

Atlantis Charter School

Financial Statements
and
Auditors' Reports

June 30, 2011



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Atlantis Charter School

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Daniel Dennis & Company LLP

Certified Public Accountants

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, 2011, 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 2010 basic financial statements and, in our report dated October 27, 2010 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, 2011, 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 26, 2011, 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 three through six be presented to supplement the basic financial statements. Such information, although not a 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 statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole. Additionally, the accompanying *Schedule of 20% Excess Carryover Calculation* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of 20% Excess Carryover Calculation* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Daniel Dennis & Company LLP

October 26, 2011

Atlantis Charter School
Management Discussion and Analysis
June 30, 2011

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, 2011. 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 2011, effective July 1, 2010 through June 30, 2015. During fiscal years 2011 and 2010, the School operated kindergarten through eighth grade and the enrollment was comprised of approximately 731 and 727 students, respectively. At capacity the School's maximum enrollment totals 795 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 and other information 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, 2011

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, 2011

Financial Statements – continued

Notes to the Financial Statements provides additional information that is essential to a full understanding of the information provided in the School's financial statements.

Other Information in addition to the basic financial statements and accompanying notes, this report also presents the Commonwealth of Massachusetts DESE required supplementary information concerning the School's calculation of its net tuition revenue to determine if there is any excess over the requirements of the DESE.

Financial Highlights

The following financial highlights are for fiscal year 2011 with comparative information for fiscal year 2010:

- The School held total assets of \$11,381,587 and \$11,265,211 at June 30, 2011 and 2010, respectively, of which \$2,888,924 and \$2,995,380 were net capital assets, respectively, and the majority of the remaining assets consisted of cash, short term investments, accounts receivable and deferred assets.
- The School held total liabilities of \$818,113 and \$1,041,806 at June 30, 2011 and 2010, respectively, of which \$774,418 and \$975,013, respectively were current.
- Total net assets for the School was \$10,563,474 and \$10,223,405 at June 30, 2011 and 2010, respectively, of which \$7,742,065 and \$7,318,638 was unrestricted and \$2,821,409 and \$2,904,767 was for investments in capital assets – net of related debt, respectively. In addition, in fiscal years 2011 and 2010 the board designated unrestricted net assets totaled \$5,045,204 and \$4,998,656, respectively, which are designated for future capital purchases.
- The School earned total revenues of \$9,328,091 and \$8,749,585 for the years ended June 30, 2011 and 2010, respectively, of which 98% and 97% were operating revenues and 2% and 3% were from non-operating revenues (private grants, contributions, etc.), for fiscal years ended June 30, 2011 and 2010.
- The School had total expenses of \$8,988,022 and \$8,544,265 for the years ended June 30, 2011 and 2010, respectively, of which 99% were operating expenses and 1% was from non-operating expenses (fundraising) for both fiscal years ended June 30, 2011 and 2010.
- The School earned net income of \$340,069 and \$205,320 for the years ended June 30, 2011 and 2010, respectively. In fiscal year 2011, the net income was comprised of operating income of \$207,512 and non-operating income of \$132,557. In fiscal year 2010 the net income was comprised operating loss of \$16,436 and non-operating income of \$221,756.

Atlantis Charter School
Management Discussion and Analysis
June 30, 2011

Budgetary Highlights

The School's annual budget was amended as the year progressed. For the fiscal year ended June 30, 2011 the School incurred \$8,773,707 in actual expenditures, excluding \$214,315 of in-kind expenses, compared to budgeted expenditures of \$8,666,249. The major reason for the increase between the budget and actual expenses was the School added several position that were not originally budgeted for as a result of the School receiving unanticipated revenue.

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 \$7,812,473 in per pupil funding in fiscal year 2011, versus \$7,347,883 in per pupil funding in fiscal year 2010. 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 \$762,792 and \$585,391 in fiscal years 2011 and 2010, 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 24 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, 2011
With summarized comparative totals at June 30, 2010

	<i>Atlantis Charter School</i>	<i>Component Unit Atlantis Educational Foundation, Inc.</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2011</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2010</i>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 4,856,944	\$ 273,468	\$ 5,130,412	\$ 5,487,949
Investments	3,351,514	-	3,351,514	2,806,173
Accounts receivable	17,293	-	17,293	38,319
Prepaid expenses	126,912	-	126,912	39,147
Deferred asset	70,000	-	70,000	70,000
Total current assets	<u>8,422,663</u>	<u>273,468</u>	<u>8,696,131</u>	<u>8,441,588</u>
Noncurrent Assets:				
Investments	-	-	-	-
Deferred asset	70,000	-	70,000	140,000
Capital assets, net	2,888,924	1,095,300	3,984,224	4,138,089
Total noncurrent assets	<u>2,958,924</u>	<u>1,095,300</u>	<u>4,054,224</u>	<u>4,278,089</u>
Total assets	<u>\$ 11,381,587</u>	<u>\$ 1,368,768</u>	<u>\$ 12,750,355</u>	<u>\$ 12,719,677</u>
Liabilities and Net Assets				
Current Liabilities:				
Accrued expenses	\$ 742,680	\$ -	\$ 742,680	\$ 853,824
Accounts payable	-	-	-	85,926
Notes payable	-	28,839	28,839	-
Capital lease obligation	23,820	-	23,820	23,820
Deferred revenue	7,918	70,000	77,918	89,759
Total current liabilities	<u>774,418</u>	<u>98,839</u>	<u>873,257</u>	<u>1,053,329</u>
Noncurrent Liabilities:				
Deferred revenue	-	70,500	70,500	140,500
Capital lease obligation	43,695	-	43,695	66,793
Notes payable	-	240,739	240,739	404,881
Total noncurrent liabilities	<u>43,695</u>	<u>311,239</u>	<u>354,934</u>	<u>612,174</u>
Total liabilities	<u>818,113</u>	<u>410,078</u>	<u>1,228,191</u>	<u>1,665,503</u>
Net Assets:				
Investment in capital assets, net of related debt	2,821,409	825,722	3,647,131	3,642,595
Unrestricted	7,742,065	132,968	7,875,033	7,411,579
Total net assets	<u>10,563,474</u>	<u>958,690</u>	<u>11,522,164</u>	<u>11,054,174</u>
Total liabilities and net assets	<u>\$ 11,381,587</u>	<u>\$ 1,368,768</u>	<u>\$ 12,750,355</u>	<u>\$ 12,719,677</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, 2011
With summarized comparative totals for the year ended June 30, 2010

	<i>Atlantis Charter School</i>	<i>Component Unit Atlantis Educational Foundation, Inc.</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2011</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2010</i>
<i>Operating revenues:</i>				
State grants	\$ 7,812,473	\$ -	\$ 7,812,473	\$ 7,347,883
Federal grants	762,792	-	762,792	585,391
Rental income	-	202,000	202,000	202,000
Extended care program	94,675	-	94,675	89,703
Family learning center program	8,386	-	8,386	18,832
In-kind revenue	214,315	-	214,315	208,151
Food service program	266,119	-	266,119	243,935
Total operating revenues	<u>9,158,760</u>	<u>202,000</u>	<u>9,360,760</u>	<u>8,695,895</u>
<i>Operating expenses:</i>				
Salaries	5,416,313	-	5,416,313	5,341,966
Payroll taxes	321,899	-	321,899	285,097
Fringe benefits	924,565	-	924,565	721,235
Rent	386,500	-	386,500	386,500
Telephone and utilities	191,363	-	191,363	165,905
Extended care program	9,431	-	9,431	6,538
Family learning center program	8,123	-	8,123	9,884
Professional services	359,211	7,740	366,951	362,292
Insurance	56,435	1,803	58,238	61,623
Student supplies and materials	187,410	-	187,410	163,097
Office expense	270,649	-	270,649	172,963
Food service program	250,224	-	250,224	219,277
Grounds and buildings	84,230	-	84,230	84,038
Furniture and materials	6,728	-	6,728	549
Interest	1,881	19,251	21,132	27,894
Conference and meetings	82,116	12,819	94,935	96,651
Travel	18,434	-	18,434	15,515
Advertising	6,211	-	6,211	7,722
Bad debt	26	-	26	-
In-kind expenses	214,315	-	214,315	208,151
Depreciation expense	145,052	44,171	189,223	229,476
Miscellaneous expense	10,132	1,379	11,511	17,559
Total operating expenses	<u>8,951,248</u>	<u>87,163</u>	<u>9,038,411</u>	<u>8,583,932</u>
Operating income	<u>207,512</u>	<u>114,837</u>	<u>322,349</u>	<u>111,963</u>
<i>Non-operating revenues:</i>				
Contributions	77,058	-	77,058	72,400
Interest income	47,697	993	48,690	84,816
Medicaid reimbursement	18,868	-	18,868	67,456
Other income	25,708	23,530	49,238	63,045
Fundraising expense	(36,774)	(8,200)	(44,974)	(49,461)
Total nonoperating revenue	<u>132,557</u>	<u>16,323</u>	<u>148,880</u>	<u>238,256</u>
Change in net assets	340,069	131,160	471,229	350,219
Net assets, beginning of the year	<u>10,223,405</u>	<u>827,530</u>	<u>11,050,935</u>	<u>10,703,955</u>
Net assets, end of the year	<u>\$ 10,563,474</u>	<u>\$ 958,690</u>	<u>\$ 11,522,164</u>	<u>\$ 11,054,174</u>

See accompanying notes to financial statements.

Atlantis Charter School
Atlantis Charter School - Statement of Cash Flows
For the Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010

	<i>2011</i>	<i>2010</i>
Cash flows from operating activities:		
Receipts from tuition	\$ 7,812,473	\$ 7,347,883
Receipts from grants	783,818	597,210
Receipts from programs	576,254	567,109
Payments to employees	(5,609,667)	(5,113,950)
Payments to suppliers and vendors	<u>(3,407,622)</u>	<u>(2,985,520)</u>
Net cash provided by operating activities	<u>155,256</u>	<u>412,732</u>
Cash flows from investing activities:		
Non-operating receipts	169,331	255,690
Non-operating disbursements	(36,774)	(33,934)
Purchase of investments	<u>(545,368)</u>	<u>(550,277)</u>
Net cash used in investing activities	<u>(412,811)</u>	<u>(328,521)</u>
Cash flows from capital and related financing activities:		
Payments on capital lease obligation	(23,098)	(6,352)
Purchase of capital assets	<u>(38,595)</u>	<u>(7,920)</u>
Net cash used by capital and related financing activities	<u>(61,693)</u>	<u>(14,272)</u>
Change in cash	(319,248)	69,939
Cash, beginning of year	<u>5,176,192</u>	<u>5,106,253</u>
Cash, end of year	<u>\$ 4,856,944</u>	<u>\$ 5,176,192</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Change in net assets	\$ 207,512	\$ (16,436)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	145,052	188,544
Bad debt expense	26	-
<i>Change in assets and liabilities:</i>		
Decrease in deferred asset	70,000	70,000
Decrease in accounts receivable	21,026	11,819
Decrease/(increase) in prepaid expenses	(87,765)	26,818
Decrease in accounts payable	(82,210)	(231,383)
(Decrease)/increase in accrued expenses	(111,144)	356,882
(Decrease)/increase in deferred income	<u>(7,241)</u>	<u>6,488</u>
Net cash provided by operating activities	<u>\$ 155,256</u>	<u>\$ 412,732</u>

See accompanying notes to financial statements.

Atlantis Charter School
Atlantis Educational Foundation, Inc. - Statement of Cash Flows
For the Year Ended June 30, 2011
With comparative totals for the year ended June 30, 2010

	<i>2011</i>	<i>2010</i>
Cash Flows From Operating Activities		
Change in net assets	\$ 131,160	\$ 144,899
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	44,171	40,932
<i>Changes in assets and liabilities:</i>		
(Decrease)/increase in accounts payable	(3,716)	3,716
Decrease in deferred revenue	<u>(74,601)</u>	<u>(63,780)</u>
Net cash provided by operating activities	<u>97,014</u>	<u>125,767</u>
Cash Flows From Investing Activities	<u>-</u>	<u>-</u>
Cash Flows From Financing Activities		
Payments of loan	<u>(135,303)</u>	<u>(30,083)</u>
Net cash used by financing activities	<u>(135,303)</u>	<u>(30,083)</u>
Change in cash	(38,289)	95,684
Cash, beginning of year	<u>311,757</u>	<u>216,073</u>
Cash, end of year	<u>\$ 273,468</u>	<u>\$ 311,757</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 19,251</u>	<u>\$ 24,472</u>

See accompanying notes to financial statements.

Atlantis Charter School
Notes to Financial Statements
June 30, 2011

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 one of the facilities that the School operates in. For the fiscal year ending June 30, 2011 and 2010, the Foundation charged the School \$132,000 (See Note 6). At June 30, 2011 and 2010, the School had no payables due to the Foundation.

Atlantis Charter School
Notes to Financial Statements- *Continued*
June 30, 2011

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, 2011

2. Summary of Significant Accounting Policies - Continued

e) *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, 2011 and 2010, the School held no cash equivalents.

f) *Investments in Marketable Securities*

The School carries investments at fair value in the statement of net assets. Any gains and losses are reflected in the statement of revenues, expenses and changes in net assets.

g) *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, 2011 and 2010, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

h) *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.

i) *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.

j) *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.

k) *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, 2011 and 2010 the deferred asset balance was \$140,000 and \$210,000, respectively.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2011

2. Summary of Significant Accounting Policies – Continued

l) *Deferred Revenue*

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

m) *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, 2010, from which the summarized information was derived.

n) *Memorandum Only – Financial Reporting Entity*

The financial statements include *Memorandum Only* totals for the year ended June 30, 2011 and 2010. 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, 2011 and 2010 was \$1,412,636 and \$1,406,026, 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, 2011 and 2010:

	<i>2011</i>	<i>2010</i>
Fully insured deposits	\$ 4,676,831	\$ 2,235,593
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>209,236</u>	<u>3,057,465</u>
Total	<u>\$ 4,886,067</u>	<u>\$ 5,293,058</u>

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2011

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 2011 and 2010 are as follows:

2011	<i>Balance</i>			<i>Balance</i>
<i>Capital assets</i>	<i>June 30, 2010</i>	<i>Additions</i>	<i>Deletions</i>	<i>June 30, 2011</i>
Land	\$ 2,620,169	\$ -	\$ -	\$ 2,620,169
Leasehold improvements	1,122,601	8,200	-	1,130,801
Construction in progress	84,040	225	-	84,265
Furniture and equipment	817,713	9,275	-	826,988
Computer equipment	<u>732,171</u>	<u>20,895</u>	<u>-</u>	<u>753,066</u>
Total capital assets	<u>5,376,694</u>	<u>38,595</u>	<u>-</u>	<u>5,415,289</u>
<i>Less accumulated depreciation</i>				
Leasehold improvements	1,034,316	55,633	-	1,089,949
Furniture and equipment	672,926	66,383	-	739,309
Computer equipment	<u>674,071</u>	<u>23,036</u>	<u>-</u>	<u>697,107</u>
Total accumulated depreciation	<u>2,381,313</u>	<u>145,052</u>	<u>-</u>	<u>2,526,365</u>
Capital assets, net	<u>\$ 2,995,381</u>	<u>\$ (106,457)</u>	<u>\$ -</u>	<u>\$ 2,888,924</u>
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>653,124</u>	<u>20,947</u>	<u>-</u>	<u>674,071</u>
Total accumulated depreciation	<u>2,192,769</u>	<u>188,544</u>	<u>-</u>	<u>2,381,313</u>
Capital assets, net	<u>\$ 3,079,039</u>	<u>\$ (83,658)</u>	<u>\$ -</u>	<u>\$ 2,995,381</u>

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2011

4. Capital Assets - Continued

As of June 30, 2011 and 2010 the School incurred \$84,265 and \$84,040, 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. Investments

The School holds short term investments in certificates of deposits with various financial institutions located in Massachusetts. The investments are recorded at fair value which was \$3,351,514 at June 30, 2011. All investments are due within one year of the financial statement date and interest earned in investments for fiscal year 2011 was \$38,818.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2011 and 2010 are as follows:

	<i>2011</i>	<i>2010</i>
Payables to vendors	\$ 44,568	\$ 82,210
Accrued salaries and benefits	<u>698,112</u>	<u>853,824</u>
Total	<u>\$ 742,680</u>	<u>\$ 936,034</u>

7. Lease Commitment

Operating Lease

During fiscal year 2011 the School renewed its building lease 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, 2011 and 2010, 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 2011 the School amortized \$70,000 of the deferred assets which was charged to occupancy. The lease expense for the years ended June 30, 2011 and 2010 was \$202,000, inclusive of the amortized portion of the deferred asset.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2011

7. Lease Commitments – Continued

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

<i>Year</i>	<i>Amount</i>
2012	\$ 316,500
2013	<u>147,375</u>
Total	<u>\$ 723,000</u>

The School entered into an operating lease agreement during fiscal year 2010 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 2011 and 2010 was \$18,000 and \$18,000, respectively. The expected rental income for the subsequent years is as follows:

<i>Year</i>	<i>Amount</i>
2012	\$ 18,000
2013	18,000
2014	<u>4,500</u>
Total	<u>\$ 40,500</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>(31,514)</u>
Total	<u>\$ 65,451</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>
2012	\$ 23,820
2013	23,820
2014	<u>22,156</u>
Total minimum lease payments	69,796
Less amount representing interest	<u>2,281</u>
Present value of minimum lease payments	<u>\$ 67,515</u>

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2011

8. 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 \$214,315 and \$208,151 of pension benefits on behalf of the School for the years ended June 30, 2011 and 2010, respectively.

9. 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 2011 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 2011.

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, 2011 and 2010 total deposits at this institution was \$2,585,380 and \$2,563,611, respectively.

Two members of the Board of Trustees are employed by the School. As of June 30, 2011 the School paid the employees \$98,147 in salaries. Additionally, one member of the Board of Trustees immediate family member is employed by the School. As of June 30, 2011 the School paid the family member \$53,190 in salaries.

A member of the Board of Trustees is a former superintendent of the School and during fiscal year 2011 the School paid \$15,518 in benefits on behalf of the former employee.

10. Concentration - Revenue

For the years ended June 30, 2011 and 2010, DESE provided 8% and 7% of the School's total revenue for each year through Federal grants and 84% and 84%, respectively through Commonwealth of Massachusetts grants.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2011

11. Board Restricted Net Assets

The Board of Trustees has restricted a portion of the unrestricted net assets at June 30, 2011 and 2010. 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 2008. The balance of the board restricted net assets at June 30, 2011 and 2010 are as follows:

	<i>2011</i>	<i>2010</i>
Beginning balance	\$ 4,998,656	\$ 3,868,342
Interest earned	46,498	90,314
Additions	<u>50</u>	<u>1,040,000</u>
Ending balance	<u>\$ 5,045,204</u>	<u>\$ 4,998,656</u>

12. Contingencies

Legal

The School is a defendant in two lawsuits as of June 30, 2011. Subsequent to year end, one lawsuit was resolved in favor of the School. The outcome of the other 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.

13. Grants and Other Receivables

Grants and Other Receivables at June 30, 2011 and 2010 are as follows:

	<i>2011</i>	<i>2010</i>
Commonwealth of Massachusetts	\$ 16,698	\$ 31,390
Related party	-	3,716
Other	<u>595</u>	<u>3,213</u>
Total	<u>\$ 17,293</u>	<u>\$ 38,319</u>

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2011

14. Cumulative Surplus Revenue

Effective July 1, 2010 any cumulative surplus revenue generated by the School must comply with M.G.L. c. 71, § 89 (as amended by Chapter 12 of the Acts of 2010 under § 7 (hh)). In accordance with this legislation and subsequent DESE regulations, if the School's cumulative surplus revenue, as defined, exceeds 20% of its operating budget and its budgeted capital costs for the succeeding fiscal year, the amount in excess of said 20% shall be returned by the School to the sending district or districts and the Commonwealth in proportion to their share of tuition paid during the fiscal year.

As of June 30, 2011 the School's cumulative surplus revenue was less than 20%, however, the calculation is subject to DESE review and approval. Management does not anticipate any material change in the calculation.

15. Subsequent Events

The School has evaluated subsequent events through October, 26 2011, 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 20% EXCESS
CARRYOVER CALCULATION**

Atlantis Charter School
Schedule of 20% Excess Carryover Calculation
June 30, 2011

1	Cumulative surplus/(deficit) beginning of year	\$ -	
2	Change in net assets		340,069
	Less:		
3	Contributions	77,058	
4	Interest income	47,697	
5	Principal payments on debt	23,098	
6	Capital expenses, less related debt/reserve funds	38,595	
7	Current deposits to reserve funds for capital project	-	
8	Current deposits to reserve funds held as security for debt	-	
9	Other:		
	Medicaid reimbursement & other inc.	<u>44,576</u>	
	Sub Total		(231,024)
	Plus:		
10	Fundraising expenses	36,774	
11	Depreciation	5,028	
12	Other:		
	None	<u>-</u>	
	Sub Total		41,802
	Total Surplus/(deficit)		150,847 (A)
13	25% of actual tuition payment for current year	1,953,118	
14	20% of projected tuition for following year	1,860,489	
15	20% budgeted expenditures from capital projects reserve fund for the following year	<u>159,400</u>	
16	Allowable carryover		<u>3,973,007 (B)</u>
17	Excess deficit		<u>\$(3,822,160) (A) - (B)</u>

If (A) - (B) is negative no amount is due back to the District.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Atlantis Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<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>
<i>U.S. Department of Education</i>			
Pass through the Massachusetts Department of Education			
Title I	84.010	305-089-0-0491	\$ 280,577
ARRA - Title I	84.389	770-104-0-0491	86,729
Charter Schools	84.282	534-003-0-0491	10,129
Teacher Quality	84.367	140-290-0-0491	47,855
Special Education - Grants to States	84.027	240-264-0-0491	156,156
ARRA - Special Education - Grants to States	84.391	760-196-0-0491	124,106
Title 301 c	84.010	305-541-1-0491	725
Special Education - Preschool Grants	84.173	26210	2,627
ARRA - Special Education - Preschool Grants	84.392	76210	<u>3,901</u>
		Total U.S. Department of Education	<u>712,805</u>
<i>U.S. Department of Agriculture</i>			
Pass through the Massachusetts Department of Education			
		9758GF9INI09844	
National School Lunch Program	10.555	9758NF8INI09844	<u>180,471</u>
		Total U.S. Department of Agriculture	<u>180,471</u>
			<u><u>\$ 893,276</u></u>

See accompanying notes to schedule.

Atlantis Charter School
Notes to Schedule of Expenditures of Federal Awards
June 30, 2011

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, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. *Subrecipients*

The accompanying Schedule of Expenditures of Federal Awards of the School includes \$10,129 in expenditures the School passed through to a special purpose governmental entity.

**REPORT ON COMPLIANCE
AND INTERNAL CONTROL**

Daniel Dennis & Company LLP

Certified Public Accountants

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, 2011, and have issued our report thereon dated October 26, 2011. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of trustees, others within the School, and the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis & Company LLP

October 26, 2011

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

Daniel Dennis & Company LLP

Certified Public Accountants

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, 2011. 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 of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the School, is responsible for establishing and maintaining effective internal control over compliance with the requirements 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 the requirements that could have a direct and material effect on a major federal program to determine the 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 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.

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.

Daniel Dennis & Company LLP

October 26, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Atlantis Charter School
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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?** No

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?** No

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? No

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program</i>
84.010	Title I
84.010	Title I - AARA
10.555	School Lunch

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
For the Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SCHEDULE OF PRIOR YEAR FINDINGS

Atlantis Charter School
Schedule of Prior Year Findings
For the Year Ended June 30, 2011

IV. STATUS OF PRIOR YEAR FINDINGS

10-01 Procurement Procedures

Condition

The School does not have an individual licensed as a Massachusetts Certified Public Purchasing Official (MCPPO) as required by the DESE.

Status

The School sent an individual to the MCPPO training during fiscal year 2011. The finding is resolved.

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

Status

The School developed internal control procedures that ensured all eligible employees are enrolled in MTRS within 30 days of starting employment at the School. The finding is resolved.

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 (CSEYOFR) to DESE on or before January 1, 2010.

Status

The School submitted its fiscal year 2010 CSEYOFR to DESE timely. The finding is resolved.

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.

Status

The School developed internal control procedures to monitor federal expenses and schedule the draw downs of Federal funds bases on actual expenses incurred. The finding is resolved.

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, 2011.

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, 2011.



Board President or Treasurer
or Other Designated Person

10/26/11
Date