



**Advanced
Math and
Science
Academy Charter School**

AND AMSA CHARTER SCHOOL FOUNDATION, INC.

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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

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JUNE 30, 2012 AND 2011**

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**UNQUALIFIED OPINION ON COMBINED GENERAL PURPOSE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION –
GOVERNMENTAL ENTITY**

Independent Auditor's Report

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

We have audited the accompanying combined statements of net assets of Advanced Math and Science Academy Charter School (a Massachusetts charter school) (the School) and AMSA Charter School Foundation, Inc. (a Massachusetts corporation, not for profit) (the Foundation) as of June 30, 2012 and 2011, and the related combined statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These combined general purpose financial statements are the responsibility of the School's and the Foundation's management. 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 those 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 audit to obtain reasonable assurance about whether the combined general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined general purpose financial statements referred to above present fairly, in all material respects, the combined financial position of Advanced Math and Science Academy Charter School and AMSA Charter School Foundation, Inc. as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2012, on our consideration of the School'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, 2012. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Boards of Trustees of
Advanced Math and Science Academy Charter School and
AMSA Charter School Foundation, Inc.
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Accounting principles generally accepted in the United States of America requires 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 the sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic combined general purpose financial statements as a whole. The *Schedule of 20% Excess Carryover Calculation* for the year ended June 30, 2012, is presented for purposes of additional analysis and is not a required part of the basic combined general purpose financial statements. Such information has not been subject 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.

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

Westborough, Massachusetts
October 11, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011**

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, 2012 and 2011. Please read it in conjunction with the School's general purpose combined financial statements and the related notes to the 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, 2010 (year six) and September, 2011 (year seven).

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. (the Foundation), a related nonprofit organization, in its general purpose financial statements. GASB defines component units as legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship to a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Foundation acts primarily as a recipient of funds on behalf of the School. Although the School does not control the timing or amounts of receipts from the Foundation, the majority of the resources or income thereon that it holds is restricted to the activities of the School. Because these restricted resources can only be used by or for the benefit of the School, the Foundation is considered a component unit of the School and is discretely presented in the School's general purpose financial statements.

Financial Highlights – Charter School

The following financial highlights are for fiscal year 2012 with comparative information from fiscal year 2011:-

- The School held total assets of \$5,260,952 and \$5,073,641 at June 30, 2012 and 2011, respectively, of which \$770,538 and \$921,836 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 \$1,099,287 and \$909,961 at June 30, 2012 and 2011, respectively.
- Total net assets for the School were \$4,161,665 and \$4,163,680 at June 30, 2012 and 2011, respectively, of which \$4,158,695 and \$4,149,642 were unrestricted, respectively. This included \$699,001 and \$763,782 invested in net capital assets, respectively. The School also had restricted net assets of \$2,970 and \$14,038 at June 30, 2012 and 2011, respectively.
- The School earned total revenues of \$12,001,470 and \$12,008,532 for the years ended June 30, 2012 and 2011, respectively; of which approximately 99.8% were operating revenues and approximately 0.2% were from general revenues (undesignated grants and contributions and interest and other).

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(Continued)**

Financial Highlights – Charter School (Continued)

- The School had total expenses of \$12,003,485 and \$10,492,625 for the years ended June 30, 2012 and 2011, respectively.
- The School's changes in net assets were \$(2,015) and \$1,515,907 for the years ended June 30, 2012 and 2011, respectively.

Using This Annual Report

This annual report consists of a series of 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 Assets, Statement of Revenues, Expenses and Changes in Net Assets* 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 financial statements which provide additional information that is essential to a full understanding of the information provided in the basic general purpose financial statements.

Financial Statements

The combined Statement of Net Assets presents the assets, liabilities and net assets of the School as a whole, as of the end of the fiscal year. The combined Statement of Net Assets 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 Statement of Net Assets includes year-end information concerning current and non-current assets, current and non-current liabilities, and net assets. Net assets represent the difference between assets and liabilities. Net assets are displayed in three components: operating net assets, invested in capital and restricted net assets. Invested in capital assets 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 assets are 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 assets represent all other net assets that do not meet the definition of restricted or invested in capital net assets. Over time, readers of the 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 assets 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 Assets report the 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 assets as presented on the combined Statement of Net Assets 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 assets based on current year operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(Continued)**

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, 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, 2011, the School incurred \$10,492,625 in actual expenditures compared to budgeted expenditures of \$11,226,045.

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.

For the fiscal year ended June 30, 2011, the School received per-pupil tuition of \$10,730,986 compared to budgeted tuition of \$10,285,933.

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 91.1% of the School's total revenue for fiscal year 2012 and 89.4 % for fiscal year 2011. In addition, the School received various Federal, Commonwealth of Massachusetts and private grants, which totaled \$199,414 and \$312,686 for fiscal years 2012 and 2011, 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 AND
AMSA CHARTER SCHOOL FOUNDATION, INC.

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	2012			2011		
	ENTERPRISE FUND	COMPONENT UNIT	(Memorandum Only) TOTAL	ENTERPRISE FUND	COMPONENT UNIT	(Memorandum Only) TOTAL
	SCHOOL	FOUNDATION		SCHOOL	FOUNDATION	
ASSETS						
CURRENT ASSETS:						
Cash	\$ 4,384,384	\$ 142,180	\$ 4,526,564	\$ 4,004,960	\$ 135,222	\$ 4,140,182
Grants and accounts receivable	-	-	-	33,214	289	33,503
Prepaid expenses	54,993	-	54,993	62,594	-	62,594
Due (to) from	17,704	(17,704)	-	17,704	(17,704)	-
Total current assets	4,457,081	124,476	4,581,557	4,118,472	117,807	4,236,279
FIXED ASSETS, net	770,538	-	770,538	921,836	-	921,836
SECURITY DEPOSIT	33,333	-	33,333	33,333	-	33,333
Total assets	<u>\$ 5,260,952</u>	<u>\$ 124,476</u>	<u>\$ 5,385,428</u>	<u>\$ 5,073,641</u>	<u>\$ 117,807</u>	<u>\$ 5,191,448</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Current portion of note payable	\$ 16,680	\$ -	\$ 16,680	\$ 15,948	\$ -	\$ 15,948
Accounts payable	212,236	-	212,236	268,866	-	268,866
Accrued expenses	815,514	-	815,514	546,431	-	546,431
Deferred revenue	-	-	-	7,255	-	7,255
Total current liabilities	1,044,430	-	1,044,430	838,500	-	838,500
NOTE PAYABLE, net of current portion	54,857	-	54,857	71,461	-	71,461
Total liabilities	<u>1,099,287</u>	<u>-</u>	<u>1,099,287</u>	<u>909,961</u>	<u>-</u>	<u>909,961</u>
NET ASSETS:						
Unrestricted:						
Operating	3,459,694	124,476	3,584,170	3,385,860	117,807	3,503,667
Invested in capital	699,001	-	699,001	763,782	-	763,782
Total unrestricted	4,158,695	124,476	4,283,171	4,149,642	117,807	4,267,449
Restricted program	2,970	-	2,970	14,038	-	14,038
Total net assets	4,161,665	124,476	4,286,141	4,163,680	117,807	4,281,487
Total liabilities and net assets	<u>\$ 5,260,952</u>	<u>\$ 124,476</u>	<u>\$ 5,385,428</u>	<u>\$ 5,073,641</u>	<u>\$ 117,807</u>	<u>\$ 5,191,448</u>

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

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	ENTERPRISE FUND SCHOOL			COMPONENT UNIT FOUNDATION	(Memorandum Only) TOTAL
	OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS	TOTAL		
OPERATING REVENUE:					
Per-pupil tuition	\$ 10,938,568	\$ -	\$ 10,938,568	\$ -	\$ 10,938,568
Program service fees	596,847	-	596,847	-	596,847
In-kind transportation	247,500	-	247,500	-	247,500
Grants - government	199,414	-	199,414	-	199,414
Transfer 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	159,119	-	159,119	-	159,119
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>2,218,821</u>	<u>-</u>	<u>2,218,821</u>	<u>-</u>	<u>2,218,821</u>
Other operating costs:					
Professional fees	290,611	-	290,611	19,992	310,603
Office supplies	71,019	-	71,019	3,067	74,086
Dues and memberships	35,947	-	35,947	-	35,947
Telephone	26,059	-	26,059	-	26,059
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>459,790</u>	<u>-</u>	<u>459,790</u>	<u>39,801</u>	<u>499,591</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 assets 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 assets	9,053	(11,068)	(2,015)	6,669	4,654
NET ASSETS, 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 ASSETS, 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 AND
AMSA CHARTER SCHOOL FOUNDATION, INC.**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	ENTERPRISE FUND SCHOOL				
	OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS	TOTAL	COMPONENT UNIT FOUNDATION	(Memorandum Only) TOTAL
OPERATING REVENUE:					
Per-pupil tuition	\$ 10,730,986	\$ -	\$ 10,730,986	\$ -	\$ 10,730,986
Program service fees	720,722	-	720,722	-	720,722
In-kind transportation	198,000	-	198,000	-	198,000
Grants - government	312,686	-	312,686	-	312,686
Program specific grants - private	12,042	14,038	26,080	-	26,080
Total operating revenue	<u>11,974,436</u>	<u>14,038</u>	<u>11,988,474</u>	<u>-</u>	<u>11,988,474</u>
OPERATING EXPENSES:					
Personnel and related costs:					
Salaries	5,804,090	-	5,804,090	-	5,804,090
Payroll taxes and fringe benefits	740,769	-	740,769	-	740,769
Staff development and recruitment	36,584	-	36,584	-	36,584
Staff travel	8,378	-	8,378	-	8,378
Total personnel and related costs	<u>6,589,821</u>	<u>-</u>	<u>6,589,821</u>	<u>-</u>	<u>6,589,821</u>
Direct student costs:					
Program expenses	1,097,627	-	1,097,627	-	1,097,627
Student transportation	347,696	-	347,696	-	347,696
Total direct student costs	<u>1,445,323</u>	<u>-</u>	<u>1,445,323</u>	<u>-</u>	<u>1,445,323</u>
Occupancy:					
Rent and related	1,542,163	-	1,542,163	-	1,542,163
Repairs and maintenance	151,888	-	151,888	-	151,888
Utilities	136,140	-	136,140	-	136,140
Equipment rental	21,594	-	21,594	-	21,594
Insurance	15,829	-	15,829	-	15,829
Storage	1,360	-	1,360	-	1,360
Total occupancy	<u>1,868,974</u>	<u>-</u>	<u>1,868,974</u>	<u>-</u>	<u>1,868,974</u>
Other operating costs:					
Professional fees	86,982	-	86,982	7,441	94,423
Office supplies	61,759	-	61,759	14	61,773
Dues and memberships	29,657	-	29,657	-	29,657
Telephone	18,556	-	18,556	-	18,556
Miscellaneous	15,164	-	15,164	8,817	23,981
Marketing and fundraising	5,270	-	5,270	-	5,270
Printing and postage	4,803	-	4,803	-	4,803
Grant expense	-	-	-	20,400	20,400
Event expense	-	-	-	2,135	2,135
Bad debt	25,406	-	25,406	-	25,406
Total other operating costs	<u>247,597</u>	<u>-</u>	<u>247,597</u>	<u>38,807</u>	<u>286,404</u>
Depreciation	<u>340,910</u>	<u>-</u>	<u>340,910</u>	<u>-</u>	<u>340,910</u>
Total operating expenses	<u>10,492,625</u>	<u>-</u>	<u>10,492,625</u>	<u>38,807</u>	<u>10,531,432</u>
Changes in net assets from operations	<u>1,481,811</u>	<u>14,038</u>	<u>1,495,849</u>	<u>(38,807)</u>	<u>1,457,042</u>
GENERAL REVENUE:					
Grants and contributions	10,492	-	10,492	96,980	107,472
Interest and other	9,566	-	9,566	180	9,746
Total general revenue	<u>20,058</u>	<u>-</u>	<u>20,058</u>	<u>97,160</u>	<u>117,218</u>
Changes in net assets	<u>1,501,869</u>	<u>14,038</u>	<u>1,515,907</u>	<u>58,353</u>	<u>1,574,260</u>
NET ASSETS, beginning of year	<u>2,647,773</u>	<u>-</u>	<u>2,647,773</u>	<u>59,454</u>	<u>2,707,227</u>
NET ASSETS, end 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>

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

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

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012			2011		
	ENTERPRISE FUND SCHOOL	COMPONENT UNIT FOUNDATION	(Memorandum Only) TOTAL	ENTERPRISE FUND SCHOOL	COMPONENT UNIT FOUNDATION	(Memorandum Only) TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts for tuition	\$ 10,938,568	\$ -	\$ 10,938,568	\$ 10,730,986	\$ -	\$ 10,730,986
Receipts from government grants	232,628	-	232,628	305,065	-	305,065
Receipts from private grants and contributions	2,894	46,029	48,923	33,572	96,691	130,263
Receipts from other sources	613,094	730	613,824	488,765	180	488,945
Payments for employee compensation and related costs	(7,274,468)	-	(7,274,468)	(6,476,488)	-	(6,476,488)
Payments for supplies and services	(3,886,780)	(39,801)	(3,926,581)	(3,271,257)	(54,276)	(3,325,533)
Net cash provided by operating activities	625,936	6,958	632,894	1,810,643	42,595	1,853,238
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash paid for fixed assets	(230,640)	-	(230,640)	(302,303)	-	(302,303)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from note payable	-	-	-	87,409	-	87,409
Principal payments on note payable	(15,872)	-	(15,872)	-	-	-
Net cash provided by (used in) financing activities	(15,872)	-	(15,872)	87,409	-	87,409
NET INCREASE IN CASH	379,424	6,958	386,382	1,595,749	42,595	1,638,344
CASH, beginning of year	4,004,960	135,222	4,140,182	2,409,211	92,627	2,501,838
CASH, end of year	<u>\$ 4,384,384</u>	<u>\$ 142,180</u>	<u>\$ 4,526,564</u>	<u>\$ 4,004,960</u>	<u>\$ 135,222</u>	<u>\$ 4,140,182</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Changes in net assets	\$ (2,015)	\$ 6,669	\$ 4,654	\$ 1,515,907	\$ 58,353	\$ 1,574,260
Adjustments to reconcile changes in net assets to net cash provided by operating activities:						
Depreciation	311,293	-	311,293	340,910	-	340,910
Bad debt	-	-	-	25,406	-	25,406
Donated equipment	-	-	-	(3,000)	-	(3,000)
Changes in operating assets and liabilities:						
Grants and accounts receivable	33,214	289	33,503	(29,727)	(289)	(30,016)
Prepaid expenses	7,601	-	7,601	6,352	-	6,352
Due to (from)	-	-	-	(10,904)	10,904	-
Accounts payable	14,015	-	14,015	(144,156)	(26,373)	(170,529)
Accrued expenses	269,083	-	269,083	102,600	-	102,600
Deferred revenue	(7,255)	-	(7,255)	7,255	-	7,255
Net cash provided by operating activities	<u>\$ 625,936</u>	<u>\$ 6,958</u>	<u>\$ 632,894</u>	<u>\$ 1,810,643</u>	<u>\$ 42,595</u>	<u>\$ 1,853,238</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Accounts payable - fixed assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,645</u>	<u>\$ -</u>	<u>\$ 70,645</u>

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

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(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 2012 and 2011, the School had 956 and 966 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. (the Foundation) was formed in March, 2004, to develop programs and enhance the educational opportunities for the children in Massachusetts by supporting the School. The Foundation receives and administers funds for the operation and maintenance of the School. The 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 the Foundation within the requirements of the IRC. The Foundation is also exempt from state income taxes.

The School and the Foundation each appoint their respective Boards of Trustees. The Foundation's activities consist of raising funds on behalf of the School. Due to this factor, the general purpose financial statements of the School and the Foundation are presented on a combined basis.

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, the Foundation is presented in the combined general purpose financial statements as a component unit of the School. The "Memorandum Only Total" is presented in accordance with GASB Statement No. 14. This represents the combined totals of the School and the Foundation without the elimination of inter-agency balances and transactions.

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

NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the School has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Classification of Net Assets

Operating Net Assets - 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 Net Assets - represent the net book value of fixed assets, net of related debt.

Restricted Program Net Assets - 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 net assets are reported in the combined statements of revenues, expenses and changes in net assets 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 AND
AMSA CHARTER SCHOOL FOUNDATION, INC.**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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). 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.

Deferred Revenue

Deferred revenue consists of program service fees received in advance of services being provided.

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, 2012 or 2011.

In-Kind Services and In-Kind Transportation

The School and the Foundation receive 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 \$247,500 and \$198,000 for the years ended June 30, 2012 and 2011, 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, 2011, the School also received donated equipment valued at \$3,000, as determined by the donor, which is included in equipment and grants and contributions in the accompanying combined financial statements.

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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, 2010</u>	<u>2011 Additions</u>	<u>Balance June 30, 2011</u>	<u>2012 Additions</u>	<u>Balance June 30, 2012</u>
Cost:					
Furniture and equipment	\$ 652,381	\$110,211	\$ 762,592	\$ 83,418	\$ 846,010
Computers and software	612,458	98,132	710,590	59,218	769,808
Leasehold improvements	277,274	80,196	357,470	17,359	374,829
Vehicles	-	87,409	87,409	-	87,409
Total cost	<u>1,542,113</u>	<u>375,948</u>	<u>1,918,061</u>	<u>159,995</u>	<u>2,078,056</u>
Less - accumulated depreciation:					
Furniture and equipment	294,654	153,533	448,187	128,842	577,029
Computers and software	301,832	161,046	462,878	151,669	614,547
Leasehold improvements	58,829	20,087	78,916	18,295	97,211
Vehicles	-	6,244	6,244	12,487	18,731
Total accumulated depreciation	<u>655,315</u>	<u>340,910</u>	<u>996,225</u>	<u>311,293</u>	<u>1,307,518</u>
Fixed assets, net	<u>\$ 886,798</u>	<u>\$ 35,038</u>	<u>\$ 921,836</u>	<u>\$(151,298)</u>	<u>\$ 770,538</u>
 <u>FOUNDATION</u>	 <u>Balance June 30, 2010</u>	 <u>2011 Additions</u>	 <u>Balance June 30, 2011</u>	 <u>2012 Additions</u>	 <u>Balance June 30, 2012</u>
Cost:					
Computers and software	\$ 1,627	\$ -	\$ 1,627	\$ -	\$ 1,627
Less - accumulated depreciation:					
Computers and software	<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 AND
AMSA CHARTER SCHOOL FOUNDATION, INC.**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(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, 2012 and 2011, or on the changes in net assets for the years then ended. The School received approximately 93% and 92% of its operating revenue from the Commonwealth of Massachusetts for the years ended June 30, 2012 and 2011, 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 2012 and 2011 was \$996,147 and \$858,000, respectively.

During fiscal years 2012 and 2011, 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 total lease expense for this equipment was \$50,142 and \$21,594 for the years ended June 30, 2012 and 2011, respectively.

Future minimum payments under these lease agreements as of June 30, 2012, are as follows:

	<u>Facility</u>	<u>Estimated Base Real Estate Taxes and Operating Costs</u>	<u>Equipment</u>
2013	\$1,046,650	\$ 466,346	\$6,604
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	\$ -
2018-2022	\$5,606,437	\$2,331,730	\$ -
2023-2027	\$5,928,012	\$2,331,730	\$ -
2028-2031	\$5,094,500	\$2,331,730	\$ -

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(5) RETIREMENT PLAN

The School's teaching staff and certain administrators participate individually in the Massachusetts Teacher Retirement System (MTRS). The School is not legally required to contribute to MTRS. During the years ended June 30, 2012 and 2011, the School contributed \$2,880 and \$7,692, 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 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>2012</u>	<u>2011</u>
Accrued salaries and benefits	74%	73%
Payables to vendors	<u>26%</u>	<u>27%</u>
	<u>100%</u>	<u>100%</u>

(7) CONCENTRATION OF CREDIT RISK

The School and the 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. From December 31, 2011, through December 31, 2012, the Federal Deposit Insurance Corporation (FDIC) insures bank balances up to \$250,000 for interest bearing cash accounts. All non-interest bearing accounts are fully insured regardless of the balance. At certain times during the year, cash balances exceed the insured amounts. The School and the Foundation have not experienced any losses in such accounts. The School and the 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>2012</u>		<u>2011</u>	
	<u>School</u>	<u>Foundation</u>	<u>School</u>	<u>Foundation</u>
Fully insured	\$ 319,223	\$142,180	\$ 450,554	\$135,222
Uninsured	<u>4,065,161</u>	<u>-</u>	<u>3,554,406</u>	<u>-</u>
	<u>\$4,384,384</u>	<u>\$142,180</u>	<u>\$4,004,960</u>	<u>\$135,222</u>

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(Continued)

(8) GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are due from the Commonwealth of Massachusetts at June 30, 2011, and were collected during fiscal year 2012.

(9) LINE OF CREDIT

In March, 2011, the School entered into 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, 2012 and 2011), minus 1/4%, with an interest rate floor of 3%. This note is secured by all business assets and is also guaranteed by the 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, 2012 and 2011. There were no amounts outstanding under this agreement as of June 30, 2012 and 2011.

(10) NOTE PAYABLE

The School has a five-year note payable agreement with a credit union in the amount of \$87,409, which was 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. The note is secured by the school buses.

Maturities of the note payable are as follows:

2013	\$16,680
2014	\$17,447
2015	\$18,248
2016	\$19,162

(11) 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.

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

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(Continued)

(12) 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, 2012, 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, 2012

(Unaudited)

1	Cumulative surplus/(deficit) beginning of year		\$ 1,234,617
2	Change in Net Assets		(2,015)
	Less:		
3	Contributions	2,894	
4	Interest income	16,247	
5	Principal payments on debt	15,872	
6	Capital expenses, less related debt/reserve funds	159,995	
7	Current deposits to reserve funds for capital projects	-	
8	Current deposits to reserve funds held as security for debt	-	
9	Other - miscellaneous income, donated equipment and increase in temporarily restricted net assets	-	
	Subtotal		195,008
	Plus:		
10	Fundraising expense	7,201	
11	Depreciation	93,465	
12	Other	-	
	Subtotal		100,666
	<u>Total Surplus</u>		1,138,260
13	25% of actual tuition payment for current year	2,734,642	
14	20% of projected tuition for following year	2,348,607	
15	20% budgeted expenditures from capital projects reserve fund for the following year	-	
16	<u>Allowable Carryover</u>		5,083,249
17	<u>Excess Surplus</u>		\$ (3,944,989)

Where Every Client Is A Valued Client

**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**

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

We have audited the combined general purpose financial statements of Advanced Math and Science Academy Charter School and AMSA Charter School Foundation (collectively, AMSA) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AMSA's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AMSA's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Boards of Trustees of
Advanced Math and Science Academy Charter School and
AMSA Charter School Foundation, Inc.
Page II

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AMSA's combined general purpose financial statements are free of 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 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*.

This report is intended solely for the information and use of the Boards of Trustees, management, others within AMSA, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Westborough, Massachusetts
October 11, 2012