Condition: During fiscal year 2014, there were several general ledger accounts that were not properly reconciled throughout the year including at year end. The following accounts required adjustments as part of the audit process:

- Cash
- Tuition receivable
- Temporarily restricted net assets
- Accrued expenses
- Accounts payable
- Deferred revenue

Effect: Due to the conditions above, the adjustments increased the School's change in net position by approximately \$279,000. Several of the adjustments were needed because entries were made to the June 30, 2013 trial balance after the audited financial statements were finalized. As a result, the beginning net asset balances in the School's trial balance and the STEM Foundation's trial balance did not reconcile to the fiscal year 2013 audited financial statements.

Recommendation: The School should ensure that all accounts are properly reconciled. Management should refine its checklist of monthly closing procedures to ensure it encompasses all areas of accounting for the School's activities. This checklist should include procedures to be performed at the end of each month, including cash and other account reconciliations, accrual calculations and payroll reconciliations. This list should also indicate the individual responsible for performing and reviewing each task, as well as the timeline for completion of each activity. Management should also compile a list of monthly standard journal entries (i.e. prepaid account entries, depreciation entries, etc.). This will ensure that all monthly activity is captured, recorded appropriately, and fairly stated. The School should also compare its trial balance to the audited trial balance at the conclusion of the annual audit to ensure all balances reconcile and that no entries were made to change account balances. This will ensure beginning balances roll forward correctly to the following fiscal year.

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