



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

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
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, 2013 AND 2012**

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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, 2013 and 2012, 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, 2013 and 2012, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 4 be presented to supplement the basic combined general purpose financial statements. Such information, although not a part of the basic combined general purpose financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic combined general purpose financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined general purpose financial statements, and other knowledge we obtained during our audit of the basic combined general purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined general purpose financial statements as a whole. The *Schedule of 20% Excess Carryover Calculation* has not been subjected to the auditing procedures applied in the audit of the basic combined general purpose financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, 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, 2013. 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.

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

Westborough, Massachusetts
October 24, 2013

**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, 2013 AND 2012**

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, 2013 and 2012. 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 operated at capacity at the beginning of September, 2011 (year seven) and September, 2012 (year eight).

In accordance with *Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity* and *GASB Statement No. 39, Determining Whether Certain Organizations are Component Units*, the School discretely presents financial information of the AMSA Charter School Foundation, Inc. (AMSA Foundation), a related non-profit organization, as a component unit of the School and presents financial information of STEM Soaring Eagles Foundation, Inc. (STEM Foundation), a related non-profit organization, as a "blended" component of the School in its combined general purpose financial statements.

Financial Highlights – Charter School

The following financial highlights are for fiscal year 2013 with comparative information from fiscal year 2012:

- The School held total assets of \$6,065,689 and \$5,260,952 at June 30, 2013 and 2012, respectively, of which \$621,325 and \$770,538 were net capital assets, respectively. The majority of the remaining assets consisted of cash, accounts receivable and prepaid expenses.
- The School held total liabilities of \$1,329,690 and \$1,099,287 at June 30, 2013 and 2012, respectively.
- Total net position for the School was \$4,735,999 and \$4,161,665 at June 30, 2013 and 2012, respectively, of which \$4,714,243 and \$4,158,695 were unrestricted, respectively. This included \$564,378 and \$699,001 invested in net capital assets, respectively. The School also had restricted net position of \$21,756 and \$2,970 at June 30, 2013 and 2012, respectively.
- The School earned total revenue of \$12,899,963 and \$12,001,470 for the years ended June 30, 2013 and 2012, respectively, of which approximately 99.8% were operating revenue and approximately 0.2% were from general revenue (undesignated grants and contributions and interest and other).
- The School had total expenses of \$12,325,629 and \$12,003,485 for the years ended June 30, 2013 and 2012, respectively.
- The School's changes in net position were \$574,334 and \$(2,015) for the years ended June 30, 2013 and 2012, 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, 2013 AND 2012
(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 net position, 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, 2013 AND 2012
(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, 2013, the School incurred \$12,325,629 in actual expenditures compared to budgeted expenditures of \$12,016,748.

For the fiscal year ended June 30, 2012, the School incurred \$12,003,485 in actual expenditures compared to budgeted expenditures of \$11,594,730.

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.

For the fiscal year ended June 30, 2012, the School received per-pupil tuition of \$10,938,568 compared to budgeted tuition of \$10,746,674.

The School's Financial Activities

The majority of the School's funding is received from the Commonwealth of Massachusetts, Department of Elementary and Secondary Education and is based on a standard rate per-pupil.

Per-pupil tuition funding represents 90.2% of the School's total revenue for fiscal year 2013 and 91.1% for fiscal year 2012. In addition, the School received various Federal, Commonwealth of Massachusetts and private grants, which totaled \$208,667 and \$199,414 for fiscal years 2013 and 2012, 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 \$21,667 per month in the first year to \$91,000 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 STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

	2013			2012		
	ENTERPRISE FUND SCHOOL	COMPONENT UNIT AMSA FOUNDATION	(Memorandum Only) TOTAL	ENTERPRISE FUND SCHOOL	COMPONENT UNIT AMSA FOUNDATION	(Memorandum Only) TOTAL
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash	\$ 5,222,041	\$ 105,638	\$ 5,327,679	\$ 4,386,231	\$ 142,180	\$ 4,528,411
Prepaid expenses	188,990	-	188,990	53,146	-	53,146
Due (to) from	-	-	-	17,704	(17,704)	-
Total current assets	5,411,031	105,638	5,516,669	4,457,081	124,476	4,581,557
FIXED ASSETS, net	621,325	-	621,325	770,538	-	770,538
SECURITY DEPOSIT	33,333	-	33,333	33,333	-	33,333
Total assets	<u>\$ 6,065,689</u>	<u>\$ 105,638</u>	<u>\$ 6,171,327</u>	<u>\$ 5,260,952</u>	<u>\$ 124,476</u>	<u>\$ 5,385,428</u>
<u>LIABILITIES AND NET POSITION</u>						
CURRENT LIABILITIES:						
Current portion of note payable	\$ 17,447	\$ -	\$ 17,447	\$ 16,680	\$ -	\$ 16,680
Accounts payable	200,948	-	200,948	212,236	-	212,236
Accrued expenses	1,071,795	-	1,071,795	815,514	-	815,514
Total current liabilities	1,290,190	-	1,290,190	1,044,430	-	1,044,430
NOTE PAYABLE, net of current portion	39,500	-	39,500	54,857	-	54,857
Total liabilities	1,329,690	-	1,329,690	1,099,287	-	1,099,287
NET POSITION:						
Unrestricted:						
Operating	4,149,865	105,638	4,255,503	3,459,694	124,476	3,584,170
Invested in capital	564,378	-	564,378	699,001	-	699,001
Total unrestricted	4,714,243	105,638	4,819,881	4,158,695	124,476	4,283,171
Restricted program	21,756	-	21,756	2,970	-	2,970
Total net position	4,735,999	105,638	4,841,637	4,161,665	124,476	4,286,141
Total liabilities and net position	<u>\$ 6,065,689</u>	<u>\$ 105,638</u>	<u>\$ 6,171,327</u>	<u>\$ 5,260,952</u>	<u>\$ 124,476</u>	<u>\$ 5,385,428</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
	OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS	TOTAL		
OPERATING REVENUE:					
Per-pupil tuition	\$ 11,638,139	\$ -	\$ 11,638,139	\$ -	\$ 11,638,139
Program service fees	801,926	-	801,926	-	801,926
Grants - government	208,667	-	208,667	-	208,667
In-kind transportation	198,361	-	198,361	-	198,361
Program specific grants - private	-	22,431	22,431	-	22,431
Transfer between funds	3,645	(3,645)	-	-	-
Total operating revenue	<u>12,850,738</u>	<u>18,786</u>	<u>12,869,524</u>	<u>-</u>	<u>12,869,524</u>
OPERATING EXPENSES:					
Personnel and related costs:					
Salaries	6,765,180	-	6,765,180	-	6,765,180
Payroll taxes and fringe benefits	847,766	-	847,766	-	847,766
Staff development and recruitment	92,618	-	92,618	-	92,618
Staff travel	7,818	-	7,818	-	7,818
Total personnel and related costs	<u>7,713,382</u>	<u>-</u>	<u>7,713,382</u>	<u>-</u>	<u>7,713,382</u>
Direct student costs:					
Program expenses	1,033,198	-	1,033,198	-	1,033,198
Student transportation	478,827	-	478,827	-	478,827
Total direct student costs	<u>1,512,025</u>	<u>-</u>	<u>1,512,025</u>	<u>-</u>	<u>1,512,025</u>
Occupancy:					
Rent and related	1,670,990	-	1,670,990	-	1,670,990
Repairs and maintenance	444,610	-	444,610	-	444,610
Utilities	174,790	-	174,790	-	174,790
Equipment rental	53,016	-	53,016	-	53,016
Insurance	34,738	-	34,738	1,087	35,825
Storage	1,520	-	1,520	-	1,520
Total occupancy	<u>2,379,664</u>	<u>-</u>	<u>2,379,664</u>	<u>1,087</u>	<u>2,380,751</u>
Other operating costs:					
Professional fees	280,503	-	280,503	14,448	294,951
Office supplies	59,220	-	59,220	123	59,343
Communications	45,058	-	45,058	-	45,058
Dues and memberships	40,014	-	40,014	-	40,014
Miscellaneous	21,508	-	21,508	269	21,777
Marketing and fundraising	14,958	-	14,958	-	14,958
Printing and postage	5,786	-	5,786	-	5,786
Grant expense	-	-	-	4,000	4,000
Interest	3,338	-	3,338	-	3,338
Total other operating costs	<u>470,385</u>	<u>-</u>	<u>470,385</u>	<u>18,840</u>	<u>489,225</u>
Depreciation	<u>250,173</u>	<u>-</u>	<u>250,173</u>	<u>-</u>	<u>250,173</u>
Total operating expenses	<u>12,325,629</u>	<u>-</u>	<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>18,786</u>	<u>543,895</u>	<u>(19,927)</u>	<u>523,968</u>
GENERAL REVENUE:					
Grants and contributions	17,028	-	17,028	588	17,616
Interest and other	13,411	-	13,411	501	13,912
Total general revenue	<u>30,439</u>	<u>-</u>	<u>30,439</u>	<u>1,089</u>	<u>31,528</u>
Changes in net position	<u>555,548</u>	<u>18,786</u>	<u>574,334</u>	<u>(18,838)</u>	<u>555,496</u>
NET POSITION, beginning of year	<u>4,158,695</u>	<u>2,970</u>	<u>4,161,665</u>	<u>124,476</u>	<u>4,286,141</u>
NET POSITION, end of year	<u>\$ 4,714,243</u>	<u>\$ 21,756</u>	<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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2012**

	ENTERPRISE FUND SCHOOL			COMPONENT	(Memorandum
	OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS	TOTAL	UNIT AMSA FOUNDATION	Only) TOTAL
OPERATING REVENUE:					
Per-pupil tuition	\$ 10,938,568	\$ -	\$ 10,938,568	\$ -	\$ 10,938,568
Program service fees	596,847	-	596,847	-	596,847
Grants - government	199,414	-	199,414	-	199,414
In-kind transportation	247,500	-	247,500	-	247,500
Transfers between funds	11,068	(11,068)	-	-	-
Total operating revenue	<u>11,993,397</u>	<u>(11,068)</u>	<u>11,982,329</u>	<u>-</u>	<u>11,982,329</u>
OPERATING EXPENSES:					
Personnel and related costs:					
Salaries	6,663,063	-	6,663,063	-	6,663,063
Payroll taxes and fringe benefits	762,959	-	762,959	-	762,959
Staff development and recruitment	41,959	-	41,959	-	41,959
Staff travel	2,706	-	2,706	-	2,706
Total personnel and related costs	<u>7,470,687</u>	<u>-</u>	<u>7,470,687</u>	<u>-</u>	<u>7,470,687</u>
Direct student costs:					
Program expenses	1,072,843	-	1,072,843	-	1,072,843
Student transportation	470,051	-	470,051	-	470,051
Total direct student costs	<u>1,542,894</u>	<u>-</u>	<u>1,542,894</u>	<u>-</u>	<u>1,542,894</u>
Occupancy:					
Rent and related	1,615,371	-	1,615,371	-	1,615,371
Repairs and maintenance	323,004	-	323,004	-	323,004
Utilities	155,025	-	155,025	-	155,025
Equipment rental	50,142	-	50,142	-	50,142
Insurance	35,726	-	35,726	-	35,726
Storage	35,459	-	35,459	-	35,459
Total occupancy	<u>2,214,727</u>	<u>-</u>	<u>2,214,727</u>	<u>-</u>	<u>2,214,727</u>
Other operating costs:					
Professional fees	290,611	-	290,611	19,992	310,603
Office supplies	71,019	-	71,019	3,067	74,086
Communications	30,153	-	30,153	-	30,153
Dues and memberships	35,947	-	35,947	-	35,947
Miscellaneous	16,880	-	16,880	7,361	24,241
Marketing and fundraising	9,285	-	9,285	-	9,285
Printing and postage	6,303	-	6,303	-	6,303
Grant expense	-	-	-	6,292	6,292
Interest	3,686	-	3,686	-	3,686
Event expense	-	-	-	3,089	3,089
Total other operating costs	<u>463,884</u>	<u>-</u>	<u>463,884</u>	<u>39,801</u>	<u>503,685</u>
Depreciation	<u>311,293</u>	<u>-</u>	<u>311,293</u>	<u>-</u>	<u>311,293</u>
Total operating expenses	<u>12,003,485</u>	<u>-</u>	<u>12,003,485</u>	<u>39,801</u>	<u>12,043,286</u>
Changes in net position from operations	<u>(10,088)</u>	<u>(11,068)</u>	<u>(21,156)</u>	<u>(39,801)</u>	<u>(60,957)</u>
GENERAL REVENUE:					
Grants and contributions	2,894	-	2,894	45,740	48,634
Interest and other	16,247	-	16,247	730	16,977
Total general revenue	<u>19,141</u>	<u>-</u>	<u>19,141</u>	<u>46,470</u>	<u>65,611</u>
Changes in net position	<u>9,053</u>	<u>(11,068)</u>	<u>(2,015)</u>	<u>6,669</u>	<u>4,654</u>
NET POSITION, beginning of year	<u>4,149,642</u>	<u>14,038</u>	<u>4,163,680</u>	<u>117,807</u>	<u>4,281,487</u>
NET POSITION, end of year	<u>\$ 4,158,695</u>	<u>\$ 2,970</u>	<u>\$ 4,161,665</u>	<u>\$ 124,476</u>	<u>\$ 4,286,141</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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	ENTERPRISE	UNIT	(Memorandum	ENTERPRISE	UNIT	(Memorandum
	FUND	AMSA	Only)	FUND	AMSA	Only)
	SCHOOL	FOUNDATION	TOTAL	SCHOOL	FOUNDATION	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts for tuition	\$ 11,638,139	\$ -	\$ 11,638,139	\$ 10,938,568	\$ -	\$ 10,938,568
Receipts from government grants	208,667	-	208,667	232,628	-	232,628
Receipts from private grants and contributions	57,163	588	57,751	2,894	46,029	48,923
Receipts from other sources	815,337	501	815,838	613,094	730	613,824
Payments for employee compensation and related costs	(7,759,387)	-	(7,759,387)	(7,274,468)	-	(7,274,468)
Payments for supplies and services	(4,008,559)	(37,631)	(4,046,190)	(3,884,933)	(39,801)	(3,924,734)
Net cash provided by (used in) operating activities	951,360	(36,542)	914,818	627,783	6,958	634,741
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash paid for fixed assets	(100,960)	-	(100,960)	(230,640)	-	(230,640)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Principal payments on note payable	(14,590)	-	(14,590)	(15,872)	-	(15,872)
NET INCREASE (DECREASE) IN CASH	835,810	(36,542)	799,268	381,271	6,958	388,229
CASH, beginning of year	4,386,231	142,180	4,528,411	4,004,960	135,222	4,140,182
CASH, end of year	\$ 5,222,041	\$ 105,638	\$ 5,327,679	\$ 4,386,231	\$ 142,180	\$ 4,528,411
CASH FLOWS FROM OPERATING ACTIVITIES:						
Changes in net position	\$ 574,334	\$ (18,838)	\$ 555,496	\$ (2,015)	\$ 6,669	\$ 4,654
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	250,173	-	250,173	311,293	-	311,293
Changes in operating assets and liabilities:						
Grants and accounts receivable	-	-	-	33,214	289	33,503
Prepaid expenses	(135,844)	-	(135,844)	9,448	-	9,448
Due to (from)	17,704	(17,704)	-	-	-	-
Accounts payable	(11,288)	-	(11,288)	14,015	-	14,015
Accrued expenses	256,281	-	256,281	269,083	-	269,083
Deferred revenue	-	-	-	(7,255)	-	(7,255)
Net cash provided by (used in) operating activities	\$ 951,360	\$ (36,542)	\$ 914,818	\$ 627,783	\$ 6,958	\$ 634,741
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid for interest	\$ 3,338	\$ -	\$ 3,338	\$ 3,686	\$ -	\$ 3,686

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, 2013 AND 2012**

(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 2013 and 2012, the School had 966 and 956 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 is pending approval from the Internal Revenue Service.

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, 2013 AND 2012
(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 time restriction ends or purpose restriction is accomplished, donor restricted funds are reported in the combined statements of revenues, expenses and changes in net position as a transfer between funds.

Donor restricted amounts received and expended in the same period are recorded as unrestricted activity. Donor restricted resources are utilized to the extent permissible before unrestricted resources are used. All other revenue is recorded when earned.

**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, 2013 AND 2012
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets and Depreciation

Fixed 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, 2013 or 2012.

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 DESE, is \$198,361 and \$247,500 for the years ended June 30, 2013 and 2012, respectively, and is included as in-kind transportation revenue and student transportation expense in 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, 2013 AND 2012**

(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, 2011</u>	<u>2012 Additions</u>	<u>Balance June 30, 2012</u>	<u>2013 Additions</u>	<u>Balance June 30, 2013</u>
Cost:					
Furniture and equipment	\$ 762,592	\$ 83,418	\$ 846,010	\$ 30,991	\$ 877,001
Computers and software	710,590	59,218	769,808	69,969	839,777
Leasehold improvements	357,470	17,359	374,829	-	374,829
Vehicles	<u>87,409</u>	<u>-</u>	<u>87,409</u>	<u>-</u>	<u>87,409</u>
Total cost	<u>1,918,061</u>	<u>159,995</u>	<u>2,078,056</u>	<u>100,960</u>	<u>2,179,016</u>
Less - accumulated depreciation:					
Furniture and equipment	448,187	128,842	577,029	109,079	686,108
Computers and software	462,878	151,669	614,547	110,620	725,167
Leasehold improvements	78,916	18,295	97,211	17,988	115,199
Vehicles	<u>6,244</u>	<u>12,487</u>	<u>18,731</u>	<u>12,486</u>	<u>31,217</u>
Total accumulated depreciation	<u>996,225</u>	<u>311,293</u>	<u>1,307,518</u>	<u>250,173</u>	<u>1,557,691</u>
Fixed assets, net	<u>\$ 921,836</u>	<u>\$(151,298)</u>	<u>\$ 770,538</u>	<u>\$(149,213)</u>	<u>\$ 621,325</u>
 <u>AMSA FOUNDATION</u>	 <u>Balance June 30, 2011</u>	 <u>2012 Additions</u>	 <u>Balance June 30, 2012</u>	 <u>2013 Additions</u>	 <u>Balance June 30, 2013</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, 2013 AND 2012**

(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, 2013 and 2012, or on its changes in net position for the years then ended. The School received approximately 92% and 93% of its operating revenue from the Commonwealth of Massachusetts for the years ended June 30, 2013 and 2012, respectively.

(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 2013 and 2012 was \$1,046,650 and \$996,147, respectively.

During fiscal years 2013 and 2012, 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, 2014. These leases require the School to make aggregate monthly payments totaling approximately \$1,800. The equipment lease expense was \$53,016 and \$50,142 for the years ended June 30, 2013 and 2012, respectively.

Future minimum payments under these lease agreements as of June 30, 2013, are as follows:

<u>Fiscal Year</u>	<u>Facility</u>	<u>Estimated Base Real Estate Taxes and Operating Costs</u>	<u>Equipment</u>
2014	\$1,048,275	\$ 466,346	\$9,080
2015	\$1,054,600	\$ 466,346	\$1,101
2016	\$1,081,962	\$ 466,346	\$ -
2017	\$1,083,587	\$ 466,346	\$ -
2018	\$1,083,587	\$ 466,346	\$ -
2019 - 2023	\$5,684,437	\$2,331,730	\$ -
2024 - 2028	\$6,005,925	\$2,331,730	\$ -
2029 - 2031	\$3,855,000	\$1,399,038	\$ -

**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, 2013 AND 2012
(Continued)**

(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, 2013 and 2012, the School contributed \$3,651 and \$2,880, 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>2013</u>	<u>2012</u>
Accrued salaries and benefits	55%	74%
Payables to vendors	<u>45</u>	<u>26</u>
	<u>100%</u>	<u>100%</u>

(7) CONCENTRATION OF CREDIT RISK

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

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

	<u>2013</u>			<u>2012</u>	
	<u>School</u>	<u>AMSA Foundation</u>	<u>STEM Foundation</u>	<u>School</u>	<u>AMSA Foundation</u>
Fully insured	\$ 250,000	\$105,638	\$6,420	\$ 319,223	\$142,180
Uninsured	<u>4,972,041</u>	<u>-</u>	<u>-</u>	<u>4,067,008</u>	<u>-</u>
	<u>\$5,222,041</u>	<u>\$105,638</u>	<u>\$6,420</u>	<u>\$4,386,231</u>	<u>\$142,180</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, 2013 AND 2012**

(Continued)

(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 floor 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, 2013 and 2012. There were no amounts outstanding under this agreement as of June 30, 2013 and 2012.

(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 of \$1,630 through June, 2016. The note is secured by the school buses.

Maturities of the note payable are as follows:

Fiscal Year

2014	\$17,447
2015	\$18,248
2016	\$19,162

(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, 2013, 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.

ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL

SCHEDULE OF 20% EXCESS CARRYOVER CALCULATION

JUNE 30, 2013

(Unaudited)

1	Cumulative surplus/(deficit) beginning of year		\$ 1,138,260
2	Change in Net Position		574,334
	Less:		
3	Contributions	39,459	
4	Interest income	13,411	
5	Principal payments on debt	14,590	
6	Capital expenses, less related debt/reserve funds	100,960	
7	Current deposits to reserve funds for capital projects	-	
8	Current deposits to reserve funds held as security for debt	-	
9	Other - increase in temporarily restricted net position	18,786	
	Subtotal		187,206
	Plus:		
10	Fundraising expense	1,340	
11	Depreciation	127,498	
12	Other	-	
	Subtotal		128,838
	<u>Total Surplus</u>		1,654,226
13	25% of actual tuition payment for current year	2,909,535	
14	20% of projected tuition for following year	2,402,182	
15	20% budgeted expenditures from capital projects reserve fund for the following year	-	
16	<u>Allowable Carryover</u>		5,311,717
17	<u>Excess Surplus</u>		<u>\$ (3,657,491)</u>

**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, 2013, 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 24, 2013.

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.

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.

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

Westborough, Massachusetts
October 24, 2013