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**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**

**CONTENTS  
JUNE 30, 2011**

	<u>PAGES</u>
<b>UNQUALIFIED OPINION ON COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION – GOVERNMENTAL ENTITY.....</b>	1 - 1A
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	2 - 5
<b>COMBINED FINANCIAL STATEMENTS:</b>	
Combined Statement of Net Assets.....	6
Combined Statement of Revenues, Expenses and Changes in Net Assets.....	7
Combined Statement of Cash Flows .....	8
Notes to Combined General Purpose Financial Statements .....	9 - 15
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....</b>	16 - 17
<b>SCHEDULE OF 20% EXCESS CARRYOVER CALCULATION .....</b>	18

2011



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**UNQUALIFIED OPINION ON COMBINED GENERAL PURPOSE FINANCIAL  
 STATEMENTS AND SUPPLEMENTAL INFORMATION –  
 GOVERNMENTAL ENTITY**

**Independent Auditor's Report**

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

We have audited the accompanying combined general purpose 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 and for the year ended June 30, 2011, 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 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. Those standards require that we plan and perform our 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 audit provides 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, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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

The management discussion and analysis on pages 2 through 5 is not a required part of the basic combined general purpose financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Additionally, the accompanying *Schedule of 20% Excess Carryover Calculation* is presented for purposes of additional analysis and is not a required part of the combined general purpose financial statements. The *Schedule of 20% Excess Carryover Calculation* has not been subjected to the auditing procedures applied in the audit of the combined general purpose financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Alexander, Aronson, Furining & Co., P.C.*

Wellesley, Massachusetts  
September 26, 2011

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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 year ended June 30, 2011. Please read this in conjunction with the combined general purpose financial statements of the Agency, which begin on page 6.

*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 recently the School received their second charter renewal by the Commonwealth of Massachusetts Board of Education, extending operations through June, 2016. The School has completed its tenth year of operations, enrolling 136 students in grades 9 through 12 for the year ended June 30, 2011. The School's charter cap is 145 students and plans to enroll 145 students in fiscal year 2012.

*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 and is considered a Component Unit of the School. In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), the School is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34, the School issues a *Combined Statement of Net Assets, Combined Statement of Revenues, Expenses and Changes in Net Assets* and a *Combined Statement of Cash Flows*. These combined statements provide information about the financial activities of the School and the Foundation, as a whole. This report also contains notes to the combined general purpose financial statements which provide additional information that is essential to obtain a full understanding of the information provided in the basic combined general purpose financial statements.

*Using this Annual Report*

This annual report consists of a series of financial statements for both the School and the Foundation. 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.

*Financial Highlights*

Income

The School had total revenues of \$2,723,897 for the year ended June 30, 2011. Tuition accounted for 74% of the total revenue and represents an overall increase of 21% from fiscal year 2010. This increase is due to both an increase in enrollment and an increase in the per-pupil tuition rate. There were 136 students in fiscal year 2011 versus 125 in fiscal year 2010. The 2011 final tuition rate of \$14,774 was an increase of \$943, or 7%, from fiscal 2010. Government grants accounted for 9% of the total revenue and represent a 26% reduction from the prior year; mainly due to a one-time technology grant received in fiscal year 2010.

CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

(Continued)

*Financial Highlights (Continued)*

Income (Continued)

In-kind donations were 2% of the total revenue and have more than doubled from the prior year due to the public provided transportation services previously paid for by the Agency. Private funding constituted 13% of revenue, of which \$350,000 was directly provided by the Foundation. Student fees and school lunch reimbursement constituted 2% of the total revenue in fiscal year 2011.

The Foundation had \$280,578 of total operating revenue in fiscal year 2011 compared to \$51,475 in fiscal year 2010, an increase of \$229,103, which is mainly attributable to in-kind services and in-kind goods received in fiscal year 2011 totaling \$198,306. The Foundation also raised \$3,649,710 in fiscal year 2011 in connection with a new campus facility which is due to be completed in fiscal year 2012.

Expenses

Total personnel and related costs were \$1,837,913 in fiscal year 2011 and \$1,731,056 in fiscal year 2010, an increase of \$106,857, or 6%, in fiscal year 2011 over fiscal year 2010. This increase was mainly driven by salary increases of \$69,755, or 4%, and one additional FTE.

The personnel costs unfavorable variance to budget of \$72,588 is mainly driven by salary increases and additional professional development costs. Salary increases are mainly due to an additional student services staff position which accounts for approximately \$22,000, or 28%, of the variance. Increased costs in professional development of \$23,229, or 32%, were partially funded by a private grant from the Barr Foundation for approximately \$10,000.

Student costs accounted for \$354,102 in fiscal year 2011 and \$361,233 in fiscal year 2010, a decrease of \$7,131 from fiscal year 2010, a decrease of 2%.

Student costs were \$41,671, or 10%, over budget. Variances in the internal composition of student costs worth mentioning are:

Occupancy costs increased \$25,327, or 25%, from fiscal year 2010 due to increased costs for rent, utilities and maintenance for temporary office space needed during renovations.

Occupancy costs exceeded budget by \$8,361 due to increased costs for rent, utilities and maintenance for temporary office space needed during renovations.

Administrative costs decreased \$24,943, or 12%, from fiscal year 2010, mainly due to a reduction in accounting and technology consultants of \$53,223, which is partially offset by an increase in development costs of \$16,356 related to an unplanned 10<sup>th</sup> Anniversary event, and miscellaneous costs of \$11,257 related to moving and storage costs necessary for school renovations.

Administrative costs were unfavorable to budget by \$88,123, or 60%, mainly due to the hiring of a business manager consultant, an increase of \$47,457. Other administrative increases worth mentioning relate to the 10<sup>th</sup> Anniversary event and resulted in increased development costs of \$12,199, and moving and storage costs increased administrative costs by \$11,257.

Depreciation expense in fiscal year 2011 was \$82,374 for the School compared to \$66,864 in fiscal year 2010, an increase of 23%, which is due to the purchase of forty new laptops.

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CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011  
(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'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.

AD-CW-N-4-0001



CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE

COMBINED STATEMENT OF NET ASSETS  
JUNE 30, 2011

ASSETS	ENTERPRISE FUND SCHOOL	COMPONENT UNIT FOUNDATION		TOTAL	(Memorandum Only) TOTAL
		OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS		
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 566,626	\$ 1,505,664	\$ 1,637,872	\$ 3,143,536	\$ 3,710,162
Certificates of deposit	-	224,451	-	224,451	224,451
Grants and other receivable	54,350	-	-	-	54,350
Current portion of pledges receivable	-	-	460,500	460,500	460,500
Prepaid expenses and other	3,922	-	-	-	3,922
Total current assets	624,898	1,730,115	2,098,372	3,828,487	4,453,385
PLEDGES RECEIVABLE, net of current portion	-	-	87,500	87,500	87,500
CAPITAL ASSETS, net	111,636	663,469	-	663,469	775,105
Total assets	<u>\$ 736,534</u>	<u>\$ 2,393,584</u>	<u>\$ 2,185,872</u>	<u>\$ 4,579,456</u>	<u>\$ 5,315,990</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Current portion of capital lease obligation	\$ 28,453	\$ -	\$ -	\$ -	\$ 28,453
Accounts payable	18,759	4,375	-	4,375	23,134
Accrued expenses	106,546	-	-	-	106,546
Deferred grant revenue	14,586	-	-	-	14,586
Total current liabilities	168,344	4,375	-	4,375	172,719
CAPITAL LEASE OBLIGATION, net of current portion	11,373	-	-	-	11,373
Total liabilities	<u>179,717</u>	<u>4,375</u>	<u>-</u>	<u>4,375</u>	<u>184,092</u>
<b>NET ASSETS:</b>					
Unrestricted:					
Operating	485,007	1,725,740	-	1,725,740	2,210,747
Invested in capital	71,810	663,469	-	663,469	735,279
Total unrestricted	556,817	2,389,209	-	2,389,209	2,946,026
Restricted program	-	-	2,185,872	2,185,872	2,185,872
Total net assets	<u>556,817</u>	<u>2,389,209</u>	<u>2,185,872</u>	<u>4,575,081</u>	<u>\$ 1,131,898</u>
Total liabilities and net assets	<u>\$ 736,534</u>	<u>\$ 2,393,584</u>	<u>\$ 2,185,872</u>	<u>\$ 4,579,456</u>	<u>\$ 5,315,990</u>

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

CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	ENTERPRISE FUND SCHOOL	COMPONENT UNIT FOUNDATION		TOTAL	(Memorandum Only) TOTAL
		OPERATING AND FIXED ASSET FUNDS	RESTRICTED PROGRAM FUNDS		
<b>OPERATING REVENUE:</b>					
Tuition	\$ 2,009,317	\$ -	\$ -	\$ -	\$ 2,009,317
In-kind services, goods and space	50,833	198,306	-	198,306	249,139
Grants - government	248,983	-	-	-	248,983
Program specific grants and contributions - private	-	10,000	72,272	82,272	82,272
Program fees	56,744	-	-	-	56,744
Net assets released from purpose restrictions	-	62,000	(62,000)	-	-
Total operating revenue	<u>2,365,877</u>	<u>270,306</u>	<u>10,272</u>	<u>280,578</u>	<u>2,646,455</u>
<b>OPERATING EXPENSES:</b>					
Personnel and related costs:					
Salaries	1,590,417	-	-	-	1,590,417
Payroll taxes and fringe benefits	197,915	-	-	-	197,915
Recruitment and staff development	49,581	-	-	-	49,581
Total personnel and related costs	<u>1,837,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,837,913</u>
Occupancy:					
Rent	94,321	-	-	-	94,321
Maintenance	28,922	-	-	-	28,922
Utilities	4,016	-	-	-	4,016
Total occupancy	<u>127,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,259</u>
Other operating costs:					
School instructional program expenses	354,102	-	-	-	354,102
Grant expense	-	350,000	-	350,000	350,000
Professional fees	72,671	169,906	-	169,906	242,577
Minor furniture and equipment	62,684	28,400	-	28,400	91,084
Consultants and service contractors	88,069	-	-	-	88,069
Development	30,234	-	-	-	30,234
Miscellaneous	16,962	4,986	-	4,986	21,948
Insurance	19,018	-	-	-	19,018
Telephone	13,536	-	-	-	13,536
Supplies	10,956	-	-	-	10,956
Printing and postage	6,540	-	-	-	6,540
Total other operating costs	<u>674,772</u>	<u>553,292</u>	<u>-</u>	<u>553,292</u>	<u>1,228,064</u>
Depreciation	<u>82,374</u>	<u>14,380</u>	<u>-</u>	<u>14,380</u>	<u>96,754</u>
Total operating expenses	<u>2,722,318</u>	<u>567,672</u>	<u>-</u>	<u>567,672</u>	<u>3,289,990</u>
Changes in unrestricted net assets from operations	<u>(356,441)</u>	<u>(297,366)</u>	<u>10,272</u>	<u>(287,094)</u>	<u>(643,535)</u>
<b>GENERAL REVENUE (EXPENSE):</b>					
Contributions and capital grants	359,914	1,528,110	2,121,600	3,649,710	4,009,624
Interest and other	7,405	14,668	-	14,668	22,073
Loss on disposal of capital assets	(9,299)	-	-	-	(9,299)
Total general revenue (expense)	<u>358,020</u>	<u>1,542,778</u>	<u>2,121,600</u>	<u>3,664,378</u>	<u>4,022,398</u>
Changes in net assets	<u>1,579</u>	<u>1,245,412</u>	<u>2,131,872</u>	<u>3,377,284</u>	<u>3,378,863</u>
NET ASSETS, beginning of year	<u>555,238</u>	<u>1,143,797</u>	<u>54,000</u>	<u>1,197,797</u>	<u>1,753,035</u>
NET ASSETS, end of year	<u>\$ 556,817</u>	<u>\$ 2,389,209</u>	<u>\$ 2,185,872</u>	<u>\$ 4,575,081</u>	<u>\$ 5,131,898</u>

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

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CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>ENTERPRISE FUND SCHOOL</u>	<u>COMPONENT UNIT FOUNDATION</u>	<u>(Memorandum Only) TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts for tuition	\$ 2,009,317	\$ -	\$ 2,009,317
Receipts from government grants	265,569	-	265,569
Receipts from other sources	409,619	86,940	496,559
Employee compensation and related	(1,827,783)	-	(1,827,783)
Payments for supplies and services	<u>(737,007)</u>	<u>(350,611)</u>	<u>(1,087,618)</u>
Net cash provided by (used in) operating activities	<u>119,715</u>	<u>(263,671)</u>	<u>(143,956)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from maturity of certificates of deposit	-	214,788	214,788
Acquisition of capital assets	<u>(21,508)</u>	<u>-</u>	<u>(21,508)</u>
Net cash provided by (used in) investing activities	<u>(21,508)</u>	<u>214,788</u>	<u>193,280</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Principal payments on capital lease obligation	(30,413)	-	(30,413)
Capital grants	<u>-</u>	<u>3,111,710</u>	<u>3,111,710</u>
Net cash provided by (used in) financing activities	<u>(30,413)</u>	<u>3,111,710</u>	<u>3,081,297</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>67,794</b>	<b>3,062,827</b>	<b>3,130,621</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>498,832</u>	<u>80,709</u>	<u>579,541</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 566,626</u></u>	<u><u>\$ 3,143,536</u></u>	<u><u>\$ 3,710,162</u></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Changes in net assets	\$ 1,579	\$ 3,377,284	\$ 3,378,863
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Capital grants	-	(3,111,710)	(3,111,710)
Depreciation	82,374	14,380	96,754
Loss on disposal of capital assets	9,299	-	9,299
Changes in operating assets and liabilities:			
Grants and other receivable	(12,444)	-	(12,444)
Pledges receivable	-	(548,000)	(548,000)
Prepaid expenses and other	27,691	-	27,691
Accounts payable	(13,499)	4,375	(9,124)
Accrued expenses	10,129	-	10,129
Deferred grant revenue	<u>14,586</u>	<u>-</u>	<u>14,586</u>
Net cash provided by (used in) operating activities	<u><u>\$ 119,715</u></u>	<u><u>\$ (263,671)</u></u>	<u><u>\$ (143,956)</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Disposal of fully depreciated capital assets	<u><u>\$ 221,554</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 221,554</u></u>
Capital asset additions financed through capital lease obligation	<u><u>\$ 28,233</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,233</u></u>

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

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**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**(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, 2016. 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's 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 Statement Nos. 14 and 39, the Foundation is presented in these combined general purpose financial statements as a component unit of the School. The "Memorandum Only Total" is presented in accordance with GASB Statement No. 14. This represents the combined totals of the School and the Foundation without the elimination of inter-agency balances and transactions.

CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

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 statement of cash flows, cash and cash equivalents consists of checking, money market and savings accounts.

Certificates of Deposit

The Foundation has two certificates of deposit for which the initial maturities were greater than three months at June 30, 2011. These certificates of deposit mature in October, 2011, and earn interest at a rate of 1%.

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 are \$1,080,000 and \$350,000 designated by the Board for the Campus Project (see Note 11) and strategic reserves, respectively.

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

**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. 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).

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**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
(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 statement of revenues, expenses and changes in net assets as transfers between funds.

All other revenue is recorded when earned.

Pledges Receivable

Pledges receivable at June 30, 2011, consists of contributions committed to capital campaigns and the annual fund (see Note 3). Pledges are recorded at their net present value when unconditionally committed. No discount was deemed necessary on pledges receivable as it is immaterial to the combined general purpose financial statements as a whole.

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 expensed as they are incurred. The Agency capitalizes items over \$5,000 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
Furniture, equipment and computers	3 - 5 years
Leasehold improvements	3 - 6 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 \$169,906 for the year ended June 30, 2011. 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 year ended June 30, 2011, 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.

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CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In-Kind Services and Space (Continued)

The School has an agreement to receive donated space from a local bank through June 30, 2012. The School has recorded \$20,833 of in-kind rent for this space for the year ended June 30, 2011, which is included in in-kind services, goods and space in the accompanying combined statement of revenues, expenses and changes in net assets.

The School receives donated transportation from the City of Boston for certain students, as required by DESE. The value of these services is estimated to be \$30,000 for the year ended June 30, 2011, and is included as in-kind services, goods and space in the accompanying combined statement of revenues, expenses and changes in net assets.

In-Kind Goods

The Foundation received donated furniture and equipment with a fair market value of \$28,400, as determined by the donor. This expense is recorded in minor furniture and equipment in the combined statement of revenues, expenses and changes in net assets.

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, 2011, or on the changes in its net assets for the year then ended. Tuition and grants from the Commonwealth of Massachusetts were approximately 97% of total operating revenue for the year ended June 30, 2011. Grants receivable from the Commonwealth of Massachusetts was approximately 73% of total grants and other receivable as of June 30, 2011. Grants receivable at June 30, 2011, are expected to be collected in fiscal year 2012.

BOSTON PUBLIC SCHOOL DEPARTMENT

CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)

CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE  
JUNE 30, 2011

(3) **PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2011, were due as follows:

<u>Fiscal Year</u>	
2012	\$460,500
2013	26,500
2014	26,500
2015	24,500
2016	7,500
2017	<u>2,500</u>
	548,000
Less - current portion	<u>460,500</u>
Long-term pledges receivable, net	<u>\$ 87,500</u>

(4) **CAPITAL ASSETS**

Changes in capital assets are as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
<b>School:</b>				
Furniture, equipment and computers	\$437,796	\$ 49,741	\$221,554	\$265,983
Leasehold improvements	<u>13,100</u>	<u>-</u>	<u>-</u>	<u>13,100</u>
Total cost	450,896	49,741	221,554	279,083
Less - accumulated depreciation	<u>297,328</u>	<u>82,374</u>	<u>212,255</u>	<u>167,447</u>
School's capital net assets, net	<u>\$153,568</u>	<u>\$(32,633)</u>	<u>\$ 9,299</u>	<u>\$111,636</u>
<b>Foundation:</b>				
Property held for development	\$632,212	\$ -	\$ -	\$632,212
Leasehold improvements	<u>71,899</u>	<u>-</u>	<u>-</u>	<u>71,899</u>
Total cost	704,111	-	-	704,111
Less - accumulated depreciation	<u>26,262</u>	<u>14,380</u>	<u>-</u>	<u>40,642</u>
Foundation's capital net assets, net	<u>\$677,849</u>	<u>\$(14,380)</u>	<u>\$ -</u>	<u>\$663,469</u>

(5) **RELATED PARTY**

The School rents its facility under a one-year operating lease agreement which expires June 30, 2012. This lease is subject to annual renewal. This lease is with Codman Square Health Center (the Health Center), whose Executive Director, through June, 2011, is the President of the School's Board. Total rent paid for this facility for the year ended June 30, 2011, was \$70,488.



**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
 (Continued)

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(6) **LEASES**

The School has acquired computer equipment under capital lease agreements which expire through September, 2013, and require annual payments of \$30,413. These agreements are non-interest bearing. The total cost of assets under these capital lease obligations were \$77,882. Accumulated depreciation on these assets as of June 30, 2011, was \$24,783.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2012	\$28,453
2013	\$ 9,412
2014	\$ 1,961

(7) **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.

(8) **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, 2011:

Fully insured	\$ 840,753
Uncollateralized	<u>3,093,859</u>
	<u>\$3,934,612</u>

**CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE**  
**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
(Continued)

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(9) **PROFESSIONAL DEVELOPMENT**

The School incurred expenses to provide professional development to staff and teachers. The total expense for the year ended June 30, 2011, was approximately \$43,500. This amount is included in recruitment and staff development in the accompanying combined statement of revenues, expenses and changes in net assets.

(10) **ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses in the accompanying combined statement of net assets consist of approximately 85% of accrued salaries and benefits and approximately 15% payable to vendors at June 30, 2011.

(11) **CAMPUS PROJECT**

During fiscal year 2008, the Foundation and the Health Center began negotiations to create a joint venture to build a new facility which will be occupied by the School and the Health Center (Campus Project). This facility will be built on land that is owned by the Foundation and the Health Center. Construction began in August, 2011. As of June 30, 2011, the Foundation has \$632,212 of costs incurred in connection with the Campus Project (see Notes 1 and 4). At June 30, 2011, the Foundation has the following net assets available for the Campus Project:

Restricted program	\$2,121,600
Board designated	<u>1,080,000</u>
	<u>\$3,201,600</u>

(12) **CUMULATIVE SURPLUS REVENUE**

Effective July 1, 2010, any cumulative surplus revenue generated by the School must comply with M.G.L.c.71, Section 89 (as amended by Chapter 12 of the Acts of 2010 under Section 8 (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 state in proportion to their share of tuition paid during the fiscal year.

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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
COMBINED GENERAL PURPOSE 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, 2011, and have issued our report thereon dated September 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 combined general purpose 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 combined general purpose 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.

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

### 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 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*.

We noted certain matters that we reported to management of the Agency in a separate letter dated September 26, 2011.

This report is intended solely for the information and use of the Boards 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.

*Alexander Aronson, Finning & Co., P.C.*

Wellesley, Massachusetts  
September 26, 2011

CODMAN ACADEMY CHARTER PUBLIC SCHOOL AND AFFILIATE

SCHEDULE OF 20% EXCESS CARRYOVER CALCULATION

JUNE 30, 2011

(Unaudited)

1	Cumulative Surplus (Deficit)	\$ -	
2	Change in net assets	1,579	
	Less:		
3	Contributions	359,914	
4	Interest income	7,405	
5	Principal payments on debt	-	
6	Capital expenses, less related debt/reserve funds	21,508	
7	Current deposits to reserve funds for capital project	-	
8	Current deposits to reserve funds held as security for debt	-	
9	Other	-	
	Subtotal		\$ (387,248)
10	Plus:		
11	Fundraising expenses	-	
12	Depreciation	597	
	Other	-	
	Subtotal		<u>597</u>
	<b>Total Surplus (deficit)</b>		<b>(386,651)</b>
13	25% of actual tuition payment for current year	502,329	
14	20% of projected tuition for following year	431,410	
15	20% budgeted expenditures from capital projects reserve fund for following year	-	
16	<b>Allowable Carryover</b>		<u>(933,739)</u>
17	<b>Excess Surplus (Deficit)</b>		<u><u>\$ (1,320,390)</u></u>