



**Advanced
Math and
Science
Academy Charter School**

AND AMSA CHARTER SCHOOL FOUNDATION, INC.

**GENERAL PURPOSE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
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, 2008 AND 2007**

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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, 2008 and 2007, 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, 2008 and 2007, 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 28, 2008, 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., P.C.

Wellesley, Massachusetts
October 28, 2008

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

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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 year ended June 30, 2008. 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 2009. 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. At capacity, the School will serve grade 6th 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 2008 with comparative information from fiscal year 2007:

- The School held total assets of \$1,355,272 and \$1,244,276 at June 30, 2008 and 2007, respectively, of which \$349,986 and \$225,916 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 \$446,376 and \$438,565 at June 30, 2008 and 2007, respectively.
- Total net assets for the School was \$908,896 and \$805,711 at June 30, 2008 and 2007, respectively, of which \$855,909 and \$787,297 was unrestricted, including \$343,823 and \$169,772 invested in capital assets, respectively. The School also had restricted net assets \$52,987 and \$18,414 at June 30, 2008 and 2007, respectively.
- The School earned total revenues of \$5,763,576 and \$4,969,776 for the years ended June 30, 2008 and 2007, of which 99.1% and 98.8%, respectively, were operating revenues and 0.9 % and 1.2% respectively, was from general revenues (undesignated grants and contributions, capital grants, etc.).

Similarly, school staff should not provide identifying information about students other than the student at issue when discussing the class with the observer.

In our view, the language regarding confidentiality and privacy does not provide a legal basis for districts to require either that parents or designees surrender personal notes of their observations or share their notes with school staff. These notes allow observers to recall more accurately the components of the program they observed as well as the student's performance. Allowing parents and designees to retain their notes, if any, will enhance the parent's ability to participate more effectively in decision making about their child's program.

Parents and designees are generally knowledgeable about and sensitive to issues of student confidentiality and privacy. While this is so, we believe it is reasonable to ask observers to sign a statement that in the event that they obtain personally identifiable or confidential information during the course of an evaluation/observation, they will not disclose it (except when it is the information of the student being evaluated, in which case it will be used consistent with the parent's authority and direction).

E. Conclusion

As noted earlier, many districts have worked well with parents and their designees to provide access to programs so that parents can make informed decisions about their child's special education programs and services. Where parents have not had successful experiences with program observations, the legislature has now made clear its expectations in this area. While we are confident that many districts' policies and practices align with the spirit and letter of the observation law, we expect that all districts will review and revise their policies and practices as necessary to ensure that result. We hope that this guidance is helpful in that regard and invite you to send any comments you may have to me, Marcia Mittnacht, at mmmittnacht@doe.mass.edu by June 30, 2009. Thank you for your attention to this important information.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008
(Continued)**

Financial Highlights (Continued)

- The School had total expenses of \$5,660,391 and \$4,637,857 for the years ended June 30, 2008 and 2007, respectively.
- The School's changes in net assets were \$103,185 and \$331,919 for the years ended June 30, 2008 and 2007, 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 it 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, 2008
(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 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 school fiscal year ended June 30, 2008 the school incurred \$5,660,391 in actual expenditures compared to budgeted expenditures of \$5,751,453.

For the fiscal year ended June 30, 2007, the School incurred \$4,637,857 in actual expenditures compared to budgeted expenditures of \$4,641,396.

School's Financial Activities

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Education and is based on a standard rate per pupil. The School received \$5,175,113 in per-pupil funding in fiscal year 2008 and \$4,348,075 in fiscal year 2007. This represents 89.8 % of the School's revenue for fiscal year 2008 and 87.5% for fiscal year 2007. In addition, the School received various Federal, Commonwealth of Massachusetts and private grants, which totaled \$237,217 and \$228,886 for fiscal years 2008 and 2007, 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, which includes payments ranging from \$21,667 per month in the first year to \$46,667 per month in the 25th 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.