Single Charter with a Discretely Presented Component Unit

REPORTING PACKAGE

*Note: Analysis needs to be performed to determine if component unit should be reported as blended or discretely presented*

ABC Charter School

General Purpose Financial Statements

And Indepenent Auditors’ Reports in

Accordance with Government Auditing Standards

June 30, 20XX

**ABC Charter School**

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**ABC Charter School**

*Independent Auditors' Report*

**Report on the Financial Statements**

We have audited the accompanying financial statements of ABC Charter School (the School) and its discretely presented component unit ABC Foundation Inc., (a nonprofit organization) (collectively, the Organization) as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the School and its discretely presented component unit the Foundation as of June 30, 2023, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of XXX Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

* Exercise professional judgment and maintain professional skepticism throughout the audit.
* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
* Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated , 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 solely 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 effectiveness of the School’s 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 School’s internal control over financial reporting and compliance.

*October XX, 20XX*

**ABC Charter School**

Management Discussion and Analysis

(Unaudited)

June 30, 20XX

The following discussion and analysis of the ABC Charter School’s (the School) financial performance provides an overview of the School’s financial activities for the fiscal year ended June 30, 20XX and summarized comparative information for 20XX. Please read it in conjunction with the School’s general purpose financial statements and the related notes to the financial statements, which begin on page X.

### **The School as a Whole**

ABC Charter School was established on January 1, 20XX after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The charter is awarded in five year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Board of Elementary and Secondary Education (ESE). The charter for the School was recently renewed for the period of July 1, 20XX through June 30, 20XX. The School currently serves 250 students in grades three and four. At capacity the School will serve 450 students.

***Using This Annual Report***

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement – Management’s Discussion and Analysis - for State and Local Governments* (GASB 34), the School is considered special purpose government entities 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 and GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the School issues a *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position* and a *Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

### **Financial Statements**

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School as a whole, as of the end of the fiscal year. The *Statement of Net Position* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the financial statements. Assets are resources with present service capacity that the School presently controls. Liabilities are present obligations to sacrifice resources that the School has little or no discretion to avoid. A deferred outflow of resources is a consumption of net position by the School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the School that is applicable to a future reporting period. Net position represents the difference between all other elements in a statement of financial position and is displayed in three

**ABC Charter School**

Management Discussion and Analysis - *Continued*

(Unaudited)

June 30, 20XX

**Financial Statements** – *continued*

components—*net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

The *net investment in capital* *assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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 position to determine if the School’s financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended 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.

The *Statement of Revenues, Expenses and Changes in Net Position* reports the financial (revenue and expenses) activities of the School and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of a charter school. Changes in total net position as presented on the *Statement of Net Position* are based on the activity presented in this statement. This statement helps to determine whether the Schools had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

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 the 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.

**ABC Charter School**

Management Discussion and Analysis - *Continued*

(Unaudited)

June 30, 20XX

**Financial Statements** – *continued*

Notes to the financial statementsprovide additional information that is essential to a full understanding of the information provided in the School’s financial statements.

### **Financial Highlights**

The following financial highlights are for the fiscal year 20XX with comparative information from fiscal year 20XX:

* The School held total assets of $XXXX and $XXXX at June 30, 20XX and 20XX, respectively, of which $XXXX and $XXXX were net capital assets, respectively and the majority of the remaining assets consisted of cash, accounts receivable and prepaid expenses.
* At June 30, 20XX and 20XX, the School held total deferred outflows of resources of $XXX and $XXX, respectively.
* The School held total liabilities of $XXXX and $XXXX at June 30, 20XX and 20XX, respectively. In fiscal year 20XX all the liabilities were current, however in fiscal year 20XX $XXXX was current and $XXXX was a non-current portion of a note payable.
* At June 30, 20XX and 20XX, the School held total deferred inflows of resources of $XXX and $XXX, respectively.

* Total net position for the School was $XXXX and $XXXX at June 30, 20XX and 20XX, respectively, of which $XXXX and $XXXX was unrestricted and $XXXX and $XXXX was for investments in capital assets, respectively.
* The School earned total revenues of $XXXX and $XXXX for the year ended June 30, 20XX and 20XX, of which XX% and XX% respectively, were operating revenues and XX% and XX%, respectively, was from non-operating revenues (private grants, contributions, etc.).
* The School had total expenses of $XXXX and $XXXX for the year ended June 30, 20XX and 20XX, respectively.
* The School earned net income of $XXXX and $XXXX for the year ending June 30, 20XX and 20XX, respectively. In fiscal year 20XX the net income was comprised of operating income of $XXXX and non operating income of $XXXX. In fiscal year 20XX net income was comprised of operating income of $XXXX and non operating income of $XXXX.

**Note:** *If the School incurred a loss for the fiscal year an explanation as to the reasons why the loss was incurred needs to be included in this section of the MD & A.*

**ABC Charter School**

Management Discussion and Analysis

June 30, 20XX

### **Budgetary Highlights**

The School’s annual budget was amended as the year progressed. The original budget included expenditures of $XXX relating to the purchase of a building. For the fiscal year ended June 30, 20XX the School incurred $XXXX in actual expenditures (inclusive of capitalized purchases) compared to budgeted expenditures of $XXXX. The major reason for the decrease between the budget to actual expenses was due to close monitoring of the expenses of the School. Actual revenue revenue for the School was $XXXX compared to budgeted revenue of $XXXXX. The major reason for the increase was additional grant funding received during the year as a result of a concerted effort by the board of trustees to obtain additional funding.

### The School budgeted tuition for fiscal years 20X2 and 20X1 based on enrollment of XX and XX for each year, respectively using the average per pupil rate from the sending districts of the previous year.

### **School's Financial Activities**

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per pupil. The School received $XXXXX in per pupil funding in fiscal year 20XX, versus $XXXXXX in per pupil funding in fiscal year 20XX. This represents XX% and XX% of the School’s revenue for the years ended June 30, 20XX and 20XX, respectively. In addition, the School received various federal, Commonwealth of Massachusetts and private grants, which totaled $XXXX and $XXXX for fiscal years 20XX and 20XX, respectively.

### **Other Financial Factors**

In June 200X, ABC Charter School entered into an operating lease agreement with the XYZ Foundation, Inc. for a term of fifty years, which includes payments ranging from $XX,XXX per month to $XX,XXX per month. In accordance with the lease terms, the School is also liable for XX percent of all common area maintenance expenses incurred at the premises.

***Current Known Facts, Decisions, and Conditions***

Subsequent to year end, the School entered into a purchase and sale agreement to acquire a building for approximately $1,500,000. The School expects to close on this transaction in December 20X3 and the Board of Trustees has voted to designate $1,500,000 of net position for the acquisition as of June 30, 20XX.

***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 financial information, contact the Business Office of the School.

**APPENDIX A**

**ABC Charter School**

Statement of Net Position

June 30, 20XX

With summarized comparative totals for June 30, 20XX

*Sample of Statement of Net Position for Single Charter:

Current Assets
Non Current Assets
Current Liabilities
Non Current Liabilities
Net Position
*

*See accompanying notes to financial statements.*

**ABC Charter School**

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 20XX

With summarized comparative totals for the year ended June 30, 20XX

Sample of Statements of Revenues, Expenses and Changes in Net Position for Single Charter:

Operating Revenue
Operating Expenses
Non-operating Revenue/(expenses)
Income for capital grants
Change in net position
Net position beginning of year
Net position, end of year


*See accompanying notes to financial statements.*

**ABC Charter School**

Statement of Cash Flows

For the Year Ended June 30, 20XX

With summarized comparative totals for the year ended June 30, 20XX

*Sample of Statement of Cash Flows for Single Charter:

Cash from operating activities
Cash flows from investing activities
Cashflows for non-capital financing activities
Cash flows from capital and financing activities
Reconciliation of operating income to net cash provided by operating activities
*

*See accompanying notes to financial statements.*

**ABC Charter School**

Notes to Financial Statements

June 30, 20XX and 20XX

***1.*** ***Nature of Organization***

The ABC Charter School (the School) was established on January 1, 20XX after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws 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 charter for the School expires on June 30, 2017. DESE provided XX% of funding to the School for the year ended June 30, 20XX through a per pupil reimbursement and Federal and Commonwealth of Massachusetts grants.

The School has two locations in XXX, Massachusetts and offers children in the towns of XXXX, XXXX and XXXX, in grades XX through XX a public supported academic education based on proven curricula and instruction practices.

The Schools’ mission is:

- To engage students in a learning environment in order to enhance interdisciplinary studies and foster critical thinking skills

- To cultivate children’s shared respect for each other, their community and the world around us

The Organization consists of the following:

Primary government

* ABC Charter School – operates as an elementary school in Boston, Massachusetts and serves 120 students in grades three and four. At capacity the School will serve 450 students.

Discretely Presented Component Unit

* The ABC Foundation, Inc. (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. The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. 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.

**ABC Charter School**

Notes to Financial Statements

June 30, 20XX and 20XX

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

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

1. *Financial Reporting Entity*

As required by generally accepted accounting principles, and in conformance with the *Government Accounting Standards Board (GASB) Statements No. 14, The Financial Reporting Entity* and *GASB Statement No. 39,* *Determining Whether Certain Organizations Are Component Units and subsequently amended by GASB No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* the School evaluated its potential component units to determine the reporting entity.

The reporting entity consists of the School and it’s discretely presented component unit. Component units are legally separate organizations for which the board is financially accountable for or other organizations whose nature and significant relationship with the School are such that exclusion would cause the School’s financial statements to be misleading or incomplete. The School is financially accountable if it appoints a majority of the Foundation’s board and (1) is able to impose its will on the Foundation, or (2) there is a potential to provide specific financial benefit or to impose a burden on the School.

The basic financial statements include a discretely presented component unit, ABC Foundation, Inc. The discretely presented component unit, although not part of the primary government, is reported in a separate column emphasize it is legally separate from the government and included in the memorandum only total of the financial statements.

During the year ended June 30, 20XX, the School entered into a lease with the Foundation to provide the facilities that the School operates in. For the fiscal year ending June 30, 20XX and 20XX, the Foundation charged the School $XXXX and $XXXX, respectively. At June 30, 20XX and 20XX, the School had a payable to the Foundation of $XXXX and $XXXX, respectively.

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 ABC Foundation, Inc. can be obtained from the Charter School’s Business Office located at Main Street, Boston, MA XXXXX.

**ABC Charter School**

Notes to Financial Statements

June 30, 20XX

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

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 presented in the basic financial statements as a discretely presented component unit of the School. The 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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* 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 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.

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from state income taxes.

1. *Cash and Cash Equivalents*

For the purpose of the *Statement of Net Position* 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, 20XX and 20XX the School held no cash equivalents.

**ABC Charter School**

Notes to Financial Statements

June 30, 20XX

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

f) *Grants and Accounts Receivable*

Grant and 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, 20XX and 20XX, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

1. *Operating Revenue and Expenses*

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

h) *Capital Assets*

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

i) *Classification of Net Position*

Unrestricted Net Position – portion of funds to support operations

Investment in Capital Assets, Net – book value of capital assets net of any related debt

Restricted – funds received or committed to specific uses or programs

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.

**ABC Charter School**

Notes to Financial Statements - *Continued*

June 30, 20XX

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

k) *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.

1. *Fair Value of Financial Instruments*

The School’s financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The School estimates that the fair value of all financial instruments at June 30, 20XX and 20XX does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

m) *Comparative Totals*

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School’s financial statements for the year ended June 30, 20XX, from which the summarized information was derived.

n) *Memorandum Only – Financial Reporting Entity*

The financial statements include *Memorandum Only* totals for the year ended June 30, 20XX and 20XX. 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.

o) *Lease Policy*

The School implemented GASB Statement No. 87, *Leases,* which enhances the relevance and consistency of information of the School’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**ABC Charter School**

Notes to Financial Statements - *Continued*

June 30, 20XX

***3****.* ***Deposits with Financial Institutions***

The School maintained its cash accounts at two financial institutions. These balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk. In addition, one of the financial institutions is a Massachusetts Chartered Savings Bank that maintains additional insurance through the Depositors Insurance Fund, a private industry sponsored insurance company. As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures* the following represents a summary of deposits as of June 30, 20XX and 20XX:

Notes to Financial Statements:
Deposits with Financial Institutions 
Fully Insured Deposits
Collateralized with securities held by the fledging institution in the School's name
Collateralized with securities held by the fledging institution's trust department in the School's name
Uncollateralized
Total


***4*.** ***Capital Assets***

Changes in capital assets during fiscal years 20XX and 20XX are as follows:

20XX

Notes to Financial Statements:
Capital Assets
Less Accumlated depreciation
Capital Assets, Net


**ABC Charter School**

Notes to Financial Statements - *Continued*

June 30, 20XX

***4*.** ***Capital Assets -*** *Continued*

20XX

Notes to Financial Statements:
Capital Assets
Less Accumlated depreciation
Capital Assets, Net

***5****.* ***Grants and Accounts Receivables***

Grants and accounts receivables at June 30, 20XX and 20XX are as follows:

Notes to Financial Statements:
Grants and Accounts Receivable
Comm of MA
Other private donors
Total

1. ***Accounts Payable and Accrued Expenses***

Accounts payable and accrued expenses at June 30, 20XX and 20XX are as follows:

Notes to Financial Statements:
Accounts Payable and Accrued Expenses
Payables to vendors
Accrued salaries and benefits
Total

**ABC Charter School**

Notes to Financial Statements - *Continued*

June 30, 20XX

**7.** ***Note Payable***

In fiscal year 20XX, the School received a $XXXXXX loan to purchase a building from XYZ Corporation. The loan is collateralized by a restricted money market account with a balance of $XXXXX at June 30, 20XX and the related property. Payments of principal and interest are due monthly and the loan accrues interest at a rate of 4.0% per annum. The balance due at June 30, 20XX and 20XX is $XXXXX and XXXXX, respectively and interest expense for the years then ended was $XXXX and XXXX, respectively.

The minimum principal payments on the long term debt at June 30, 20XX are as follows:

Notes to Financial Statements:
Note Payable
By year: Fiscal Year, Principal, Interest, Total

1. ***Lease Commitments***

The Schools lease their facilities from the Foundation under a five (5) year lease agreement that expires in June 200X. The lease requires monthly rental payments of $X,XXX, rent expense was $XX,XXX and $XXXXX for the years ended June 30, 20XX and 20XX, respectively.

As of June 30, 20XX, the School has future lease commitments as follows:

Notes to Financial Statements:
Lease Commitments
By year: Fiscal Year End, Amount

**ABC Charter School**

Notes to Financial Statements - *Continued*

June 30, 20XX

1. ***Retirement Plan***

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

The School also maintains a IRC Section 404(b) Tax Deferred Annuity Plan established in 20XX. The School did not make any contributions to the plan during fiscal years 20XX and 20XX.

The MTRS retirement plan, under GASB Statement No. 68, *Accounting and Financial for Pensions*, is required by statute to determine the net pension liability for all participants. The net pension liability for the retirement plan at the June 30, 20XX measurement date was determined by an actuarial valuation prepared as of January 1, 20XX rolled forward to June 30, 20XX. The School’s share of MTRS net pension liability is $XXXX.

1. ***On- Behalf Payments***

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the School is required to recognize its proportional share of pension revenue and expenses, as reported by MTRS, as on-behalf payments in their combining financial statements. As of June 30, 20XX, the School recognized $XXXX of on-behalf revenues and expenses.

**ABC Charter School**

Notes to Financial Statements - *Continued*

June 30, 20XX and 20XX

1. ***Management Contract***

The School has a management agreement with Management Co., Inc. to perform the teaching, accounting and business administration functions of the School. The management agreement states that the Management Company shall receive X% of federal, state and local grants and also a bonus of X% of certain incentive clauses included in the contract. For the year ended June 30, 20XX and 20XX the School paid Management Co., Inc. the following:

Notes to Financial Statements:
Management Contract
Management Fee
Support Services
Incentive fee/bonus
Supplies
Total

The amount due to Management Co., Inc. at June 30, 20XX and 20XX was $XX,XXX and $XXXX, respectively.

***12. In-kind Revenue/Expense***

*Transportation*

During fiscal years 20XX and 20XX, the School received donated transportation services from the Town of XXXX for busing the Town of XXXX students who attended the School. The fair value of these services was approximately $XXX and $XXXX for the years ended June 30, 20XX and 20XX, respectively.

*Services*

In fiscal year 20XX, the School received donated professional services to provide educational training to the teachers. The amount of these donated services could not be reasonably estimated as of June 30, 20XX. The School did not receive any services in fiscal year 20XX.

*Equipment*

In fiscal year 20XX, the School received donated computer equipment with a fair value of $XXXX which was reported as both revenue and expense in the *Statement of Revenues, Expenses and Changes in Net Position.*

**ABC Charter School**

Notes to Financial Statements - *Continued*

June 30, 20XX and 20XX

1. ***Related Party Transactions***

The Foundation is a supporting not for profit tax exempt organization and a related party of the School. The School entered into a ten year lease agreement that commenced on XXXX 1, 20XX. In accordance with the terms of the agreement, the School paid $XXXXX to the Foundation at the beginning of the lease of which $XXXXX was paid in fiscal year 20X0 and $XXXXX was paid in fiscal year 20XX. Rent expense applicable to the lease with the Foundation in fiscal year 20XX and 20XX was $XXXXX and $XXXXX, respectively.

The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 20XX and 20XX:

*Entity Description Amount*

1. ***Concentration - Revenue***

For the year ended June 30, 20XX and 20XX, DESE provided 4% and 6% of the School’s total revenue through a Federal grants and 85% and 84% through a Commonwealth grant.

1. ***Designated Unrestricted Net Position***

In 20XX the Board of Trustees voted to designate $XXXX of net position relating to the purchase of land to build a school in fiscal year 20X3.

***16. On-Behalf Fringe Benefits***

In accordance with *GASB Statement 24*, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance***,** the School is required to recognize revenue and expenditures for, on-behalf payments in their financial statements. On–behalf payments for fringe benefits and salaries are direct payments made by a paying entity to a third-party recipient for the employees of an employer entity. As of June 30, 20XX, the Massachusetts Teachers Retirement Board had made retirement payments in the amount of $XXX to former retired School employees.

***17. Subsequent Events***

The School has evaluated subsequent events through XXXXX, XX, 20XX, which is the date the financial statements were issued. There are no recognized subsequent events, events that that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

**REPORT ON COMPLIANCE**

**AND ON INTERNAL CONTROL**

*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,*

*(Sample Report Includes a Reportable Instances of Non Compliance, but No Material Weaknesses)*

To the Board of Trustees

**ABC Charter School**

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 ABC Charter School (the School), as of and for the year ended June 30, 20XX, and the related notes to the financial statements and have issued our report thereon dated October XX, 20XX. The financial statements of the component unit ABC Foundation, Inc. were not audited in accordance with *Governmental Auditing Statements* and accordingly this report does not extend to this 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 opinion 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 School’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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 20XX-1.

**School’s Response to Finding**

The School’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 School’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 School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Firm Signature***

***Date***

**SCHEDULE OF FINDINGS**

**AND RESPONSES**

ABC Charter School

Schedule of Audit Findings and Responses

For the Year Ended June 30, 20XX

**Finding No. 20XX -01**

***Condition:***

***Effect:***

***Cause:***

***Criteria:***

***Recommendation:***

***Corrective Action Plan:***

***Responsibility:***

***Timing:***

**SCHEDULE OF PRIOR AUDIT FINDINGS**

ABC Charter School

Schedule of Prior Audit Findings

For the Year Ended June 30, 20XX

**Finding No. XX - 01**

***Describe finding***

***Current status***

**Finding No. XX - 02**

***Describe finding***

***Current status***

**ACCEPTANCE LETTER**

*Print on letterhead of School*

**ACCEPTANCE OF THE BOARD OF TRUSTEES**

We, the Board of Trustees of ABC Charter School or its designated committee or individual, have voted to accept the representations of management and the expression of the opinions made by (Insert Auditors Name) as embodied in the financial statements and independent auditor's reports for the year ended June 30, 20XX (Insert both years if comparative).

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, 20XX. (Insert both years if comparative).

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Board President or Treasurer

or Other Designated Person

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date