

# **Atlantis Charter School**

Financial Statements  
and  
Auditors' Reports

June 30, 2010



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# Atlantis Charter School

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The Board of Trustees  
**Atlantis Charter School**

*Independent Auditors' Report*

We have audited the accompanying statement of net assets of Atlantis Charter School (a governmental entity) and its aggregate discretely presented component unit, the Atlantis Educational Foundation, Inc. (a nonprofit organization), as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's fiscal year 2009 basic financial statements and, in our report dated November 19, 2009 we expressed an unqualified opinion on those financial statements.

Except as discussed in the following paragraph, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Atlantis Educational Foundation, Inc. (the Foundation) were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the School's basic financial statements. The Foundation's financial activities are included in the School's financial statements as a discretely presented component unit and represent 100% of the assets, net assets and revenues of the School's discretely presented component unit.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Foundation's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of Atlantis Charter School as of June 30, 2010, and their respective changes in net assets and cash flows for the year 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 27, 2010, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our audit testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic 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 financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted in inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*October 27, 2010*

**Atlantis Charter School**  
Management Discussion and Analysis  
June 30, 2010

The following discussion and analysis of Atlantis Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the School's financial statements, which begin on page 7.

**The School as a Whole**

The School received its charter on July 1, 1995 to operate as a public charter school in the Commonwealth of Massachusetts. The School's charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts' Department of Elementary and Secondary Education (DESE). The School's charter was recently renewed in fiscal year 2010, effective July 1, 2010 through June 30, 2015. During fiscal years 2010 and 2009, the School operated kindergarten through eighth grade and the enrollment was comprised of approximately 727 and 694 students, respectively. At capacity the School's maximum enrollment totals 728 students.

In accordance with the 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 Atlantis Educational 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. Additionally, the Foundation leases the School one of the facilities that the School operates in.

**Using This Annual Report**

This annual report consists of a series of financial statements. In accordance with GASB 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.

**Atlantis Charter School**  
Management Discussion and Analysis  
June 30, 2010

**Financial Statements**

*Statement of Net Assets*

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 and is a point-in-time financial statement. The purpose of the *Statement of Net Assets* is to present a fiscal snapshot of the School to the readers of the financial statements and includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets. Net assets represent the difference between assets and liabilities. Net assets can be 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 nonfinancial factors such as changes in economic conditions and new or changed 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.

*Statement of Revenues, Expenditures and Changes in Net Assets*

The *Statement of Revenues, Expenditures and Changes in Net Assets* reports the financial activities (revenue and expenses) of the School and divides it into two categories: Operating activities and nonoperating activities. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all nonoperating activities include all financial activities not related to the operation of a charter school. 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.

*Statement of Cash Flows*

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 noncapital 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.

**Atlantis Charter School**  
Management Discussion and Analysis  
June 30, 2010

**Financial Highlights**

The following financial highlights are for fiscal year 2010 with comparative information for fiscal year 2009:

- The School held total assets of \$11,265,211 and \$10,837,291 at June 30, 2010 and 2009, respectively, of which \$2,995,380 and \$3,079,039 were net capital assets, respectively, and the majority of the remaining assets consisted of cash, accounts receivable and deferred assets.
- The School held total liabilities of \$1,041,806 and \$819,206 at June 30, 2010 and 2009, respectively, of which \$975,013 and \$819,206, respectively were current.
- Total net assets for the School was \$10,223,405 and \$10,018,085 at June 30, 2010 and 2009, respectively, of which \$7,318,638 and \$6,939,046 was unrestricted and \$2,904,767 and \$3,079,039 was for investments in capital assets – net of related debt, respectively. In addition, in fiscal years 2010 and 2009 the board designated unrestricted net assets totaled \$4,998,656 and \$3,868,342, respectively, which are designated for future capital purchases.
- The School earned total revenues of \$8,749,585 and \$8,200,480 for the years ended June 30, 2010 and 2009, respectively, of which 97% and 95% were operating revenues and 3% and 5% were from non-operating revenues (private grants, contributions, etc.), for fiscal years ended June 30, 2010 and 2009.
- The School had total expenses of \$8,544,265 and \$7,990,342 for the years ended June 30, 2010 and 2009, respectively, of which 99% were operating expenses and 1% was from non-operating expenses (fundraising) for both fiscal years ended June 30, 2010 and 2009.
- The School earned net income of \$205,320 and \$210,138 for the years ended June 30, 2010 and 2009, respectively. In fiscal year 2010 the net income was comprised of operating loss of \$16,436 and non-operating income of \$221,756. In fiscal year 2009 the net income was comprised operating loss of \$163,687 and non-operating income of \$373,825.

**Budgetary Highlights**

The School's annual budget was amended as the year progressed. For the fiscal year ended June 30, 2010 the School incurred \$8,336,114 in actual expenditures, excluding \$208,151 of in-kind expenses, compared to budgeted expenditures of \$8,519,124. The major reason for the decrease between the budget and actual expenses was due to the School making an effort to reduce expenditures across the board due to the uncertain economic climate.

**Atlantis Charter School**  
Management Discussion and Analysis  
June 30, 2010

**School's Financial Activities**

The majority of the School's funding is received from the DESE and is based on a standard rate per pupil. The School received \$7,347,883 in per pupil funding in fiscal year 2010, versus \$6,789,800 in per pupil funding in fiscal year 2009. This represents 84% of the School's revenue for both fiscal years. In addition, the School received various federal, state and private grants, which totaled \$585,391 and \$549,523 in fiscal years 2010 and 2009, respectively.

In fiscal year 2011, the School renewed its lease agreement for a facility with John E. Boyd Center for Child Care and Development for a term of 2 years, commencing August 1, 2010, which includes payments totaling \$15,375 per month.

During 2003, the School also entered into a ten year lease agreement with the Atlantis Educational Foundation, Inc., a related party. The School made initial rental payments of \$700,000 which is recorded as a deferred asset and will be amortized over the life of the lease. The lease agreement requires the School to make monthly payments of \$7,500 for the first five years of the lease and \$11,000 per month thereafter.

In September 2007, the School purchased a sixty-six acre parcel of land in Fall River, Massachusetts for \$2.6 million. The School released \$2.6 million from the board restricted funds and paid cash for the land. The School intends to build a new facility on the land to accommodate all the children in one location.

**Supplemental Information**

The *Schedule of Expenditures of Federal Awards* is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget, *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards can be found on page 22 of this report.

**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 information, please contact Finance Director Linda Celona in Atlantis Charter School's Business Office.



**Atlantis Charter School**  
**Statement of Net Assets**  
**June 30, 2010**  
With summarized comparative totals at June 30, 2009

	<i>Atlantis Charter School</i>	<i>Component Unit Atlantis Educational Foundation, Inc.</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2010</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2009</i>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 5,176,192	\$ 311,757	\$ 5,487,949	\$ 5,322,326
Investments	2,806,173	-	2,806,173	2,255,896
Accounts receivable	38,319	-	38,319	50,138
Prepaid expenses	39,147	-	39,147	65,965
Deferred asset	70,000	-	70,000	70,000
Total current assets	<u>8,129,831</u>	<u>311,757</u>	<u>8,441,588</u>	<u>5,508,429</u>
<b>Noncurrent Assets:</b>				
Deferred asset	140,000	-	140,000	210,000
Capital assets, net	2,995,380	1,142,709	4,138,089	4,264,300
Total noncurrent assets	<u>3,135,380</u>	<u>1,142,709</u>	<u>4,278,089</u>	<u>6,730,196</u>
Total assets	<u>\$ 11,265,211</u>	<u>\$ 1,454,466</u>	<u>\$ 12,719,677</u>	<u>\$ 12,238,625</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 82,210	\$ 3,716	\$ 85,926	\$ 130,243
Accrued expenses	853,824	-	853,824	680,292
Notes payable	-	-	-	25,729
Capital lease obligation	23,820	-	23,820	-
Deferred revenue	15,159	74,600	89,759	78,671
Total current liabilities	<u>975,013</u>	<u>78,316</u>	<u>1,053,329</u>	<u>914,935</u>
<b>Noncurrent Liabilities:</b>				
Deferred revenue	-	140,500	140,500	210,500
Capital lease obligation	66,793	-	66,793	-
Notes payable	-	404,881	404,881	409,235
Total noncurrent liabilities	<u>66,793</u>	<u>545,381</u>	<u>612,174</u>	<u>619,735</u>
Total liabilities	<u>1,041,806</u>	<u>623,697</u>	<u>1,665,503</u>	<u>1,534,670</u>
<b>Net Assets:</b>				
Investment in capital assets, net of related debt	2,904,767	737,828	3,642,595	3,829,336
Unrestricted	7,318,638	92,941	7,411,579	3,006,277
Total net assets	<u>10,223,405</u>	<u>830,769</u>	<u>11,054,174</u>	<u>10,703,955</u>
Total liabilities and net assets	<u>\$ 11,265,211</u>	<u>\$ 1,454,466</u>	<u>\$ 12,719,677</u>	<u>\$ 12,238,625</u>

*See accompanying notes to financial statements.*

**Atlantis Charter School**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ending June 30, 2010**  
With summarized comparative totals for the year ended June 30, 2009

	<i>Atlantis Charter School</i>	<i>Component Unit Atlantis Educational Foundation, Inc.</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2010</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2009</i>
<i>Operating revenues:</i>				
State grants	\$ 7,347,883	\$ -	\$ 7,347,883	\$ 6,790,354
Federal grants	585,391	-	585,391	483,239
Rental income	-	202,000	202,000	202,000
Extended care program	89,703	-	89,703	120,242
Family learning center program	18,832	-	18,832	19,391
In-kind revenue	208,151	-	208,151	150,610
Food service program	243,935	-	243,935	224,058
Total operating revenues	<u>8,493,895</u>	<u>202,000</u>	<u>8,695,895</u>	<u>7,989,894</u>
<i>Operating expenses:</i>				
Salaries	5,341,966	-	5,341,966	5,019,904
Payroll taxes	285,097	-	285,097	254,313
Fringe benefits	721,235	-	721,235	733,132
Rent	386,500	-	386,500	386,500
Telephone and utilities	165,905	-	165,905	170,324
Extended care program	6,538	-	6,538	7,700
Family learning center program	9,884	-	9,884	11,453
Professional services	359,152	3,140	362,292	258,767
Insurance	59,820	1,803	61,623	64,456
Student supplies and materials	163,097	-	163,097	126,528
Office expense	172,963	-	172,963	156,522
Food service program	219,277	-	219,277	208,392
Grounds and buildings	84,038	-	84,038	68,710
Furniture and materials	549	-	549	24,356
Interest	3,422	24,472	27,894	31,824
Conference and meetings	96,284	367	96,651	138,834
Travel	15,515	-	15,515	14,624
Advertising	7,722	-	7,722	7,393
Bad debt	-	-	-	60
In-kind expenses	208,151	-	208,151	150,610
Depreciation expense	188,544	40,932	229,476	191,847
Miscellaneous expense	14,672	2,887	17,559	7,677
Total operating expenses	<u>8,510,331</u>	<u>73,601</u>	<u>8,583,932</u>	<u>8,033,926</u>
Operating income/(loss)	<u>(16,436)</u>	<u>128,399</u>	<u>111,963</u>	<u>(44,032)</u>
<i>Non-operating revenues:</i>				
Contributions	71,900	500	72,400	98,976
Interest income	83,145	1,671	84,816	149,185
Medicaid reimbursement	67,456	-	67,456	136,759
Other income	33,189	29,856	63,045	92,336
Fundraising expense	(33,934)	(15,527)	(49,461)	(48,366)
Total nonoperating revenue	<u>221,756</u>	<u>16,500</u>	<u>238,256</u>	<u>428,890</u>
Change in net assets	205,320	144,899	350,219	384,858
Net assets, beginning of the year	<u>10,018,085</u>	<u>685,870</u>	<u>10,703,955</u>	<u>10,319,097</u>
Net assets, end of the year	<u>\$ 10,223,405</u>	<u>\$ 830,769</u>	<u>\$ 11,054,174</u>	<u>\$ 10,703,955</u>

*See accompanying notes to financial statements.*

**Atlantis Charter School**  
Atlantis Charter School - Statement of Cash Flows  
For the Year Ended June 30, 2010  
With comparative totals for the year ended June 30, 2009

	2010	2009
<b>Cash flows from operating activities:</b>		
Receipts from tuition	\$ 7,347,883	\$ 6,790,354
Receipts from grants	597,210	505,549
Receipts from programs	567,109	518,262
Payments to employees	(5,113,950)	(4,955,687)
Payments to suppliers and vendors	<u>(2,985,520)</u>	<u>(2,680,172)</u>
Net cash provided by operating activities	<u>412,732</u>	<u>178,306</u>
<b>Cash flows from investing activities:</b>		
Non-operating receipts	255,690	412,586
Non-operating disbursements	(33,934)	(38,761)
Purchase of investments	<u>(550,277)</u>	<u>(80,341)</u>
Net cash provided by (used by) investing activities	<u>(328,521)</u>	<u>293,484</u>
<b>Cash flows from capital and related financing activities:</b>		
Payments on capital lease obligation	(6,352)	(14,450)
Purchase of capital assets	<u>(7,920)</u>	<u>(141,642)</u>
Net cash used by capital and related financing activities	<u>(14,272)</u>	<u>(156,092)</u>
Increase in cash	69,939	315,698
Cash and cash equivalents, beginning of year	<u>5,106,253</u>	<u>4,790,555</u>
Cash and cash equivalents, end of year	<u>\$ 5,176,192</u>	<u>\$ 5,106,253</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Change in net assets	\$ (16,436)	\$ (163,687)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	188,544	152,535
Bad debt expense	-	60
<i>Change in assets and liabilities:</i>		
Decrease in deferred asset	70,000	70,000
Decrease in accounts receivable	11,819	22,308
Decrease in prepaid expenses	26,818	72,719
Increase/(decrease) in accounts payable	(44,317)	10,524
Increase in accrued expenses	169,816	9,886
Increase in deferred income	<u>6,488</u>	<u>3,961</u>
Net cash provided by operating activities	<u>\$ 412,732</u>	<u>\$ 178,306</u>

*See accompanying notes to financial statements.*

**Atlantis Charter School**  
Atlantis Educational Foundation, Inc. - Statement of Cash Flows  
For the Year Ended June 30, 2010  
With comparative totals for the year ended June 30, 2009

	2010	2009
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 144,899	\$ 174,720
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	40,932	39,312
<i>Changes in assets and liabilities:</i>		
Increase in accounts payable	3,716	-
Decrease in deferred revenue	<u>(63,780)</u>	<u>(75,550)</u>
Net cash provided by operating activities	<u>125,767</u>	<u>138,482</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	<u>-</u>	<u>(64,774)</u>
Net cash used by investing activities	<u>-</u>	<u>(64,774)</u>
<b>Cash Flows From Financing Activities</b>		
Payments of loan	<u>(30,083)</u>	<u>(101,182)</u>
Net cash used by financing activities	<u>(30,083)</u>	<u>(101,182)</u>
Increase/(Decrease) in cash	95,684	(27,474)
Cash, beginning of year	<u>216,073</u>	<u>243,547</u>
Cash, end of year	<u><u>\$ 311,757</u></u>	<u><u>\$ 216,073</u></u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u><u>\$ 24,472</u></u>	<u><u>\$ 28,372</u></u>

*See accompanying notes to financial statements.*

**Atlantis Charter School**  
Notes to Financial Statements  
June 30, 2010

**1. Nature of Organization**

The Atlantis Charter School (the School) was established on July 1, 1995 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The initial charter was for a five-year period, commencing on the first day of student attendance, which was September 1995. The School is operating under its fourth charter, which is subject to renewal at the discretion of the Commonwealth of Massachusetts' Department of Elementary and Secondary Education (DESE).

The School is considered a special purpose governmental entity, and operates as a public school. The School's operations are managed by a Board of Trustees who are deemed public agents authorized by the Commonwealth.

The School's mission is: *To provide all children with an education that is second to none, so they can become adaptable and productive life-long learners.*

**2. Summary of Significant Accounting Policies**

The accounting policies of the School conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School's significant accounting policies:

*a) Financial Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the School and its component unit, Atlantis Educational Foundation, (the Foundation) in conformance with the Government Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Under these statements, component units are organizations that are included in the School's reporting entity because of the significance of their operational or financial relationships with the School.

The component unit column in the accompanying financial statements contains financial data of the Foundation. The Foundation is a legally separate, tax-exempt organization that acts primarily as a fund-raising 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 the Foundation 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.

During the year ended June 30, 2006, the School entered into a lease with the Foundation to provide the facilities that the School operates in. For the fiscal year ending June 30, 2010 and 2009, the Foundation charged the School \$132,000 (See Note 6 for details). At June 30, 2010 and 2009, the School had a no payables due to the Foundation.

**Atlantis Charter School**  
Notes to Financial Statements- *Continued*  
June 30, 2010

**2. Summary of Significant Accounting Policies - Continued**

a) *Financial Reporting Entity -continued*

The Foundation is a non-profit organization that reports under Financial Accounting Standards Board (FASB) accounting standards, including *FASB Statement No. 117, Financial Reporting for Non-Profit Organizations*. As such, certain revenue recognition criteria and financial presentation features are different from GASB revenue recognition and financial presentation features. No modifications have been made to the Foundation's financial information in the School's reporting entity for those differences

Complete financial statements for the Foundation can be obtained from the Atlantis Charter School's business office located at 2501 South Main Street, Fall River, Massachusetts 02724-2015.

b) *Financial Statement Presentation*

The School, in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statement – and Management's Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund. Also, in accordance with *GASB Statement No. 39 - Determining Whether Certain Organizations are Component Units*, the Foundation is considered a component unit of the School and is discretely presented in the School's financial statements in a separate column in the financial statements to emphasize that it is legally separate from the School. The discretely presented component unit has a June 30 fiscal year end.

c) *Basis of Accounting*

The accrual basis 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. The Commonwealth of Massachusetts Executive Office of Administration and Finance calculates the per pupil tuition that is paid to the School by DESE. 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.

d) *Tax Status*

The School was established under a charter granted by the DESE and operates as part of the Commonwealth of Massachusetts, and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.



**Atlantis Charter School**  
Notes to Financial Statements- *Continued*  
June 30, 2010

**2. Summary of Significant Accounting Policies - Continued**

d) *Cash and Cash Equivalents*

For the purpose of the *Statement of Net Assets* and the *Statement of Cash Flows*, the School considers all short-term investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2010 and 2009, the School held cash equivalents of \$2,806,173 and \$1,381,002, respectively.

e) *Accounts Receivable*

Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At June 30, 2010 and 2009, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

f) *Operating Revenue and Expenses*

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include tuition and Federal and Commonwealth of Massachusetts grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

g) *Capital Assets*

Property and equipment are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$2,500 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for equipment, 5 years for furniture and fixtures and 10 years or the remaining life of the lease for leasehold improvements, whichever is shorter.

h) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

i) *Fair Value of Financial Instruments*

The School's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The School estimates that the fair value of all financial instruments at June 30, 2010 and 2009 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

j) *Deferred Asset*

Deferred asset represents pre-payments of rent made to the Foundation. The total amount paid, \$700,000 will be amortized over the life of the lease. At June 30, 2010 and 2009 the deferred asset balance was \$210,000 and \$280,000, respectively.

**Atlantis Charter School**  
Notes to Financial Statements - *Continued*  
June 30, 2010

**2. Summary of Significant Accounting Policies – Continued**

k) *Deferred Revenue*

Revenue is recognized when earned, however funds received that are not earned as of yearend are recorded as a liability under deferred revenue.

l) *Comparative Totals*

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's basic financial statements for the year ended June 30, 2009, from which the summarized information was derived.

m) *Memorandum Only – Financial Reporting Entity*

The financial statements include *Memorandum Only* totals for the year ended June 30, 2010 and 2009. These totals include all the activity of the financial reporting entity as described above and do not take into consideration any eliminating entries that would be prepared if the entities were consolidated.

**3. Deposits with Financial Institutions**

The School maintained its cash accounts at six financial institutions. These balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk. Included within the cash balance at June 30, 2010 and 2009 was \$1,406,026 and \$2,811,963, respectively, which is maintained at a financial institution that is full covered by the Depositors Insurance Fund (DIF).

As required by Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures* the following represents a summary of deposits as of June 30, 2010 and 2009:

	<i>2010</i>	<i>2009</i>
Fully insured deposits	\$ 2,235,593	\$ 4,352,393
Collateralized with securities held by the pledging financial institution in the School's name	-	-
Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name	-	-
Uncollateralized	<u>3,057,465</u>	<u>787,779</u>
Total	<u>\$ 5,293,058</u>	<u>\$ 5,140,172</u>

**Atlantis Charter School**  
Notes to Financial Statements - *Continued*  
June 30, 2010

**4. Capital Assets**

In August 2007, the School purchased a sixty-six acre parcel of land in Fall River, Massachusetts for \$2.6 million. The School released \$2.6 million from the board restricted funds during fiscal year 2008 and paid cash for the land. The School intends to build a new facility on the land to accommodate all the children in one location.

Changes in capital assets during fiscal year 2010 and 2009 are as follows:

2010	<i>Balance</i>			<i>Balance</i>
<i>Capital assets</i>	<i>June 30, 2009</i>	<i>Additions</i>	<i>Deletions</i>	<i>June 30, 2010</i>
Land	\$ 2,620,169	\$ -	\$ -	\$ 2,620,169
Leasehold improvements	1,122,601	-	-	1,122,601
Construction in progress	76,120	7,920	-	84,040
Furniture and equipment	720,747	96,966	-	817,713
Computer equipment	<u>732,171</u>	<u>-</u>	<u>-</u>	<u>732,171</u>
Total capital assets	<u>5,271,808</u>	<u>104,886</u>	<u>-</u>	<u>5,376,694</u>
<i>Less accumulated depreciation</i>				
Leasehold improvements	980,091	54,225	-	1,034,316
Furniture and equipment	559,554	113,372	-	672,926
Computer equipment	<u>653,125</u>	<u>20,947</u>	<u>-</u>	<u>674,072</u>
Total accumulated depreciation	<u>2,192,769</u>	<u>188,544</u>	<u>-</u>	<u>2,381,314</u>
Capital assets, net	<u>\$ 3,079,039</u>	<u>\$ (83,658)</u>	<u>\$ -</u>	<u>\$ 2,995,380</u>

2009	<i>Balance</i>			<i>Balance</i>
<i>Capital assets</i>	<i>June 30, 2008</i>	<i>Additions</i>	<i>Deletions</i>	<i>June 30, 2009</i>
Land	\$ 2,620,169	\$ -	\$ -	\$ 2,620,169
Leasehold improvements	1,084,984	37,617	-	1,122,601
Construction in progress	-	76,120	-	76,120
Furniture and equipment	707,218	13,529	-	720,747
Computer equipment	<u>717,795</u>	<u>14,376</u>	<u>-</u>	<u>732,171</u>
 Total capital assets	 <u>5,130,166</u>	 <u>141,642</u>	 <u>-</u>	 <u>5,271,808</u>
 <i>Less accumulated depreciation</i>				
Leasehold improvements	900,385	79,706	-	980,091
Furniture and equipment	506,235	53,319	-	559,554
Computer equipment	<u>633,614</u>	<u>19,510</u>	<u>-</u>	<u>653,124</u>
 Total accumulated depreciation	 <u>2,040,234</u>	 <u>152,535</u>	 <u>-</u>	 <u>2,192,769</u>
 Capital assets, net	 <u>\$ 3,089,932</u>	 <u>\$ (10,893)</u>	 <u>\$ -</u>	 <u>\$ 3,079,039</u>

**Atlantis Charter School**  
Notes to Financial Statements - *Continued*  
June 30, 2010

**4. Capital Assets - Continued**

As of June 30, 2010 and 2009 the School incurred \$84,040 and \$76,120, respectively for costs to prepare the land for construction of a new facility for the School. The costs have been capitalized as construction in progress and will be depreciated when the new facility is occupied by the School.

**5. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2010 and 2009 are as follows:

	<i>2010</i>	<i>2009</i>
Payables to vendors	\$ 82,210	\$ 130,243
Accrued salaries and benefits	<u>853,824</u>	<u>680,292</u>
Total	<u>\$ 936,034</u>	<u>\$ 810,535</u>

**6. Lease Commitment**

*Operating Lease*

Subsequent to year end the School renewed its lease for a building with the John Boyd Center (the Center) for an additional two-year term that expires on July 31, 2012. Rental payments made to the Center totaled \$184,500 for the years ended June 30, 2010 and 2009, respectively. The lease is payable in monthly installments of \$15,375 for the life of the lease.

The School also leases a building under a ten year agreement with the Foundation. The lease commenced on July 1, 2003 and is payable in monthly installments of \$7,500 over the first 5 years

and \$11,000 per month thereafter. The lease agreement also includes a one time payment of \$700,000. This payment has been recorded as a deferred asset and will be amortized over the life of the lease beginning when the School occupied the building, which was during fiscal year 2004. In fiscal year 2010 the School amortized \$70,000 of the deferred assets which was charged to occupancy. The lease expense for the years ended June 30, 2010 and 2009 was \$202,000, inclusive of the amortized portion of the deferred asset.

The School has future non-cancelable lease commitments as follows:

<i>Year</i>	<i>Amount</i>
2011	\$ 316,500
2012	316,500
2013	<u>147,375</u>
Total	<u>\$ 1,039,500</u>

**Atlantis Charter School**  
Notes to Financial Statements - *Continued*  
June 30, 2010

**6. Lease Commitments – Continued**

The School entered into an operating lease agreement during fiscal year 2009 to lease a portion of its property. The lease has an effective term of six years that includes annual rental income of \$18,000. Rental income for fiscal years 2010 and 2009 was \$18,000 and \$33,000, respectively, fiscal year 2009 included \$18,000 rental income in arrears. The expected rental income for the subsequent years is as follows:

<i>Year</i>	<i>Amount</i>
2011	\$ 18,000
2012	18,000
2013	18,000
2014	<u>4,500</u>
Total	<u>\$ 58,500</u>

*Capital Lease*

The School is the lessee of equipment under a capital lease expiring in March 2014. The asset and liability under the capital lease are recorded at the present value of the minimum lease payments.

	<i>Amount</i>
Copy equipment	\$ 96,965
Less accumulated depreciation	<u>(12,121)</u>
Total	<u>\$ 84,844</u>

The asset is amortized over its estimated life of four years. The following is a summary of the property held under the capital lease:

<i>Fiscal Year</i>	<i>Amount</i>
2011	\$ 23,820
2012	23,820
2013	23,820
2014	<u>19,153</u>
Total minimum lease payments	90,613
Less amount representing interest	<u>(2,954)</u>
Present value of minimum lease payments	<u><u>\$ 87,659</u></u>

**Atlantis Charter School**  
Notes to Financial Statements - *Continued*  
June 30, 2010

**7. Retirement Plan**

The School's teaching staff and certain administrators participate individually in the Massachusetts Teachers Retirement System (MTRS). All qualified teachers and administrators are covered by and must participate in MTRS. All qualified teachers and administrators who qualify for the plan, along with the School are exempt from federal social security taxes for these employees. Benefits vest fully after 10 years of qualified employment and an employee may receive retirement benefits after 20 years of service or having reached the age of 55 if the participant (1) has a record of 10 years of creditable service, (2) was first employed by the school after January 1, 1978, (3) voluntarily left School employment on or after that date, and (4) left an accumulated annuity deduction in the fund. This retirement plan requires an employee contribution of eight to eleven percent (depending on the plan and the employment date) of their compensation. The Massachusetts Teachers Retirement Board paid \$208,151 and \$150,610 of pension benefits on behalf of the School for the years ended June 30, 2010 and 2009, respectively.

**8. Related Party Transactions**

The Foundation is a supporting not-for-profit tax exempt organization and a related party of the Charter School. The School entered into a ten year lease agreement with the Foundation that commenced on July 1, 2003 (Note 6). In accordance with the terms of the agreement, the School paid \$700,000 to the Foundation at the beginning of the lease. This amount is recorded as a deferred asset on the *Statement of Net Assets* and is recognized on a straight line basis over the life of the lease. Rent expense applicable to the lease with the Foundation in fiscal year 2010 was \$202,000 of which \$132,000 represented rent payments made during the year and the remainder

\$70,000 represents the portion of the deferred asset expensed in fiscal year 2010.

A member of the Board of Trustees is a corporate officer at a financial institution where the School has cash on deposit. At June 30, 2010 and 2009 total deposits at this institution was \$2,563,611 and \$3,061,963, respectively.

Two members of the Board of Trustees are employed by the School. As of June 30, 2010 the School paid the employees \$93,873 in salaries. Additionally, one member of the Board of Trustees immediate family member is employed by the School. As of June 30, 2010 the School paid the family member \$52,954 in salaries.

A member of the Board of Trustees is a former superintendent of the School and during fiscal year 2010 the School paid \$8,635 in benefits on behalf of the former employee.

### **9. Concentration - Revenue**

For the years ended June 30, 2010 and 2009, DESE provided 7% and 8% of the School's total revenue for each year through Federal grants and 84% and 83%, respectively through Commonwealth of Massachusetts grants.

**Atlantis Charter School**  
Notes to Financial Statements - *Continued*  
June 30, 2010

### **10. Board Restricted Net Assets**

The Board of Trustees have restricted a portion of the unrestricted net assets at June 30, 2010 and 2009. This amount will be designated in separate investment accounts and the earnings thereon will also be board restricted. The Board of Trustees intends to use these board restricted funds to build a new school on the parcel of land purchased during fiscal year 2009. The balance of the board restricted net assets at June 30, 2010 and 2009 is as follows:

	<i>2010</i>	<i>2009</i>
Beginning balance	\$ 3,868,342	\$ 3,251,076
Interest earned	90,314	93,753
Additions	<u>1,040,000</u>	<u>523,513</u>
Ending balance	<u>\$ 4,998,656</u>	<u>\$ 3,868,342</u>

### **11. Contingencies**

#### *Legal*

The School is a defendant in three lawsuits as of June 30, 2010. Subsequent to year end one of the



lawsuits was settled. The outcome of the remaining two lawsuits cannot be determined as of date of this report and no provisions have been made to the financial statements to reflect the outcome.

#### *Grant Funding*

The School is subject to audit of its Commonwealth of Massachusetts and Federal funding and as such, if determined that funds are not expended in accordance with the grant agreements, the grantor agency has the right to recapture these funds. Therefore, final acceptance of costs incurred under these grants and contracts resides with the grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined and management does not anticipate any adjustments.

### **12. Grants and Other Receivables**

Grants and Other Receivables at June 30, 2010 and 2009 are as follows:

	<i>2010</i>	<i>2009</i>
Commonwealth of Massachusetts	\$ 31,390	\$ 46,777
Related party	3,716	-
Other	<u>3,213</u>	<u>3,361</u>
Total	<u>\$ 38,319</u>	<u>\$ 50,138</u>

#### **Atlantis Charter School**

Notes to Financial Statements - *Continued*

June 30, 2010

### **13. Subsequent Events**

The School has evaluated subsequent events through October, 27, 2010, which is the date the financial statements were issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net assets date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net assets date, which are necessary to disclose to keep the financial statements from being misleading.

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

**Atlantis Charter School**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010

<i>Federal Grantor (Pass-Through Grantor) Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<b><i>U.S. Department of Education</i></b>			
Pass through the Massachusetts Department of Education			
Title I	84.010	305-089-0-0491	\$ 237,015
ARRA - Title I	84.389	770-104-0-0491	66,666
Charter Schools	84.282	534-003-0-0491	8,021
Teacher Quality	84.367	140-290-0-0491	44,922
Special Education - Grants to States	84.027	240-264-0-0491	145,695
ARRA - Special Education - Grants to States	84.391	760-196-0-0491	76,558
Special Education - Preschool Grants	84.173	26210	2,613
ARRA - Special Education - Preschool Grants	84.392	76210	<u>3,901</u>
		Total U.S. Department of Education	<u>585,391</u>
<b><i>U.S. Department of Agriculture</i></b>			
Pass through the Massachusetts Department of Education			
		9758GF9INI09844	
National School Lunch Program	10.555	9758NF8INI09844	<u>159,732</u>
		Total U.S. Department of Agriculture	<u>159,732</u>
			<u><u>\$ 745,123</u></u>

*See accompanying notes to schedule.*

**Atlantis Charter School**  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2010

**1. *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of Atlantic Charter School (the School) using the accrual method of accounting under programs of the federal government for the year ended June 30, 2010.

**2. *Subrecipients***

The accompanying Schedule of Expenditures of Federal Awards of the School includes \$8,021 in expenditures the School passed through to a special purpose governmental entity.

**REPORT ON COMPLIANCE  
AND INTERNAL CONTROL**

The Board of Trustees  
**Atlantis Charter School**

*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*

We have audited the financial statements of Atlantis Charter School (the School) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 27, 2010. 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. The financial statements of The Atlantis Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to the component unit.

*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 financial statements, but not for the purpose of expressing our 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 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 the School's 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.



### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the School's 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying *Schedule of Findings and Questioned Costs* as items 10-01 through 10-03.

The School's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, 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.

*October 27, 2010*



**REPORT IN ACCORDANCE  
WITH  
OMB CIRCULAR A-133**

The Board of Trustees  
**Atlantis Charter School**

*Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*

*Compliance*

We have audited the compliance of Atlantis Charter School (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The School's major federal programs are identified in the summary of auditor's result section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 10-04.

### *Internal Control Over Compliance*

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirement of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The School's response to the findings identified in our report is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the School's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of trustees, management, 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.

*October 27, 2010*



**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

**Atlantis Charter School**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

**Section I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- **Material weakness (es) identified?** No
- **Significant deficiency(ies) identified that are not considered to be material weakness (es)?** Yes

Noncompliance which is material to financial statements noted?  
No

*Federal Awards*

Internal control over major programs:

- **Material weakness (es) identified?** No
- **Significant deficiency(ies) identified that are not considered to be material weakness (es)?** Yes

Type of auditor’s report issued Unqualified

**Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?**  
Yes

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program</i>
84.010	Title I
84.389	AARA – Title I
84.027	Special Education – Grants to States
84.391	AARA - Special Education – Grants to States

**Dollar threshold used to distinguish between type A and type B programs:** \$300,000

**Auditee qualified as low-risk auditee?** Yes

**Atlantis Charter School**  
Schedule of Findings and Questioned Costs- *Continued*  
For the Year Ended June 30, 2010

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

	<i>Questioned Costs</i>
<b><i>10-01 Procurement Procedures</i></b>	
<i>Condition</i> The School does not have an individual licensed as a Massachusetts Certified Public Purchasing Official (MCPPO) as required by the DESE.	\$ -
<i>Effect</i> The School is not in compliance with DESE compliance requirements.	
<i>Cause</i> The former procurement official left the School during fiscal year 2010.	
<i>Criteria</i> Per DESE, the individual who serve as procurement officers must participate and obtain certification in the MCPPO program conducted by the Officer of the Inspector General.	
<i>Recommendation</i> We recommend that the School send an individual to the MCPPO trainings during fiscal year 2011.	
<i>Corrective Action Plan</i> The School designated the Finance Director and the Facilities Coordinator to take the required course to become certified as a MCPPO officer during fiscal year 2011.	
<i>Responsibility</i> The Executive Director of the School will be responsible for implementing this corrective action.	
<i>Timing</i> This corrective action will be implemented in fiscal year 2011.	



**Atlantis Charter School**  
Schedule of Findings and Questioned Costs- *Continued*  
For the Year Ended June 30, 2010

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS - continued**

**10-02 Massachusetts Teachers Retirement System (MTRS)**

*Condition*

The following conditions were discovered (1) One of five employees tested was not enrolled in MTRS within the required 30 days of being covered by a contractual agreement for employment with the School; (2) one of five employees tested, enrollment form could not be located, therefore the employees enrollment within the 30 days of being covered by a contractual agreement for employment with the School could not be verified

\$ -

*Effect*

The School is not in compliance with MTRB requirements.

*Cause*

The School experienced turnover in the Business Manager position.

*Criteria*

Per MTRB, all eligible employees must be enrolled in MTRS within 30 days of being covered by a contractual agreement for employment with the School.

*Recommendation*

We recommend that the School develop internal control procedures to ensure all eligible employees are enrolled in MTRS within 30 days of starting employment at the School and enrollment forms are retained in each employee file.

*Corrective Action Plan*

The School will develop internal control procedures to ensure all eligible employees are enrolled in MTRS within 30 days of starting employment at the School and enrollment forms are retained in the employee's file.

*Responsibility*

The Executive Director of the School will be responsible for implementing this corrective action.

*Timing*

This corrective action will be implemented in fiscal year 2011.

**Atlantis Charter School**

Schedule of Findings and Questioned Costs- *Continued*

For the Year Ended June 30, 2010

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS - continued**

**10-03 Charter School End of Year Report**

*Condition*

The School did not submit the fiscal year 2009 Charter School End of Year Financial Report (CSEYOYFR) to DESE on or before January 1, 2010. \$ -

*Effect*

The School is not in compliance with DESE requirement.

*Cause*

The School experienced turnover in the Business Manager position.

*Criteria*

The School is required to submit a Charter School End of Year Financial Report (CSEYOYFR) to DESE on or before January 1<sup>st</sup> following its fiscal year end.

*Recommendation*

We recommend that the School hire staffing necessary submit all required reports timely.

*Corrective Action Plan*

The School hired a new Finance Director who will submit the fiscal year 2010 CSEYOYFR by December 31, 2010.

*Responsibility*

The Executive Director of the School will be responsible for implementing this corrective action.

*Timing*

This corrective action will be implemented in fiscal year 2011.

**Atlantis Charter School**  
Schedule of Findings and Questioned Costs- *Continued*  
For the Year Ended June 30, 2010

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**10-04 Cash Management**

*Condition*

The School requested federal funds under four cost reimbursement grants and the School did not incur the expenses prior to the request or within thirty days of the request. \$ -

*Effect*

The School is not in compliance with OMB Circular A-133 Cash Management requirements.

*Cause*

The School experienced turnover in the Business Office during fiscal year 2010.

*Criteria*

According to OMB Circular A-133 Cash Management requirements the draw down of Federal cash is only for immediate needs.

*Recommendation*

We recommend that the School develop internal control procedures to monitor federal expenses and schedule the draw downs of Federal funds based actual expenses incurred.

*Corrective Action Plan*

During fiscal 2011 the Finance Director will maintain a formal schedule for all federal expenditures incurred. All requests for reimbursement will be based on expenses incurred.

*Responsibility*

The Executive Director of the School will be responsible for implementing this corrective action.

*Timing*

This corrective action will be implemented in fiscal year 2011.

**Atlantis Charter School**  
Schedule of Findings and Questioned Costs- *Continued*  
For the Year Ended June 30, 2010

**IV. STATUS OF PRIOR AUDIT FINDINGS**

None

**BOARD ACCEPTANCE LETTER**

## ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Atlantis Charter School, have voted to accept the representations of management and the expression of the opinions made by Daniel Dennis & Company LLP as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2010.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the *Commonwealth of Massachusetts DOE Charter School Audit Guide* for the period ended June 30, 2010.

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Board President or Treasurer  
or Other Designated Person

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Date