

Atlantis Charter School

**Financial Statements and Auditors' Reports
in Accordance with the OMB A-133 and
Governmental Auditing Standards**

June 30, 2013



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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

Report on the Financial Statements

We have audited the accompanying statement of net assets and the aggregate discretely presented component unit, the Atlantis Educational Foundation Inc., (a nonprofit organization) of Atlantis Charter School (a governmental entity) as of and for the year ended June 30, 2013, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Atlantis Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The financial statements of the Atlantis Educational Foundation Inc. have not been audited, and we were not engaged to audit the Atlantis Educational Foundation Inc.'s financial statements as part of our audit of the Atlantis Charter School's basic financial statements. The Atlantis Educational Foundation Inc.'s financial activities are included in the Atlantis Charter School's basic financial statements as a discretely presented component unit.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Atlantis Charter School, as of June 30, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Atlantis Charter School's fiscal year 2012 financial statements, and our report dated October 24, 2012, expressed a qualified opinion on those audited financial statements, as we did not audit and were not engaged to audit the financial statements of the discretely presented component unit of the School. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial of the Atlantis Charter School. The *Schedule of 20% Excess Carryover Calculation* for the year ended June 30, 2013 is presented for purposes of additional analysis as required by the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for 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*, and is also not a required part of the basic financial statements.

The *Schedule of 20% Excess Carryover Calculation* is the representation of the Atlantis Charter School's management and 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.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, on our consideration of the Atlantis Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantis Charter School's internal control over financial reporting and compliance.

Daniel Dennis & Company LLP

September 25, 2013

Atlantis Charter School
Management Discussion and Analysis
June 30, 2013

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, 2013. Please read it in conjunction with the School's financial statements, which begin on page 9.

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 2013 and 2012, the School operated kindergarten through eighth grade and the enrollment was comprised of approximately 760 and 728 students, respectively. At capacity the School's maximum enrollment totals 795 students, but is constrained by the available space in its current facilities.

The School's mission is to provide an education second to none, yielding academic excellence and life-long learning skills. The school commits to support an equal partnership among parents, community, faculty, staff and students to create a safe, caring, innovative and progressive learning environment.

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 provides 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, 2013

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, 2013

Financial Statements – continued

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

Supplemental Information provides additional information to the basic financial statements and accompanying notes, this report also presents the DESE required supplementary information concerning the School's calculation of its net tuition revenue. The *Schedule of 20% Excess Carryover Calculation* is used to determine if there is any excess over the requirements of the DESE, which would be returned to the sending district.

Financial Highlights

The following financial highlights are for fiscal year 2013 with comparative information for fiscal year 2012:

- The School held total assets of \$11,784,003 and \$11,597,927 at June 30, 2013 and 2012, respectively, of which \$2,818,570 and \$2,866,329 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 \$897,125 and \$859,908 at June 30, 2013 and 2012, respectively, of which \$897,125 and \$841,293, respectively were current.
- Total net assets for the School was \$10,886,878 and \$10,738,019 at June 30, 2013 and 2012, respectively, of which \$8,088,568 and \$7,829,586 was unrestricted and \$2,798,310 and \$2,908,433 related to investments in capital assets, net of related debt, respectively. In addition, in fiscal years 2013 and 2012 the board designated unrestricted net assets totaled \$5,061,356 and \$5,075,525, respectively, which are designated for future capital purchases.
- The School earned total revenues of \$9,678,419 and \$9,906,704 for the years ended June 30, 2013 and 2012, respectively, of which 98% were operating revenues and 2% were from non-operating revenues, for both fiscal years ended June 30, 2013 and 2012.
- The School had total expenses of \$9,529,560 and \$9,732,159 for the years ended June 30, 2013 and 2012, respectively, of which 99% were operating expenses and 1% was from non-operating expenses for both fiscal years ended June 30, 2013 and 2012.
- The School earned net income of \$148,859 and \$174,545 for the years ended June 30, 2013 and 2012, respectively. In fiscal year 2013, the net income was comprised of operating loss of \$26,133 and non-operating income of \$174,992. In fiscal year 2012 the net income was comprised operating income of \$17,599 and non-operating income of \$156,946.

Atlantis Charter School
Management Discussion and Analysis
June 30, 2013

Budgetary Highlights

The School's annual budget was amended as the year progressed. For the fiscal year ended June 30, 2013 the School incurred \$9,302,055 in actual expenditures, excluding \$227,505 of in-kind expenses, compared to budgeted expenditures of \$9,536,128. The major reason for the decrease between the budget and actual expenses was improvement in the School's operational efficiency and resource allocation.

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 \$8,219,527 in per pupil funding in fiscal year 2013, versus \$8,369,707 in per pupil funding in fiscal year 2012. This represents 85% of the School's revenue for both fiscal years ended June 30, 2013 and June 30, 2012. In addition, the School received various federal, state and private grants, which totaled \$668,664 and \$777,199 in fiscal years 2013 and 2012, respectively.

In fiscal year 2013, 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, 2012, which includes payments totaling \$15,375 per month.

In fiscal year 2013, the School renewed its lease agreement for a facility with the Atlantis Educational Foundation, Inc., a related party for a term of 2 years, commencing April 1, 2013, includes payments totaling \$17,000 per month.

Current Known Facts, Decisions, and Conditions

In fiscal year 2014, the School is applying to the DESE to expand its enrollment and offer high school grades. The School is requesting 605 additional seats, to bring the maximum enrollment from 795 to 1,400.

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 initiate a facilities project pending the outcome of its fall 2013 expansion request, and the Board has restricted assets (for facilities) of approximately \$3.9 million and unrestricted net assets of approximately \$3.8 million to support the project.

The School is recognized as a "Level 1" school by the DESE due to its sustained strong performance. The School has an established track record of strong and stable enrollment with a large waitlist, averaging 48% of total enrollment over the last three years. The school prides itself on high parent/guardian satisfaction, low attrition, and high stability of 98% in the most recent year, with 99.1% stability for students with disabilities.

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 28 of this report.

Atlantis Charter School
Management Discussion and Analysis
June 30, 2013

Supplemental Information – Continued

The *Schedule of 20% Excess Carryover Calculation* is presented for the purposes of additional analysis as required by the DESE. The Schedule to 20% Excess Carryover Calculation can be found on page 26 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, 2013
With summarized comparative totals at June 30, 2012

	<i>Component Unit</i>		<i>(Memorandum Only - Financial Reporting Entity)</i>	<i>(Memorandum Only - Financial Reporting Entity)</i>
	<i>Atlantis Charter School</i>	<i>Atlantis Educational Foundation, Inc.</i>	<i>Totals June 30, 2013</i>	<i>Totals June 30, 2012</i>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,214,035	\$ 252,892	\$ 6,466,927	\$ 5,878,694
Short term investments	2,316,263	-	2,316,263	2,812,334
Grants and accounts receivable	212,398	17,000	229,398	15,896
Prepaid expenses	138,472	1,000	139,472	125,024
Deferred asset	-	-	-	70,000
Total current assets	<u>8,881,168</u>	<u>270,892</u>	<u>9,152,060</u>	<u>8,901,948</u>
Noncurrent Assets:				
Deferred expenses	84,265	-	84,265	84,265
Capital assets, net	<u>2,818,570</u>	<u>1,006,958</u>	<u>3,825,528</u>	<u>3,917,458</u>
Total noncurrent assets	<u>2,902,835</u>	<u>1,006,958</u>	<u>3,909,793</u>	<u>4,001,723</u>
Total assets	<u>\$ 11,784,003</u>	<u>\$ 1,277,850</u>	<u>\$ 13,061,853</u>	<u>\$ 12,903,671</u>
Liabilities and Net Assets				
Current Liabilities:				
Accrued expenses	\$ 697,911	\$ -	\$ 697,911	\$ 695,263
Accounts payable	174,371	-	174,371	77,523
Notes payable	-	-	-	126,224
Capital lease obligation	20,260	-	20,260	23,546
Deferred revenue	4,583	-	4,583	115,461
Total current liabilities	<u>897,125</u>	<u>-</u>	<u>897,125</u>	<u>1,038,017</u>
Noncurrent Liabilities:				
Capital lease obligation	-	-	-	18,615
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,615</u>
Total liabilities	<u>897,125</u>	<u>-</u>	<u>897,125</u>	<u>1,056,632</u>
Net Assets:				
Investment in capital assets, net of related debt	2,798,310	1,006,958	3,805,268	3,833,338
Unrestricted	<u>8,088,568</u>	<u>270,892</u>	<u>8,359,460</u>	<u>8,013,701</u>
Total net assets	<u>10,886,878</u>	<u>1,277,850</u>	<u>12,164,728</u>	<u>11,847,039</u>
Total liabilities and net assets	<u>\$ 11,784,003</u>	<u>\$ 1,277,850</u>	<u>\$ 13,061,853</u>	<u>\$ 12,903,671</u>

See accompanying notes to financial statements.

Atlantis Charter School
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ending June 30, 2013
With summarized comparative totals for the year ended June 30, 2012

	<i>Atlantis Charter School</i>	<i>Atlantis Educational Foundation, Inc.</i>	<i>Totals June 30, 2013</i>	<i>Totals June 30, 2012</i>
		<i>Component Unit</i>	<i>(Memorandum Only - Financial Reporting Entity)</i>	<i>(Memorandum Only - Financial Reporting Entity)</i>
<i>Operating revenues:</i>				
State grants	\$ 8,219,527	\$ -	\$ 8,219,527	\$ 8,369,707
Federal grants	668,664	-	668,664	777,199
Rental income	-	226,500	226,500	202,000
Extended care program	89,973	-	89,973	77,612
Family learning center program	-	-	-	8,169
In-kind revenue	227,505	-	227,505	215,755
Food service program	249,522	-	249,522	247,694
	<u>9,455,191</u>	<u>226,500</u>	<u>9,681,691</u>	<u>9,898,136</u>
<i>Total operating revenues</i>				
<i>Operating expenses:</i>				
Salaries	6,079,180	-	6,079,180	6,050,457
Payroll taxes	283,324	-	283,324	330,104
Fringe benefits	946,575	-	946,575	919,128
Rent	404,500	-	404,500	386,500
Telephone and utilities	214,007	-	214,007	222,363
Extended care program	8,031	-	8,031	12,419
Family learning center program	5,032	-	5,032	8,741
Professional services	295,599	4,350	299,949	235,096
Insurance	34,899	2,104	37,003	31,854
Student supplies and materials	152,278	-	152,278	208,892
Office expense	230,224	-	230,224	316,858
Food service program	224,159	-	224,159	244,500
Grounds and buildings	97,269	-	97,269	125,516
Furniture and materials	6,843	-	6,843	4,228
Interest	-	4,799	4,799	11,676
Conference and meetings	128,516	-	128,516	231,686
Travel	11,832	-	11,832	23,956
Advertising	2,886	-	2,886	3,335
Grants and awards	-	14,400	14,400	-
In-kind expenses	227,505	-	227,505	215,755
Depreciation expense	95,873	44,171	140,044	144,626
Miscellaneous expense	32,792	262	33,054	14,629
	<u>9,481,324</u>	<u>70,086</u>	<u>9,551,410</u>	<u>9,742,319</u>
<i>Total operating expenses</i>				
<i>Operating income</i>	<u>(26,133)</u>	<u>156,414</u>	<u>130,281</u>	<u>155,817</u>
<i>Non-operating revenues/(expenses):</i>				
Contributions	57,799	266	58,065	65,684
Interest income	22,004	427	22,431	31,569
Medicaid reimbursement	57,597	-	57,597	44,975
Other income	85,828	26,740	112,568	91,448
Loss on insurance claim	(3,131)	-	(3,131)	-
Employee wellness	(15,155)	-	(15,155)	(13,766)
Fundraising expense	(29,950)	(15,017)	(44,967)	(50,852)
	<u>174,992</u>	<u>12,416</u>	<u>187,408</u>	<u>169,058</u>
<i>Total nonoperating revenue</i>				
Change in net assets	148,859	168,830	317,689	324,875
Net assets, beginning of the year	<u>10,738,019</u>	<u>1,109,020</u>	<u>11,847,039</u>	<u>11,522,164</u>
Net assets, end of the year	<u>\$ 10,886,878</u>	<u>\$ 1,277,850</u>	<u>\$ 12,164,728</u>	<u>\$ 11,847,039</u>

See accompanying notes to financial statements.

Atlantis Charter School
Atlantis Charter School - Statement of Cash Flows
For the Year Ended June 30, 2013
With comparative totals for the year ended June 30, 2012

	2013	2012
Cash flows from operating activities:		
Receipts from tuition	\$ 8,104,690	\$ 8,369,707
Receipts from grants	666,270	778,596
Receipts from programs	447,351	586,273
Payments to employees	(6,080,908)	(6,020,351)
Payments to suppliers and vendors	<u>(3,148,495)</u>	<u>(3,455,737)</u>
Net cash (used in)/provided by operating activities	<u>(11,092)</u>	<u>258,488</u>
Cash flows from investing activities:		
Non-operating receipts	223,228	210,568
Non-operating disbursements	(48,236)	(53,622)
Sale of short-term investments	<u>496,071</u>	<u>539,180</u>
Net cash provided by investing activities	<u>671,063</u>	<u>696,126</u>
Cash flows from capital and related financing activities:		
Payments on capital lease obligation	(21,901)	(25,354)
Purchase of capital assets	<u>(48,114)</u>	<u>(162,125)</u>
Net cash used by capital and related financing activities	<u>(70,015)</u>	<u>(187,479)</u>
Change in cash	589,956	767,135
Cash, beginning of year	<u>5,624,079</u>	<u>4,856,944</u>
Cash, end of year	<u><u>\$ 6,214,035</u></u>	<u><u>\$ 5,624,079</u></u>
Reconciliation of operating income to net cash (used in) provided by operating activities:		
Change in net assets	\$ (26,133)	\$ 17,599
<i>Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:</i>		
Depreciation	95,873	100,455
<i>Change in assets and liabilities:</i>		
Decrease in deferred asset	70,000	70,000
(Increase)/decrease in accounts receivable	(196,502)	1,397
(Increase)/decrease in prepaid expenses	(13,448)	1,888
Increase in accounts payable	96,848	77,523
Increase/(decrease) in accrued expenses	2,648	(47,417)
(Decrease)/increase in accounts payable	<u>(40,378)</u>	<u>37,043</u>
Net cash (used in)/provided by operating activities	<u><u>\$ (11,092)</u></u>	<u><u>\$ 258,488</u></u>

See accompanying notes to financial statements.

Atlantis Charter School
Atlantis Educational Foundation, Inc. - Statement of Cash Flows
For the Year Ended June 30, 2013
With comparative totals for the year ended June 30, 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 168,830	\$ 150,330
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	44,171	44,171
<i>Changes in assets and liabilities:</i>		
Increase in prepaid expense	(1,000)	-
Increase in accounts receivable	(17,000)	-
Decrease in deferred revenue	<u>(70,500)</u>	<u>(70,000)</u>
Net cash provided by operating activities	<u>124,501</u>	<u>124,501</u>
Cash Flows From Investing Activities	<u>-</u>	<u>-</u>
Cash Flows From Financing Activities		
Payments of loan	<u>(126,224)</u>	<u>(143,354)</u>
Net cash used by financing activities	<u>(126,224)</u>	<u>(143,354)</u>
Change in cash	(1,723)	(18,853)
Cash, beginning of year	<u>254,615</u>	<u>273,468</u>
Cash, end of year	<u>\$ 252,892</u>	<u>\$ 254,615</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 4,799</u>	<u>\$ 11,201</u>

See accompanying notes to financial statements.

Atlantis Charter School
Notes to Financial Statements
June 30, 2013

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, Inc. (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, 2013 and 2012, the Foundation charged the School \$204,000 and \$132,000, respectively, for rent (See Note 7). At June 30, 2013 and 2012, the School had a payable of \$17,000 representing June rent due to the Foundation.

Atlantis Charter School
Notes to Financial Statements- *Continued*
June 30, 2013

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, 2013

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, 2013 and 2012, the School held \$1,478,495 and \$965,650, respectively of 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) *Grants and 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, 2013 and 2012, no allowance for doubtful accounts has been recorded, as management considers all grants and 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, Federal grants 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, 2013 and 2012 the deferred asset balance was \$0 and \$70,000, respectively.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

2. Summary of Significant Accounting Policies – Continued

l) *Deferred Revenue*

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

m) *Compensated Absences*

Employees of the School are entitled to paid vacations and paid holidays, depending on the job classification, length of service, and other factors. The School accrues for these compensated absences.

n) *Fair Value Measurements*

Fair value measurements are reported using a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

o) *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, 2012, from which the summarized information was derived.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

2. Summary of Significant Accounting Policies – Continued

p) *Memorandum Only – Financial Reporting Entity*

The financial statements include *Memorandum Only* totals for the year ended June 30, 2013 and 2012. 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 several 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 institutions minimizes such risk. Included within the cash balance at June 30, 2013 and 2012 was \$1,418,688 and \$1,415,947, respectively, which is maintained at a financial institution that is fully covered by the Depositors Insurance Fund (DIF).

The following represents a summary of deposits as of June 30, 2013 and 2012:

	<i>2013</i>	<i>2012</i>
Fully insured deposits	\$ 2,816,083	\$ 5,401,613
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>3,620,823</u>	<u>257,441</u>
Total	<u>\$ 6,436,906</u>	<u>\$ 4,886,067</u>

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 use the land to expand the School's facilities.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

4. Capital Assets - Continued

Changes in capital assets during fiscal year 2013 and 2012 are as follows:

2013	<i>Balance</i>			<i>Balance</i>
<i>Capital assets</i>	<i>June 30, 2012</i>	<i>Additions</i>	<i>Deletions</i>	<i>June 30, 2013</i>
Land	\$ 2,620,169	\$ -	\$ -	\$ 2,620,169
Leasehold improvements	1,130,801	-	-	1,130,801
Furniture and equipment	930,888	2,600	-	933,488
Computer equipment	<u>811,291</u>	<u>45,514</u>	<u>-</u>	<u>856,805</u>
Total capital assets	<u>5,493,149</u>	<u>48,114</u>	<u>-</u>	<u>5,541,263</u>
<i>Less accumulated depreciation</i>				
Leasehold improvements	1,115,338	15,463	-	1,130,801
Furniture and equipment	783,425	48,124	-	831,549
Computer equipment	<u>728,057</u>	<u>32,286</u>	<u>-</u>	<u>760,343</u>
Total accumulated depreciation	<u>2,626,820</u>	<u>95,873</u>	<u>-</u>	<u>2,722,693</u>
Capital assets, net	<u>\$ 2,866,329</u>	<u>\$ (47,759)</u>	<u>\$ -</u>	<u>\$ 2,818,570</u>
2012	<i>Balance</i>			<i>Balance</i>
<i>Capital assets</i>	<i>June 30, 2011</i>	<i>Additions</i>	<i>Deletions</i>	<i>June 30, 2012</i>
Land	\$ 2,620,169	\$ -	\$ -	\$ 2,620,169
Leasehold improvements	1,130,801	-	-	1,130,801
Furniture and equipment	826,988	103,900	-	930,888
Computer equipment	<u>753,066</u>	<u>58,225</u>	<u>-</u>	<u>811,291</u>
Total capital assets	<u>5,331,024</u>	<u>162,125</u>	<u>-</u>	<u>5,493,149</u>
<i>Less accumulated depreciation</i>				
Leasehold improvements	1,089,949	25,389	-	1,115,338
Furniture and equipment	739,309	44,116	-	783,425
Computer equipment	<u>697,107</u>	<u>30,950</u>	<u>-</u>	<u>728,057</u>
Total accumulated depreciation	<u>2,526,365</u>	<u>100,455</u>	<u>-</u>	<u>2,626,820</u>
Capital assets, net	<u>\$ 2,804,659</u>	<u>\$ 61,670</u>	<u>\$ -</u>	<u>\$ 2,866,329</u>

As of June 30, 2013 and 2012 the School incurred \$84,265 for costs to prepare the land for construction of a new facility for the School. The costs have been recorded as deferred expenses and will be depreciated when the land is developed and utilized by the School.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

5. Investments

The School holds short term investments in certificates of deposits, which are not cash equivalents, with various financial institutions located in Massachusetts. The certificates of deposit may exceed the FDIC insured limit per financial institution, however management acknowledges the possible risk of this arrangement and determined the size and longevity of the depository institute minimizes such risk.

The investments are recorded at fair value at June 30, 2013 and 2012 are as follows:

<i>2013</i>	Investment Maturities (in Years)		
	<i>Fair Value</i>	<i>Less than 1</i>	<i>1-5</i>
Certificates of Deposit	\$ 2,316,263	\$ 2,316,263	\$ -
Total	<u>\$ 2,316,263</u>	<u>\$ 2,316,263</u>	<u>\$ -</u>
<i>2012</i>	Investment Maturities (in Years)		
	<i>Fair Value</i>	<i>Less than 1</i>	<i>1-5</i>
Certificates of Deposit	\$ 2,812,334	\$ 2,812,334	\$ -
Total	<u>\$ 2,812,334</u>	<u>\$ 2,812,334</u>	<u>\$ -</u>

The certificates of deposit are considered a level 2 investment, because they are subject to ongoing market fluctuations. The certificates of deposit have been valued using the income approach. The income approach to fair value measurement estimates the fair value by calculating the present value of future cash flows that the asset is expected to generate over its lifetime. The cash flows are discounted to the measurement date at the rate of return that is required to compensate for the risk associated with the receipt of the future cash flows.

Interest earned on investments as of June 30, 2013 and 2012 was \$12,995 and \$21,396, respectively.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2013 and 2012 are as follows:

	<i>2013</i>	<i>2012</i>
Payables to vendors	\$ 181,091	\$ 77,912
Accrued salaries and benefits	<u>691,191</u>	<u>694,874</u>
Total	<u>\$ 872,282</u>	<u>\$ 772,786</u>

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

7. Lease Commitment

Operating Lease

During fiscal year 2013 the School renewed its building lease with the John Boyd Center (the Center) for an additional two-year term that expires on July 31, 2014. Rental payments made to the Center totaled \$184,500 for each of the years ended June 30, 2013 and 2012, respectively. The lease is payable in monthly installments of \$15,375 for the life of the lease.

The School also leases a building from the Foundation. The initial lease was for a ten year period commencing on July 1, 2003 and was payable in monthly installments of \$7,500 over the first 5 years and \$11,000 per month thereafter. The lease agreement also included a one-time payment of \$700,000. This payment was recorded as a deferred asset and was amortized over the life of the lease beginning when the School occupied the building, which was during fiscal year 2004. During fiscal year 2013, the School extended the lease through March 2014 at a rate of \$17,000 per month. The lease expense for the years ended June 30, 2013 and 2012 was \$220,000 and \$202,000, inclusive of the amortized portion of the deferred asset.

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

<i>Fiscal Year</i>	<i>Amount</i>
2014	\$ 337,500
2015	<u>15,375</u>
Total	<u>\$ 352,875</u>

The School entered into a sub-lease agreement during fiscal year 2009 to sub-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 both fiscal years ending June 30, 2013 and 2012 was \$18,000. The expected rental income for the subsequent years is as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2014	<u>\$ 4,500</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>Fiscal Year</i>	<i>Amount</i>
2014	<u>\$ 22,156</u>
Total minimum lease payments	22,156
Less amount representing interest	<u>(1,896)</u>
Present value of minimum lease payments	<u>\$ 20,260</u>

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

7. Lease Commitment – Continued

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>Amount</i>
Copy equipment	\$ 96,965
Less accumulated depreciation	<u>(70,300)</u>
Total	<u>\$ 26,665</u>

8. Retirement Plan

Massachusetts Teachers Retirement System

The Commonwealth of Massachusetts provides for retirement benefits to the School's eligible teachers through the Massachusetts Teachers' Retirement System (the MTRS), a contributory retirement system administered by the Massachusetts Teachers' Retirement Board. The MTRS is governed by Massachusetts General Laws (M.G.L.), Chapter 32, as well as regulations contained in the Code of Massachusetts Regulations (CMR). Oversight is provided by a seven member board. The MTRS issues a publicly available annual report that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

This retirement plan requires an employee contribution of five, seven, eight, or eleven percent (depending on the plan and the employment date) of the employee's compensation. The School is not assessed under this plan. This retirement system is a contributory defined benefit plan covering all the employees deemed eligible. Members of the plan become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 55 and upon attaining 20 years of service.

The plan also provides for retirement at age 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.

Accounting principles generally accepted in the United States require the School to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, \$227,505 and \$215,755 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the School are included in revenue and expenditures for the years ended June 30, 2013 and 2012, respectively.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

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 7). 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 2013 was \$220,000 of which \$150,000 represented rent payments made during the year and the remainder \$70,000 represents the portion of the deferred asset expensed in fiscal year 2013 and as of June 30, 2013 and 2012 \$17,000 and \$0 were payable to the Foundation.

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, 2013 and 2012 total deposits at this institution was \$2,607,237 and \$2,598,721, respectively.

Three members of the Board of Trustees are employed by the School. As of June 30, 2013, the School paid the employees \$144,738 in salaries. Additionally, one member of the Board of Trustees immediate family member is employed by the School. As of June 30, 2013, the School paid the family member \$58,835 in salary.

A member of the Board of Trustees is a former superintendent of the School and during fiscal year 2013 the School paid \$8,201 in benefits on behalf of the former employee.

10. Concentration - Revenue

DESE provided 94% and 93% of the funding to the School for each of the years ended June 30, 2013 and 2012, respectively, through a per pupil reimbursement and Federal grants.

11. Board Restricted Net Assets

In prior years, the Board of Trustees designated net assets for the development of a new facility for the School. In accordance with this designation the School established separate cash accounts to provide the funding for this project and the earnings thereon will also be designated.

The balance of the board designated net assets at June 30, 2013 and 2012 are as follows:

	2013	2012
Beginning balance	\$ 5,075,525	\$ 5,045,204
Interest earned	21,389	30,321
Withdrawals	<u>(35,558)</u>	<u>-</u>
Ending balance	<u>\$ 5,061,356</u>	<u>\$ 5,075,525</u>

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

12. Contingencies

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, 2013 and 2012 are as follows:

	2013	2012
Commonwealth of Massachusetts	\$ 168,539	\$ 14,402
Other	<u>43,859</u>	<u>1,494</u>
Total	<u>\$ 212,398</u>	<u>\$ 15,896</u>

14. Risk Management

The School is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health claims.

The School carries commercial insurance for general liability, property and casualty, and workers' compensation. Losses are insured to the extent the losses exceed the deductibles. There have been no significant reductions in insurance coverage during fiscal year 2013.

15. Subsequent Events

The School has evaluated subsequent events through September 25, 2013, 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.

Atlantis Charter School
Notes to Financial Statements - *Continued*
June 30, 2013

16. 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, 2013 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.

**SCHEDULE OF 20% EXCESS
CARRYOVER CALCULATION**

Atlantis Charter School
Schedule of 20% Excess Carryover Calculation
June 30, 2013

1	Cumulative surplus/(deficit) beginning of year	\$	-
2	Change in net assets		148,859
	Less:		
3	Contributions	57,799	
4	Interest income	22,004	
5	Principal payments on debt	21,901	
6	Capital expenses, less related debt/reserve funds	48,114	
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>143,425</u>	
	Sub Total		(293,243)
	Plus:		
10	Fundraising expenses	29,950	
11	Depreciation	5,851	
12	Other:		
	Employee wellness, Loss on insurance claim	<u>18,286</u>	
	Sub Total		54,087
	Total Surplus/(deficit)		(90,297) (A)
13	25% of actual tuition payment for current year	2,054,882	
14	20% of projected tuition for following year	1,753,225	
15	20% budgeted expenditures from capital projects reserve fund for the following year	<u>-</u>	
16	Allowable carryover		<u>3,808,107</u> (B)
17	Excess deficit		<u>\$ (3,898,404)</u> (A) - (B)

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, 2013

<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	305-084-2-0491-M	\$ 361,524
Title I Distribution - Carry Over	84.010	305-430-2-0491-M	40,278
Teacher Quality	84.367	140-297-2-0491 M	38,543
Special Education - Grants to States	84.027	240-137-2-0491-M	156,940
Race to the Top	84.395	201-171-2-0491-M	61,024
SPED Program Improvement	84.027	274-061-2-0491-M	5,391
SPED Early Childhood	84.173	298-021-3-0491-N	2,348
Special Education - Preschool Grants	84.175	26213	<u>2,616</u>
	Total U.S. Department of Education		<u>668,664</u>
<i>U.S. Department of Agriculture</i>			
Pass through the Massachusetts Department of Education			
		9758GF9INI09844	
National School Lunch Program	10.555	9758NF8INI09844	<u>188,461</u>
	Total U.S. Department of Agriculture		<u>188,461</u>
Total Federal Financial Assistance			<u><u>\$ 857,125</u></u>

See accompanying notes to schedule.

Atlantis Charter School
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

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, 2013. 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. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**REPORT ON COMPLIANCE AND
INTERNAL CONTROL IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS**



Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Trustees
Atlantis Charter School

*Independent Auditor's 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, in accordance with the 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 Atlantis Charter School (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated September 25, 2013. The financial statements of the component unit, the Atlantis Educational Foundation, Inc. were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not extend to the component unit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Dennis & Company LLP

September 25, 2013

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



Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Trustees
Atlantis Charter School

*Independent Auditor's Report On Compliance For Each Major Program
And On Internal Control Over Compliance Required By OMB Circular A-133*

Report on Compliance for Each Major Federal Program

We have audited Atlantis Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2013. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, Atlantis Charter School, complied, in all material respects, with the types of 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, 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 2013-01. Our opinion on the major federal program is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of questioned costs as item 2013-01.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Daniel Dennis & Company LLP

September 25, 2013

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Atlantis Charter School
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

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?** 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>
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84.010	Title I
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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, 2013

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-01 Cash Management

*Questioned
Costs*

Condition

The School requested Federal funds under the Title I cost reimbursement grant and the expenditures were not incurred prior to the request. Additionally, the funds were not expended in a timely manner thereafter.

\$0

Effect

Noncompliance with OMB Circular A-133 Compliance Supplement *Cash Management* requirements.

Cause

The School was drawing federal funds without expending the prior draw down's advances.

Criteria

OMB Circular A-133 compliance supplement requires that when entities are funded on a cost reimbursement basis, program costs must be incurred before reimbursement is requested from the Federal Government.

Recommendation

We recommend that the School implement control procedures to ensure compliance with Federal cash management requirements.

Management Response

Management is in agreement with the audit comment in relation to noncompliance with OMB Circular A-133. Management has been following the cash management procedures as set forth by the Massachusetts Department of Elementary and Secondary Education (DESE). DESE allows a district to request funds expended, including expenses that will be paid by the end of the month. Also, DESE allows a maximum cash balance on hand in the amount of 10% of one month's allocation.

In fiscal year 2014, the School will only request reimbursement for funds spent as of the date of the request for reimbursement.

Atlantis Charter School
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – *Continued*

2013-01 Cash Management

Timing and Responsibility

The Business Manager will implement the School' corrective action in fiscal year 2014.

SCHEDULE OF PRIOR YEAR FINDINGS

Atlantis Charter School
Schedule of Prior Year Findings
For the Year Ended June 30, 2013

IV. STATUS OF PRIOR YEAR FINDINGS

Condition

The School requested Federal funds under the Title I cost reimbursement grant and the expenditures were not incurred prior to the request. Additionally, the funds were not expended in a timely manner thereafter.

Status

The finding was not resolved see finding 2013-01.


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 opinion made by Daniel Dennis & Company, LLP as embodied in the financial statements and independent auditor's reports for the year ended June 30, 2013.

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 Charter School Audit Guide* for the period ended June 30, 2013.


Board President or Treasurer
or Other Designated Person

Date 9/25/13