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**CODMAN ACADEMY**  
Charter Public School  
and Affiliate

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**  
**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**

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JUNE 30, 2010 AND 2009**

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UNQUALIFIED OPINION ON COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS - GOVERNMENTAL ENTITY

Independent Auditor's Report

To the Boards of Trustees of Codman Academy Charter Public School and Affiliate:

We have audited the accompanying general purpose combined financial statements of Codman Academy Charter Public School (a Massachusetts charter school) (the School) and Codman Academy Foundation, Inc. (a Massachusetts corporation, not for profit) (the Foundation) (collectively, the Agency) as of June 30, 2010 and 2009, as listed on the accompanying contents page. These combined general purpose financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these combined general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and those standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined general purpose financial statements referred to above present fairly, in all material respects, the financial position of Codman Academy Charter Public School and Codman Academy Foundation, Inc. as of June 30, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 6 are not a required part of the combined general purpose financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Alexander, Aronson, Finning & Co., PC

Wellesley, Massachusetts
August 25, 2010

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2010 AND 2009 AUDITS**

This discussion and analysis of Codman Academy Charter Public School and Affiliate's (collectively, the Agency) financial performance provides an overview of the Agency's financial activities for the years ended June 30, 2010 and 2009. Please read this in conjunction with the general purpose combined financial statements of the Agency, which begin on page 7.

***The School***

Codman Academy Charter Public School (the School) was granted its charter in February, 2001, to operate as a public school in the Commonwealth of Massachusetts. The initial charter was awarded for the five-year period through June, 2006, and was renewed by the Commonwealth of Massachusetts Board of Education through June, 2011. The School has completed its ninth year of operations, enrolling 120 students in grades 9 through 12 for the year ended June 30, 2010. The School's new charter cap is 150 and plans to enroll 140 students in fiscal year 2011.

***The Foundation***

Codman Academy Foundation, Inc. (the Foundation) was formed in October, 2001, for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Foundation promotes the financial well-being of the School. The Foundation and the School have common management and the Executive Director of the School appoints the Board of Directors of the Foundation. Accordingly, the general purpose combined financial statements of the School and the Foundation are reported on a combined basis, using the blended method in accordance with Government Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments" (GASB No. 34).

***Using this Annual Report***

This annual report consists of a series of financial statements. In accordance with 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. In accordance with GASB No. 34, the School issues a Combined Statements of Net Assets, a Combined Statements of Revenues, Expenses and Changes in Net Assets and a Combined Statements of Cash Flows. These combined statements provide information about the financial activities of the Agency as a whole.

***Financial Highlights***

**Income**

The Agency had total revenues of approximately \$2,654,000 and \$2,648,000 for the years ended June 30, 2010 and 2009, respectively. Tuition accounted for 63% and 62% of revenue, government grants were 12% and 9%, and in-kind donations were 5% and 10% of income for 2010 and 2009, respectively. Private grants constituted 17% of income for 2010 and 2009. Program fees, school lunch reimbursement, and interest on financial instruments were the other sources of income constituting 3% in fiscal year 2010 and 2% in fiscal year 2009.

Government grants increased by approximately \$89,000 or 36% over 2009. This is mainly due to the American Recovery and Reinvestment Act grants issued for the first time. This program represented funds of \$58,000 not received in fiscal year 2009, nor budgeted for fiscal year 2010. In addition, there were larger efforts related to the pursuit of grants which resulted in additional funds (Technology Driven Decisions for \$35,000 and other minor grants).

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR 2010 AND 2009 AUDITS**  
(Continued)

*Financial Highlights (Continued)*

Income (Continued)

Private support decreased slightly by \$12,645 or 3% in 2010 from 2009, but was \$105,345 or 30% above budgeted amounts.

Student fees and miscellaneous presented an increase of \$22,000 or 105% from 2009, which is attributable to the new tutoring program shared with other charter schools.

Tuition revenue presented a slight increase of \$8,160, less than 1%.

In-kind services of legal services related to the Campus Project were \$103,488 and \$240,580 and in-kind space was approximately \$21,000 for 2010 and 2009, respectively. The Campus Project is currently on hold awaiting funding.

School lunch revenue was \$35,249 and \$20,417 in 2010 and 2009, respectively. This \$14,832 or 73% increase over 2009 is due to a new swipe card program allowing greater meal count accuracy leading to increased reimbursements.

Interest income presented a decrease of \$9,340 or 58% over 2009, and is in line with the reduced interest rates available in the market.

Expenses

Total personnel costs and related costs were \$1,731,056 in 2010 and \$1,641,173 in 2009, an increase of \$89,883 or 5% in 2010 over 2009. This increase was mainly driven by a 2% salary increase and the status of the student's administrative coordinator changing to full-time, originally only part-time.

The personnel costs unfavorable variance to budget of \$258,233 is mainly driven by unbudgeted salary for the tutoring staff of \$111,361, increased costs in professional development of \$35,875, a 2% retroactive salary increase for all personnel and the increased costs for the Administrative Coordinator.

Student costs accounted for \$361,233 in 2010 and \$421,459 in 2009, or a decrease of \$60,226 or 14% from 2009. Variances in the internal composition of student costs worth mentioning are:

- Instructional equipment and miscellaneous supplies increased \$17,746 over 2009 mainly due to additional grant funding allowing for the purchase of classroom supplies.
- Classroom technology expenses also increased due to grant funding.
- Instructional consultants and Saturday program expenses decreased \$15,679, in line with the increase in staff that could take on the duties previously outsourced.
- Special education expenses decreased \$70,065, no longer required to provide residential housing.
- School lunch expense increased \$4,576 from 2009 or 11%, in line with an increase in meals served, specifically breakfast and snacks, thanks to increased attention to menu items availability and variety. This increase in expenses was also reflected in an increase in state reimbursement revenue as described previously.

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**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR 2010 AND 2009 AUDITS**  
(Continued)

*Financial Highlights (Continued)*

Expenses (Continued)

Student costs were \$101,095 or 35% over budget. Variances in the internal composition of student costs worth mentioning are:

- Graduation and alumni support was \$30,731 unfavorable to budget due to unexpected support needs and increased additional private support.
- *Instructional equipment and miscellaneous supplies* were unfavorable by \$11,362 driven by additional grant funding.
- Athletic program expenses were unfavorable to budget by \$3,560 or 10% due to the need to outsource programs. Athletic program expenses were lower by \$14,796 or 27% as compared to 2009, due to budget cuts made based on the state of the economy.
- Computer repair and maintenance was unfavorable to budget by \$23,189 or 169%, driven by additional grant funding.
- School lunch expense increased \$13,842 or 42% in line with an increase in meals served, specifically breakfast and snacks, thanks to increased attention to menu items availability and variety. This also resulted in a favorability to budget in school lunch revenue.
- Student transportation exceeded budget by \$14,819 or 41% due to an increase in student body and school activities.
- Special education expenses decreased \$10,422, no longer providing residential placement.

Administrative costs increased \$15,403 or 8% from 2009, mainly due to an increase of \$27,159 in IT consultants related to the award of the 164 Technology grant, which is partially offset by a \$15,158 reduction in Development expenses due to the hiring of staff.

Administrative costs were unfavorable to budget by \$60,411 or 40% mainly due to an increase of \$64,455 in IT consultants related to the award of the 164 Technology grant, which is slightly offset by a \$10,672 reduction in Development expenses due to the hiring of staff.

Occupancy costs remained relatively the same as 2009 and were favorable to budget by \$8,884 due to a savings in utility costs.

Depreciation and amortization expense in 2010 was \$5,795 or 7% lower than in 2009.

Assets

Total assets were \$1,923,715 as of June 30, 2010, and \$1,916,150 as of June 30 2009, a \$7,565 decrease. This decrease was mainly driven by a decrease in cash of \$65,903, which is mainly offset by an increase of \$62,625 in capital assets.

During fiscal year 2010, the School invested \$97,638 in technology, and \$12,903 in equipment and school furniture. The Campus Project increased by \$33,274.

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**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2010 AND 2009 AUDITS  
(Continued)**

*Financial Highlights (Continued)*

Liabilities

Liabilities were \$170,680 on June 30, 2010, and \$184,151 on June 30, 2009, a decrease of \$13,471. The decrease is mainly attributable to payment of June rent of \$19,000, and timing of other payments.

Net assets

Net assets at June 30, 2010 and 2009, were approximately \$1,753,000 and \$1,732,000, respectively. Of these net assets, approximately \$789,000 and \$769,000 were the Agency's investment in capital assets and approximately \$54,000 and \$62,000 were for restricted purposes at June 30, 2010 and 2009, respectively.

Financial Statements

The combined statements of net assets and the combined statements of revenues, expenses and changes in net assets include all assets, liabilities, revenue and expenses of the Agency. These activities are recorded using the accrual basis of accounting, under which all revenue and expenses are recognized when earned or incurred regardless of when the cash is received or paid. Additionally, these combined statements report the Agency's net assets. The Agency's net assets, the difference between assets and liabilities, represents one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net assets are one indicator of whether the Agency's financial health is improving or declining. You should consider other non-financial factors when considering the overall health of the Agency.

The combined statements of revenues, expenses and changes in net assets include operating and general activities. The operating activities include all financial activities associated with the Agency and its related programs. The restricted program fund represents the amounts received with donor restrictions.

Other Financial Factors

During fiscal year 2010, School leases its building space from Codman Square Health Center, a related party whose Executive Director serves as President of the School's Board of Trustees. Rent expense was \$69,581 for the year ended June 30, 2010. The lease is renewed annually.

The School utilized a 2,500 square foot space that was donated by Citizens Bank at 569 Washington Street, Dorchester, Massachusetts. This space was valued at \$20,833.

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR 2010 AND 2009 AUDITS**  
(Continued)

*Contacting the School's Financial Management*

This financial report is designed to provide the reader with a general overview of the Codman Academy Charter Public School and Affiliate's finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the Business Manager.

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**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**

**COMBINED STATEMENTS OF NET ASSETS  
JUNE 30, 2010 AND 2009**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 579,541	\$ 645,444
Certificates of deposit	439,238	433,833
Grants receivable	41,906	43,323
Prepaid expenses and other	31,613	24,758
Total current assets	1,092,298	1,147,358
<b>CAPITAL ASSETS, net</b>	831,417	768,792
Total assets	\$ 1,923,715	\$ 1,916,150
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>CURRENT LIABILITIES:</b>		
Current portion of capital lease obligation	\$ 21,002	\$ -
Accounts payable	32,258	88,449
Accrued expenses	96,417	95,702
Total current liabilities	149,677	184,151
<b>CAPITAL LEASE OBLIGATION, net of current portion</b>	21,003	-
Total liabilities	170,680	184,151
<b>NET ASSETS:</b>		
Unrestricted -		
Operating	909,623	901,107
Invested in capital	789,412	768,792
Total unrestricted	1,699,035	1,669,899
Restricted Program	54,000	62,100
Total net assets	1,753,035	1,731,999
Total liabilities and net assets	\$ 1,923,715	\$ 1,916,150

*The accompanying notes are an integral part of these combined statements.*

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>UNRESTRICTED NET ASSETS -</b>		
<b>OPERATING REVENUE:</b>		
Tuition	\$ 1,659,736	\$ 1,651,576
Grants - government	337,387	248,368
In-kind services and space	124,321	261,413
Program fees	72,401	20,853
Program specific grants and contributions - private	20,000	92,700
Total operating revenue	<u>2,213,845</u>	<u>2,274,910</u>
<b>OPERATING EXPENSES:</b>		
Personnel and related costs -		
Salaries	1,520,662	1,417,780
Payroll taxes and fringe benefits	181,611	177,967
Recruitment and staff development	28,783	45,426
Total personnel and related costs	<u>1,731,056</u>	<u>1,641,173</u>
Occupancy -		
Rent	90,414	90,414
Maintenance	8,438	11,576
Utilities	3,080	3,241
Total occupancy	<u>101,932</u>	<u>105,231</u>
Other operating costs -		
School instructional program expenses	215,391	314,752
Professional fees	173,585	319,512
Consultants and service contractors	147,802	110,231
Minor furniture and equipment	48,817	24,629
Supplies	31,190	26,244
Travel	25,417	9,725
Miscellaneous	23,131	10,049
Development	17,328	34,486
Printing and postage	16,374	5,303
Telephone	10,664	9,139
Insurance	8,628	13,623
Total other operating costs	<u>718,327</u>	<u>877,693</u>
Depreciation	<u>81,189</u>	<u>86,984</u>
Total expenses	<u>2,632,504</u>	<u>2,711,081</u>
Changes in unrestricted net assets from operations	<u>(418,659)</u>	<u>(436,171)</u>
<b>GENERAL REVENUE:</b>		
Contributions and capital grants	435,270	419,457
Interest and other	12,525	22,202
Total general revenue	<u>447,795</u>	<u>441,659</u>
Changes in unrestricted net assets	<u>29,136</u>	<u>5,488</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Transfers between funds	54,000	123,911
Grants released from restrictions	<u>(62,100)</u>	<u>(192,895)</u>
Changes in temporarily restricted net assets	<u>(8,100)</u>	<u>(68,984)</u>
Changes in net assets	21,036	(63,496)
<b>NET ASSETS, beginning of year</b>	<u>1,731,999</u>	<u>1,795,495</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,753,035</u>	<u>\$ 1,731,999</u>

*The accompanying notes are an integral part of these combined statements.*

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts for tuition	\$ 1,659,736	\$ 1,651,576
Receipts from government grants	342,215	235,679
Receipts from other sources	494,685	555,017
Employee compensation and related	(1,719,468)	(1,639,661)
Payments for supplies and services	<u>(769,857)</u>	<u>(751,362)</u>
Net cash provided by operating activities	<u>7,311</u>	<u>51,249</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of certificates of deposit	(222,912)	(323,017)
Proceeds from maturity of certificates of deposit	217,507	226,943
Acquisition of capital assets	<u>(80,807)</u>	<u>(208,849)</u>
Net cash used in investing activities	<u>(86,212)</u>	<u>(304,923)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on capital lease obligation	(21,002)	-
Capital grants	<u>34,000</u>	<u>31,211</u>
Net cash provided by financing activities	<u>12,998</u>	<u>31,211</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(65,903)</b>	<b>(222,463)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b><u>645,444</u></b>	<b><u>867,907</u></b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 579,541</u></b>	<b><u>\$ 645,444</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 21,036	\$ (63,496)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Capital grants	(34,000)	(31,211)
Depreciation	81,189	86,984
Changes in operating assets and liabilities:		
Grants receivable	1,417	87,311
Prepaid expenses and other	(6,855)	(5,704)
Accounts payable	(56,191)	(24,834)
Accrued expenses	<u>715</u>	<u>2,199</u>
Net cash provided by operating activities	<u>\$ 7,311</u>	<u>\$ 51,249</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Disposals of fully depreciated capital assets	<u>\$ -</u>	<u>\$ 410,900</u>
Capital asset additions financed through capital lease	<u>\$ 63,007</u>	<u>\$ -</u>

*The accompanying notes are an integral part of these combined statements.*

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

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

**ORGANIZATION AND OPERATIONS**

In February, 2001, Codman Academy Charter Public School (the School) was granted a charter by the Commonwealth of Massachusetts under Chapter 71, Section 89 of the General Laws of Massachusetts through June, 2006. The School's charter is subject to renewal every five years and has been renewed through June, 2011. The School's primary purpose is to prepare students from the City of Boston in the intellectual, economic and civic life of our society by ensuring their preparation and access to further education. The School operates as a high school with grades 9 through 12.

As a state chartered organization, the School is not subject to Federal or state income taxes. Donors may deduct contributions made to the School within the requirements of the Internal Revenue Code (IRC).

Codman Academy Foundation, Inc. (the Foundation) was formed in October, 2001, to support the mission and promote the overall financial well-being of the School, including soliciting, receiving in-kind and cash donations from individuals, foundations and corporations and administering funds for operation and maintenance of the School. The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the requirements of the IRC.

The Foundation's main activities consist of raising funds to support the mission and programs of the School. The School and the Foundation have separate Boards of Trustees with one ex-officio overlapping position, Executive Director. The School Board evaluates and hires the Executive Director of the School.

**SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation - GASB Standards**

The accompanying combined general purpose financial statements were prepared on the accrual basis. Because the School is a quasi-public corporation, its accounting policies and financial statement presentation are governed by standards issued by the Governmental Accounting Standards Board (GASB). The School has adopted GASB Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*" GASB Statement No. 34 outlines financial reporting requirements for state and local governments. The School is considered a special purpose government organization that conducts only business-type activities within the meaning of GASB Statement No. 34.

Consistent with the provisions of GASB Statements Nos. 34 and 39, the Foundation is presented in these combined general purpose financial statements as a blended component unit of the School. All inter-company transactions and balances have been eliminated. The School and the Foundation are collectively referred to as the Agency.

**Basis of Accounting**

The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Accounting (Continued)

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.

Cash and Cash Equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents consists of checking, money market and savings accounts.

Certificates of Deposit

The Foundation maintains five certificates of deposit for which the initial maturities were greater than three months. These certificates of deposit mature at various times through May, 2011, and earn interest at rates ranging from 0.15% to 2.25%. Certificates of deposits are classified as a current or long-term asset based upon the maturity date.

Classification of Funds and Net Assets

Enterprise funds:

**Operating** represents the portion of expendable funds that are used to support operations, including funds for which donor-imposed restrictions have been met in accordance with funding agreements. Included in operating net assets is \$350,000 designated by the Board for *strategic reserves*.

**Invested in Capital** represents the net book value of capital assets.

**Restricted Program** include all funds received or committed for future time period or to fund specific programs or capital asset needs, which have not yet been expended. At June 30, 2010 and 2009, these funds were restricted to fund specific programs or capital asset needs.

Revenue Recognition

Tuition and grant revenue are recorded as services are provided and costs are incurred. The Commonwealth of Massachusetts Executive Office of Administration and Finance calculates per-pupil tuition reimbursement, which is paid to the School by the Massachusetts Department of Elementary and Secondary Education (DESE).

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

The Agency records unrestricted contributions when they are received or unconditionally committed. Gifts of cash and other assets are reported as restricted program funds, if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to operating and capital asset funds and are reported in the combined statements of revenues, expenses and changes in net assets as transfers between funds.

All other revenue is recorded when earned.

Capital Assets and Depreciation

Capital assets are recorded at cost, if purchased, or fair market value at the time of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are charged to expense as they are incurred. The Agency capitalizes items over \$1,000 with an estimated life of greater than one year. Depreciation is computed using the straight-line method over the following estimated useful lives:

Property held for development	N/A
Leasehold improvements	3 - 6 years
Furniture, equipment and computers	3 - 5 years

The School purchases classroom supplies, which include textbooks, literature and other materials, to carry on educational activities. These purchases are expensed in the year of acquisition.

*Property held for development* relates to cost of land, building and related development costs for a property under development for the future permanent facility for the School (see Note 11).

In-Kind Services and Space

The Foundation received donated legal services valued at \$103,488 and \$240,580 for the years ended June 30, 2010 and 2009, respectively. These services are reflected in the accompanying combined general purpose financial statements based upon the estimated value assigned to them by the donating company. Donated legal services for the years ended June 30, 2010 and 2009, were expensed and are included in professional fees. The School also receives other donated services from a variety of volunteers. No amounts have been recognized in the accompanying combined general purpose financial statements since these services do not meet the criteria for recording in accordance with accounting principles generally accepted in the United States of America.

The School has an agreement to receive donated space from a local bank. The agreement expired in June, 2010, and was subsequently renewed through June 30, 2011. The School has recorded \$20,833 of in-kind rent for this space for the years ended June 30, 2010 and 2009, which is included in in-kind services and space and rent expense in the accompanying combined statements of revenues, expenses and changes in net assets.

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**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimates

The preparation of combined general purpose financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined general purpose financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

**(2) FUNDING**

The School receives significant funding from the Commonwealth of Massachusetts for its tuition revenue. This funding is subject to audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the School as of June 30, 2010 and 2009, or on the changes in its net assets for the years then ended. Tuition and grants from the Commonwealth of Massachusetts were approximately 88% and 93% of total operating revenue for the years ended June 30, 2010 and 2009, respectively.

**(3) CAPITAL ASSETS**

Changes in capital assets are as follows:

	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30,</u> <u>2009</u>	<u>Additions</u>	<u>Balance</u> <u>June 30,</u> <u>2010</u>
Cost:						
Property held for development	\$ 512,768	\$ 86,170	\$ -	\$ 598,938	\$ 33,274	\$ 632,212
Leasehold improvements	282,757	49,945	247,703	84,999	-	84,999
Furniture, equipment and computers	<u>417,719</u>	<u>72,734</u>	<u>163,197</u>	<u>327,256</u>	<u>110,540</u>	<u>437,796</u>
Total capital assets	<u>1,213,244</u>	<u>208,849</u>	<u>410,900</u>	<u>1,011,193</u>	<u>143,814</u>	<u>1,155,007</u>
Less - accumulated depreciation:						
Leasehold improvements	259,928	12,771	247,703	24,996	14,366	39,362
Furniture, equipment and computers	<u>306,389</u>	<u>74,213</u>	<u>163,197</u>	<u>217,405</u>	<u>66,823</u>	<u>284,228</u>
Total accumulated depreciation	<u>566,317</u>	<u>86,984</u>	<u>410,900</u>	<u>242,401</u>	<u>81,189</u>	<u>323,590</u>
Capital assets, net	<u>\$ 646,927</u>	<u>\$121,865</u>	<u>\$ -</u>	<u>\$ 768,792</u>	<u>\$ 62,625</u>	<u>\$ 831,417</u>

**(4) RELATED PARTY**

The School rents its facility under a one-year operating lease agreement which expired June 30, 2010 and was subsequently renewed through June 30, 2011. This lease is subject to annual renewal. This lease is with Codman Square Health Center (the Health Center), whose Executive Director is the President of the School's Board. Total rent paid for this facility for the years ended June 30, 2010 and 2009, was \$69,581. Future minimum lease payments for fiscal year 2011 are \$70,488.

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**  
(Continued)

(5) **LEASES**

The School acquired computer equipment under a capital lease agreement which expires in May, 2012, and requires annual payments of \$21,002. This agreement is non-interest bearing. The total cost of assets under this capital lease obligation was \$63,007. There was no accumulated depreciation on these assets as of June 30, 2010, as they were not placed in service. Future minimum lease payments are as follows:

2011	\$21,002
2012	\$21,003

(6) **RETIREMENT PLANS**

The School's teaching staff and certain administrators participate individually in the Massachusetts Teacher Retirement System (MTRS). The School is not legally required to contribute to MTRS. All qualified teaching staff and administrators are covered by, and must participate in, MTRS. The teachers and the School are exempt from Federal social security taxes for these employees. Benefits vest fully after ten years of qualified employment.

An employee may receive retirement benefits after twenty years of service or ten years of service having attained the age of 55. Covered employees are required by state statute to contribute 8% to 11% of their salaries. The Commonwealth is required to make actuarially determined contributions to maintain the financial integrity of the retirement system.

The School also sponsors a retirement plan under the IRC Section 403(b) for all employees. Employees may make voluntary salary contributions into this plan within the IRC guidelines. The School does not match or make contributions to the plan.

(7) **CONCENTRATION OF CREDIT RISK**

The Agency maintains its cash and certificates of deposit balances in banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceed the insured amounts. The Agency has not experienced any losses in these accounts. The Agency believes it is not exposed to any significant credit risk on its cash and cash equivalents.

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

	<u>2010</u>	<u>2009</u>
Fully insured	\$ 769,981	\$ 993,688
Uncollateralized	<u>248,798</u>	<u>85,589</u>
	<u>\$1,018,779</u>	<u>\$1,079,277</u>

(8) **PROFESSIONAL DEVELOPMENT**

The School incurred expenses to provide professional development to staff and teachers. The total expense for the years ended June 30, 2010 and 2009, was approximately \$51,900 and \$37,000, respectively. This amount is included in recruitment and staff development in the accompanying combined statements of revenues, expenses and changes in net assets.







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

To the Boards of Trustees of Codman Academy Charter Public School and Affiliate:

We have audited the combined general purpose financial statements of Codman Academy Charter Public School and Affiliate (collectively, the Agency) as of and for the year ended June 30, 2010, and have issued our report thereon dated August 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency'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 an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 Agency's combined general purpose 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 combined general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described on page 17.

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**Compliance and Other Matters (Continued)**

MTRS Payments

In accordance with Massachusetts General Law Chapter 32, the Commonwealth of Massachusetts's Public Retirement Statute, 807 CMR, the section of the Code of Massachusetts regulations that pertains to the teacher's retirement system and Massachusetts Teachers Retirement Board's (MTRB) business practices, payroll deductions must be withheld and remitted to MTRB on a monthly basis by the 10th day of the month following the reporting. In order to gain an understanding of the School's internal controls surrounding MTRS payments, we selected twenty-five transactions for testing, covering twelve months and noted that for seven of the twelve months, the payroll deductions were not remitted to MTRB on a timely basis.

In order to be in compliance with the Department of Elementary and Secondary Education (DESE) and the Office of the Inspector General of the Commonwealth of Massachusetts, the School should ensure that all MTRS payments are submitted on a timely basis.

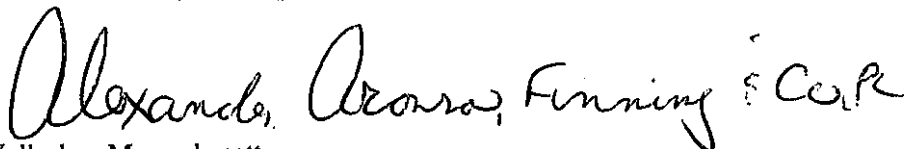
*Management Response*

In February of Fiscal 2010 it was noted by management that MTRS contributions were not being submitted on a timely basis. Management immediately took corrective action and hired a Business Manager to submit all MTRS contributions that were due. April, May and June MTRS contributions were all submitted by the 10<sup>th</sup> day of the month following the reporting. Management has established a monthly checklist which includes the submission of the MTRS report and a review of the school's operating account bank statement, confirming the MTRS funds were submitted. Management takes the responsibility of managing employee retirement contributions very seriously and is confident that the corrective actions taken will continue to ensure the school is in compliance with all state regulations.

We noted certain matters that we reported to management of the Agency in a separate letter dated August 25, 2010.

The Agency's response to the deficiency identified in our audit is described above. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wellesley, Massachusetts  
August 25, 2010