



**Advanced
Math and
Science
Academy Charter School**

AND AMSA CHARTER SCHOOL FOUNDATION, INC.

**GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
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, 2009 AND 2008**

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

Independent Auditor's Report

To the Board 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, 2009 and 2008, and the related combined statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These general purpose combined financial statements are the responsibility of the School's and the Foundation's management. Our responsibility is to express an opinion on these general purpose combined 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 general purpose combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose combined 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, 2009 and 2008, 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 23, 2009, 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. 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.

To the Board of Trustees of
Advanced Math and Science Academy Charter School and
AMSA Charter School Foundation, Inc.
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The management's discussion and analysis on pages 2 through 4 are not a required part of the basic general purpose combined financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Alexander, Aronson, Finning & Co. PC

Vellesley, Massachusetts
October 23, 2009

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

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009**

This 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 year ended June 30, 2009. Please read it in conjunction with the School's financial statements and the related notes to the 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 initial charter is awarded for a five-year period and is subject to renewal by the Commonwealth of Massachusetts Board of Education during fiscal year 2010. During fiscal year 2007, the School operated sixth, seventh and eighth grades and the enrollment was comprised of approximately 400 students. During fiscal year 2008, the School operated grade six through grade nine and the enrollment was approximately 500 students. During fiscal year 2009, the School operated grade six through grade ten and enrollment was 624 students. At capacity, the School will serve grade six through grade twelve and enrollment will be approximately 826 students. The School expects to be operating at capacity at the beginning of September, 2010.

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 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 fundraising organization to supplement the resources 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 financial statements.

Financial Highlights – Charter School

The following financial highlights are for the fiscal year 2009 with comparative information from fiscal year 2008:

- The School held total assets of \$1,833,642 and \$1,355,272 at June 30, 2009 and 2008, respectively, of which \$ 659,438 and \$349,986 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 \$404,557 and \$446,376 at June 30, 2009 and 2008, respectively.
- Total net assets for the School were \$1,429,085 and \$908,896 at June 30, 2009 and 2008, respectively, of which \$1,388,463 and \$855,909 was unrestricted, including \$657,900 and \$343,823 invested in capital assets, respectively. The School also had restricted net assets \$40,622 and \$52,987 at June 30, 2009 and 2008, respectively.
- The School earned total revenues of \$7,536,568 and \$5,763,576 for the years ended June 30, 2009 and 2008, of which approximately 97% and 99.1%, respectively, were operating revenues and approximately 3% and 0.9% respectively, were from general revenues (undesignated grants and contributions, capital grants, etc.).

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

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009
(Continued)**

Financial Highlights (Continued)

- The School had total expenses of \$7,016,379 and \$5,660,391 for the years ended June 30, 2009 and 2008, respectively.
- The School's changes in net assets were \$520,189 and \$103,185 for the years ended June 30, 2009 and 2008, 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 financial statements.

Financial Statements

The 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 Statement of Net Assets is a point-in-time 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, invested in capital assets net of related debt, restricted net assets and unrestricted net assets. Net assets invested in capital assets net of related debt 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 net assets represent all other net assets that do not meet the definition of restricted or invested in capital assets net of related debt. Over time, readers of the 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 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 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 DISCUSSION AND ANALYSIS
JUNE 30, 2009
(Continued)**

Financial Statements (Continued)

The 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 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 School fiscal year ended June 30, 2009 the School incurred \$7,016,379 in actual expenditures compared to budgeted expenditures of \$7,011,958.

For the fiscal year ended June 30, 2008, the School incurred \$5,660,391 in actual expenditures compared to budgeted expenditures of \$5,751,453.

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. The School received \$6,685,424 in per-pupil funding in fiscal year 2009 and \$5,175,113 in fiscal year 2008. This represents 88.7 % of the School's total revenue for fiscal year 2009 and 89.8% for fiscal year 2008. In addition, the School received various Federal, Commonwealth of Massachusetts and private grants, which totaled \$386,254 and \$236,686 for fiscal years 2009 and 2008, 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, which includes payments ranging from \$21,667 per month in the first year to \$46,667 per month in the twenty-fifth year. The lease agreement was amended in August 2007 to include 199 Forest Street, the Expansion Building which includes payments ranging from \$21,667 per month in the first year to \$58,409 per month in the twenty fifth-year. The lease agreement was amended in August 2008 to include 199 Forest Street, the Expansion Building which includes payments ranging from \$21,667 per month in the first year to \$73,544 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.

2008

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, 2009

	ENTERPRISE FUND SCHOOL			COMPONENT UNIT FOUNDATION	(Memorandum Only) TOTAL
	OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS	TOTAL	OPERATING AND FIXED ASSET FUNDS	TOTAL
OPERATING REVENUE:					
Per-pupil tuition	\$ 6,685,424	\$ -	\$ 6,685,424	\$ -	\$ 6,685,424
Program service fees	355,675	-	355,675	-	355,675
Grants - government	114,220	-	114,220	-	114,220
Program specific grants - private	67,004	40,622	107,626	-	107,626
In-kind transportation	47,584	-	47,584	-	47,584
Transfers between funds	47,987	(47,987)	-	-	-
Total operating revenue	<u>7,317,894</u>	<u>(7,365)</u>	<u>7,310,529</u>	<u>-</u>	<u>7,310,529</u>
OPERATING EXPENSES:					
Personnel and related costs -					
Salaries	4,118,097	-	4,118,097	-	4,118,097
Payroll taxes and fringe benefits	427,011	-	427,011	-	427,011
Staff development and recruitment	34,173	-	34,173	-	34,173
Staff travel	2,577	-	2,577	-	2,577
Total personnel and related costs	<u>4,581,858</u>	<u>-</u>	<u>4,581,858</u>	<u>-</u>	<u>4,581,858</u>
Direct student costs -					
Program expenses	397,356	-	397,356	-	397,356
Student transportation	206,550	-	206,550	-	206,550
Curriculum development	39,298	-	39,298	-	39,298
Total direct student costs	<u>643,204</u>	<u>-</u>	<u>643,204</u>	<u>-</u>	<u>643,204</u>
Occupancy -					
Rent and related	1,090,673	-	1,090,673	-	1,090,673
Repairs and maintenance	152,363	-	152,363	-	152,363
Utilities	131,573	-	131,573	-	131,573
Equipment rental	19,001	-	19,001	-	19,001
Insurance	36,212	-	36,212	-	36,212
Storage	15,024	-	15,024	-	15,024
Total occupancy	<u>1,444,846</u>	<u>-</u>	<u>1,444,846</u>	<u>-</u>	<u>1,444,846</u>
Other operating costs -					
Grant expense	-	-	-	253,052	253,052
Professional fees	73,347	-	73,347	3,429	76,776
Miscellaneous	40,111	-	40,111	2,488	42,599
Office supplies	34,464	-	34,464	567	35,031
Telephone	21,088	-	21,088	-	21,088
Printing and postage	3,015	-	3,015	-	3,015
Total other operating costs	<u>172,025</u>	<u>-</u>	<u>172,025</u>	<u>259,536</u>	<u>431,561</u>
Depreciation	<u>174,446</u>	<u>-</u>	<u>174,446</u>	<u>271</u>	<u>174,717</u>
Total operating expenses	<u>7,016,379</u>	<u>-</u>	<u>7,016,379</u>	<u>259,807</u>	<u>7,276,186</u>
Changes in net assets from operations	<u>301,515</u>	<u>(7,365)</u>	<u>294,150</u>	<u>(259,807)</u>	<u>34,343</u>
GENERAL REVENUE:					
Grants and contributions	22,034	-	22,034	259,232	281,266
Capital grants	142,374	-	142,374	-	142,374
Interest and other	45,645	-	45,645	-	45,645
Donated furniture and equipment	15,986	-	15,986	-	15,986
Transfers between funds-capital	5,000	(5,000)	-	-	-
Total general revenue	<u>231,039</u>	<u>(5,000)</u>	<u>226,039</u>	<u>259,232</u>	<u>485,271</u>
Changes in net assets	<u>532,554</u>	<u>(12,365)</u>	<u>520,189</u>	<u>(575)</u>	<u>519,614</u>
NET ASSETS, beginning of year	<u>855,909</u>	<u>52,987</u>	<u>908,896</u>	<u>27,833</u>	<u>936,729</u>
NET ASSETS, end of year	<u>\$ 1,388,463</u>	<u>\$ 40,622</u>	<u>\$ 1,429,085</u>	<u>\$ 27,258</u>	<u>\$ 1,456,343</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, 2008

	ENTERPRISE FUND SCHOOL			COMPONENT UNIT FOUNDATION	(Memorandum Only) TOTAL
	OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS	TOTAL	OPERATING AND FIXED ASSET FUNDS	TOTAL
OPERATING REVENUE:					
Per-pupil tuition	\$ 5,175,113	\$ -	\$ 5,175,113	\$ -	\$ 5,175,113
Program service fees	266,736	-	266,736	-	266,736
Grants - government	94,860	-	94,860	-	94,860
Program specific grants - private	101,367	34,102	135,469	-	135,469
In-kind transportation	42,240	-	42,240	-	42,240
Transfers between funds	4,529	(4,529)	-	-	-
Total operating revenue	<u>5,684,845</u>	<u>29,573</u>	<u>5,714,418</u>	<u>-</u>	<u>5,714,418</u>
OPERATING EXPENSES:					
Personnel and related costs -					
Salaries	3,139,941	-	3,139,941	-	3,139,941
Payroll taxes and fringe benefits	306,368	-	306,368	-	306,368
Staff development and recruitment	24,249	-	24,249	-	24,249
Staff travel	9,112	-	9,112	-	9,112
Total personnel and related costs	<u>3,479,670</u>	<u>-</u>	<u>3,479,670</u>	<u>-</u>	<u>3,479,670</u>
Direct student costs -					
Program expenses	296,628	-	296,628	-	296,628
Student transportation	294,856	-	294,856	-	294,856
Curriculum development	75,556	-	75,556	-	75,556
Total direct student costs	<u>667,040</u>	<u>-</u>	<u>667,040</u>	<u>-</u>	<u>667,040</u>
Occupancy -					
Rent and related	866,806	-	866,806	-	866,806
Repairs and maintenance	130,585	-	130,585	-	130,585
Utilities	76,995	-	76,995	-	76,995
Equipment rental	22,714	-	22,714	-	22,714
Insurance	40,516	-	40,516	-	40,516
Storage	6,641	-	6,641	-	6,641
Total occupancy	<u>1,144,257</u>	<u>-</u>	<u>1,144,257</u>	<u>-</u>	<u>1,144,257</u>
Other operating costs -					
Grant expense	-	-	-	85,000	85,000
Professional fees	188,255	-	188,255	4,704	192,959
Miscellaneous	20,572	-	20,572	7,760	28,332
Office supplies	34,226	-	34,226	-	34,226
Telephone	19,403	-	19,403	-	19,403
Printing and postage	3,335	-	3,335	-	3,335
Total other operating costs	<u>265,791</u>	<u>-</u>	<u>265,791</u>	<u>97,464</u>	<u>363,255</u>
Depreciation	<u>103,633</u>	<u>-</u>	<u>103,633</u>	<u>543</u>	<u>104,176</u>
Total operating expenses	<u>5,660,391</u>	<u>-</u>	<u>5,660,391</u>	<u>98,007</u>	<u>5,758,398</u>
Changes in net assets from operations	<u>24,454</u>	<u>29,573</u>	<u>54,027</u>	<u>(98,007)</u>	<u>(43,980)</u>
GENERAL REVENUE:					
Grants and contributions	1,357	-	1,357	55,000	56,357
Capital grants	-	5,000	5,000	-	5,000
Interest and other	26,145	-	26,145	6,501	32,646
Donated furniture and equipment	16,656	-	16,656	-	16,656
Realized loss on investment	-	-	-	(11,045)	(11,045)
Total general revenue	<u>44,158</u>	<u>5,000</u>	<u>49,158</u>	<u>50,456</u>	<u>99,614</u>
Changes in net assets	<u>68,612</u>	<u>34,573</u>	<u>103,185</u>	<u>(47,551)</u>	<u>55,634</u>
NET ASSETS, beginning of year	<u>787,297</u>	<u>18,414</u>	<u>805,711</u>	<u>75,384</u>	<u>881,095</u>
NET ASSETS, end of year	<u>\$ 855,909</u>	<u>\$ 52,987</u>	<u>\$ 908,896</u>	<u>\$ 27,833</u>	<u>\$ 936,729</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, 2009 AND JUNE 30, 2008

	2009			2008		
	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	\$ 6,685,424	\$ -	\$ 6,685,424	\$ 5,175,113	\$ -	\$ 5,175,113
Receipts from government grants	87,486	-	87,486	94,948	-	94,948
Receipts from private grants and contributions	143,062	254,232	397,294	164,923	55,000	219,923
Receipts from other sources	385,334	-	385,334	276,225	6,501	282,726
Employee compensation and related costs	(4,516,397)	-	(4,516,397)	(3,507,975)	-	(3,507,975)
Payments for supplies and services	(2,395,078)	(299,536)	(2,694,614)	(2,035,644)	(97,464)	(2,133,108)
Net cash provided by (used in) operating activities	389,831	(45,304)	344,527	167,590	(35,963)	131,627
CASH FLOWS FROM INVESTING ACTIVITIES -						
Acquisition of fixed assets	(467,912)	-	(467,912)	(211,047)	-	(211,047)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from sale of investments	-	-	-	-	18,249	18,249
Payments on note payable	(4,625)	-	(4,625)	(5,166)	(44,815)	(49,981)
Capital grants	142,374	-	142,374	5,000	-	5,000
Change in due to/from	-	-	-	(62,706)	62,706	-
Net cash provided by (used in) financing activities	137,749	-	137,749	(62,872)	36,140	(26,732)
NET INCREASE (DECREASE) IN CASH	59,668	(45,304)	14,364	(106,329)	177	(106,152)
CASH, beginning of year	879,583	77,562	957,145	985,912	77,385	1,063,297
CASH, end of year	\$ 939,251	\$ 32,258	\$ 971,509	\$ 879,583	\$ 77,562	\$ 957,145
CASH FLOWS FROM OPERATING ACTIVITIES:						
Changes in net assets	\$ 520,189	\$ (575)	\$ 519,614	\$ 103,185	\$ (47,551)	\$ 55,634
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Depreciation	174,446	271	174,717	103,633	543	104,176
Capital grants	(142,374)	-	(142,374)	(5,000)	-	(5,000)
Donated furniture and equipment	(15,986)	-	(15,986)	(16,656)	-	(16,656)
Realized loss on investment	-	-	-	-	11,045	11,045
Changes in operating assets and liabilities -						
Grants and accounts receivable	(15,293)	-	(15,293)	88	-	88
Prepaid expenses	(138,957)	-	(138,957)	(30,637)	-	(30,637)
Due to/from	45,000	(45,000)	-	-	-	-
Accounts payable	(46,376)	-	(46,376)	41,097	-	41,097
Accrued expenses	20,623	-	20,623	(39,561)	-	(39,561)
Deferred revenue	(11,441)	-	(11,441)	11,441	-	11,441
Net cash provided by (used in) operating activities	\$ 389,831	\$ (45,304)	\$ 344,527	\$ 167,590	\$ (35,963)	\$ 131,627
SUPPLEMENTAL CASH FLOW INFORMATION:						
Cash paid for interest	\$ 2,018	\$ -	\$ 2,018	\$ 1,661	\$ -	\$ 1,661
Donated furniture and equipment	\$ 15,986	\$ -	\$ 15,986	\$ 16,656	\$ -	\$ 16,656

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 GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS

On February 24, 2004, Advanced Math and Science Academy Charter School (the School) was granted a 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, with the current charter expiring on June 30, 2010.

The School's primary purpose is to offer an academically rigorous education, emphasizing mathematics and science to students. The School is located in Marlboro, Massachusetts. The School will operate as a middle and high school with grades 6 through 12. During the fiscal year 2009, the School had 624 students in grades 6 through 10 and during 2008 had 509 students in grades 6 through 9. The School will continue to add a grade each year until it reaches its goal of grades 6 through 12. 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 solicits, 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 (see page 10).

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - GASB Standards

The accompanying general purpose combined financial statements were prepared on the accrual basis. 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.

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

NOTES TO GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - GASB Standards (Continued)

Consistent with the provisions of GASB Statement Nos. 14 and 39, the Foundation is presented in the general purpose combined financial statements as a component unit of the School. The uncombined financial statements of the Foundation are accounted for in accordance with the provisions of FASB Statements Nos. 116 and 117. 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.

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 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.

**ADVANCED MATH AND SCIENCE ACADEMY CHARTER SCHOOL AND
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**NOTES TO GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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 years
Leasehold improvements	Life of the lease

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.

Cash

As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the following represents a summary of deposits at June 30, 2009 and 2008:

	<u>2009</u>		<u>2008</u>	
	<u>School</u>	<u>Foundation</u>	<u>School</u>	<u>Foundation</u>
Fully insured (see Note 7)	\$250,000	\$32,258	\$100,000	\$77,562
Uninsured	<u>689,251</u>	<u>-</u>	<u>779,583</u>	<u>-</u>
	<u>\$939,251</u>	<u>\$32,258</u>	<u>\$879,583</u>	<u>\$77,562</u>

Donated Equipment, In-Kind Services, and In-Kind Transportation

During 2009 and 2008, the School received \$15,986 and \$16,656, respectively, of donated furniture and equipment. The value of this furniture and equipment was estimated by the donor and is recorded as donated furniture and equipment in the accompanying combined statements of revenues, expenses and changes in net assets. The School and the Foundation also received donated services from a variety of volunteers. No amounts have been recorded in the accompanying general purpose combined 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.

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

**NOTES TO GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Equipment, In-Kind Services, and In-Kind Transportation (Continued)

The School also receives donated transportation from the Town of Marlborough for certain students, as required by DESE. The value of these services, as estimated by DESE, is \$47,584 and \$42,240, respectively for the year ended June 30, 2009 and 2008, and is included as in-kind transportation revenue and expense in the accompanying combined general purpose financial statements.

Estimates

The preparation of general purpose combined 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 general purpose combined 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, 2007</u>	<u>2008 Additions</u>	<u>Balance June 30, 2008</u>	<u>2009 Additions</u>	<u>Balance June 30, 2009</u>
Cost:					
Furniture and equipment	\$151,931	\$ 75,864	\$227,795	\$217,069	\$ 444,864
Computers and software	133,016	74,060	207,076	179,861	386,937
Leasehold improvements	45,281	77,779	123,060	86,968	210,028
Total property and equipment	330,228	227,703	557,931	483,898	1,041,829
Less - accumulated depreciation:					
Furniture and equipment	38,925	41,475	80,400	81,288	161,688
Computers and software	53,889	49,750	103,639	76,798	180,437
Leasehold improvements	11,498	12,408	23,906	16,360	40,266
Total accumulated depreciation	104,312	103,633	207,945	174,446	382,391
Fixed assets, net	\$225,916	\$124,070	\$349,986	\$309,452	\$ 659,438

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

**NOTES TO GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)**

FIXED ASSETS (Continued)

<u>FOUNDATION</u>	<u>Balance June 30, 2007</u>	<u>2008 Additions</u>	<u>Balance June 30, 2008</u>	<u>2009 Additions</u>	<u>Balance June 30, 2009</u>
Cost -					
Computers and software	\$ 1,627	\$ -	\$ 1,627	\$ -	\$ 1,627
Less - accumulated depreciation:					
Computer and software	<u>813</u>	<u>543</u>	<u>1,356</u>	<u>271</u>	<u>1,627</u>
Fixed assets, net	<u>\$ 814</u>	<u>\$ 543</u>	<u>\$ 271</u>	<u>\$ 271</u>	<u>\$ -</u>

FUNDING

The School receives significant funding from the 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, 2009 and 2008, or on the changes in net assets for the years then ended. The School received approximately 93% of its operating revenue from the Commonwealth of Massachusetts for the years ended June 30, 2009 and 2008.

LEASES

In December, 2004, the School entered into a twenty-five year lease agreement, beginning 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 or funding is revoked or funding is substantially reduced. The School is also responsible for certain operating costs and real estate taxes. During 2008, this lease was amended to include additional space on the landlord's premises. 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. During 2009, the school exercised an option to rent additional space on the landlord's premises, however the option to purchase the building has not been exercised. Total rent expense paid under this agreement for fiscal years 2009 and 2008 was \$681,394 and \$527,193, respectively.

During fiscal years 2009 and 2008, 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 \$1,583. The total lease expense for this equipment was \$19,001 and \$22,714 for the years ended June 30, 2009 and 2008, respectively.

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

**NOTES TO GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)**

4) LEASES (Continued)

Future minimum payments under these lease agreements are as follows:

	<u>Facility</u>	<u>Estimated Base Real Estate Taxes and Operating Costs</u>	<u>Equipment</u>
2010	\$ 832,393	\$ 323,318	\$12,388
2011	\$ 858,000	\$ 323,318	\$12,964
2012	\$ 858,000	\$ 323,318	\$ 7,929
2013	\$ 875,875	\$ 323,318	\$ 7,156
2014-2018	\$4,444,375	\$2,609,233	\$ 7,704
2019-2023	\$4,751,500	\$2,789,542	\$ -
2024-2028	\$5,063,500	\$2,972,713	\$ -
2029-2031	\$3,285,750	\$1,929,020	\$ -

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, 2009 and 2008, the School contributed \$2,880 and \$1,220, 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 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service or 10 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

Accounts payable and accrued expenses are comprised of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Payables to vendors	26%	35%
Accrued salaries and benefits	<u>74%</u>	<u>65%</u>
	<u>100%</u>	<u>100%</u>

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

NOTES TO GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(Continued)

7) **CONCENTRATION OF CREDIT RISK**

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

8) **GRANTS AND ACCOUNTS RECEIVABLE**

Grants and accounts receivable are due from the Commonwealth of Massachusetts at June 30, 2009 and 2008, and are expected to be collected within one year.

9) **LINE OF CREDIT**

The School maintains a line of credit agreement with a credit union. Under the agreement, the School may borrow up to the lesser of 75% of the quarterly state receivable or \$1,000,000. Principal is due on demand. Interest is at the *Wall Street Journal* prime rate (3.25% and 5% at June 30, 2009 and 2008, respectively) minus 1/2%. Subsequent to June 30, 2009, the line of credit's interest rate was amended to be the *Wall Street Journal* prime rate, minus 1/2% with a floor of 5%. This note is secured by all business assets and is guaranteed by the Foundation. Under the terms of the agreement, the School must meet certain financial and operating covenants, including paying down the balance to zero for a thirty-day period two times a year. The School was in compliance with these covenants as of June 30, 2009 and 2008. There were no amounts outstanding under these agreements at June 30, 2009 or 2008.

(10) **NOTE PAYABLE**

The School has a three-year loan agreement with a vendor in the amount of \$14,707 that requires monthly principal and interest (17%) payments of \$525. Future minimum loan payments under this agreement are \$1,538 in 2010.

(11) **RELATED PARTY TRANSACTION**

During fiscal year 2009, one board member was employed by the School as a teacher. The same board member's spouse also provided consulting services to the School and was paid \$3,150.

(12) **CONTINGENCY**

From time to time, the School is involved in various disputes in the course of the School's ordinary 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 general purpose combined financial statements.

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

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

We have audited the general purpose combined financial statements of Advanced Math and Science Academy Charter School and AMSA Charter School Foundation (the Foundation), (collectively, the School) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 2009. 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 the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the general purpose combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's combined general purpose financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the combined general purpose financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

To the Board of Trustees of
Advanced Math and Science Academy Charter School and
AMSA Charter School Foundation, Inc.
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's general purpose combined 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 general purpose combined 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.

We noted certain matters that we reported to management of the School in a separate letter dated October 23, 2009.

This report is intended solely for the information and use of the Board of Trustees, management, 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. PC

Westborough, Massachusetts
October 23, 2009