

AMBER CHARTER SCHOOL
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
YEARS ENDED JUNE 30, 2011 AND 2010

AMBER CHARTER SCHOOL
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Amber Charter School

We have audited the accompanying statements of financial position of Amber Charter School (a nonprofit organization) (the "Organization") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Amber Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinion on the effectiveness of Amber Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amber Charter School as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, as of July 1, 2009, the Organization changed its method of accounting for uncertainty in income taxes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of Amber Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our 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.

Our audit of the 2011 financial statements was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2011, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 2011 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 2011 financial statements taken as a whole.

Citri Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2011

AMBER CHARTER SCHOOL
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,429,182	\$ 796,144
Certificate of deposit	213,319	210,997
Grants and contracts receivable	245,553	106,735
Other receivable	21,200	21,600
Prepaid expenses	5,569	-
Total current assets	1,914,823	1,135,476
Property and equipment, net	4,312,957	4,405,006
Other assets:		
Operating and capital reserves	326,282	326,282
Deposit on contract	-	32,580
Total other assets	326,282	358,862
TOTAL ASSETS	\$ 6,554,062	\$ 5,899,344

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 213,682	\$ 148,033
Accrued payroll	475,016	454,396
Per student funding payable	4,708	69,151
Current maturities of long-term debt	26,860	2,215,774
Total current liabilities	720,266	2,887,354
Long-term liabilities:		
Long-term debt, less current maturities	2,303,911	239,500
Total liabilities	3,024,177	3,126,854
Commitments and contingencies (Notes 4, 5, 6, 8, 11, and 12)		
Net assets:		
Unrestricted	3,529,885	2,772,490
TOTAL LIABILITIES AND NET ASSETS	\$ 6,554,062	\$ 5,899,344

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenue and support:		
Public school district:		
Per student funding	\$ 5,782,143	\$ 4,967,873
Grants and contracts:		
State and local	41,302	39,681
Federal	711,535	451,638
Contributions:		
Foundations	33,709	228,002
Individuals	2,500	1,390
Corporations	20,040	38,593
Interest income	5,735	11,150
Rental income	57,204	63,076
Miscellaneous income	<u>20,715</u>	<u>30,128</u>
Total revenue and support	<u>6,674,883</u>	<u>5,831,531</u>
Expenses:		
Program services:		
Education	4,902,094	4,427,496
Management and general	<u>1,015,394</u>	<u>1,044,255</u>
Total expenses	<u>5,917,488</u>	<u>5,471,751</u>
Change in net assets	757,395	359,780
Net assets - beginning	<u>2,772,490</u>	<u>2,412,710</u>
NET ASSETS - ENDING	<u>\$ 3,529,885</u>	<u>\$ 2,772,490</u>

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Supporting Services		Total
	Education	Management and General	Fundraising	
Personnel service costs:				
Administrative staff personnel	\$ -	\$ 694,174	\$ -	\$ 694,174
Instructional personnel	2,240,165	-	-	2,240,165
Non-instructional personnel	<u>339,812</u>	<u>-</u>	<u>-</u>	<u>339,812</u>
Total personnel service costs	2,579,977	694,174	-	3,274,151
Fringe benefits and payroll taxes	703,817	171,808	-	875,625
Legal service	20,000	-	-	20,000
Interest expense	137,633	5,735	-	143,368
Accounting and audit services	-	65,069	-	65,069
Other professional and consulting services	261,011	-	-	261,011
Security	8,134	-	-	8,134
Repairs and maintenance	120,855	8,276	-	129,131
Insurance	83,202	-	-	83,202
Utilities	138,209	-	-	138,209
Supplies and materials	104,648	-	-	104,648
Equipment rental	33,675	12,738	-	46,413
Staff development	120,222	-	-	120,222
Technology	28,195	-	-	28,195
Food service	149,406	8,154	-	157,560
Student services	21,709	-	-	21,709
Office expenses	20,267	11,391	-	31,658
Depreciation	264,295	10,897	-	275,192
Travel	7,534	-	-	7,534
Dues and subscriptions	8,580	357	-	8,937
Postage	11,462	-	-	11,462
Contributions	-	4,400	-	4,400
Entertainment	-	3,786	-	3,786
License and permits	2,383	-	-	2,383
Payroll processing fees	69,078	-	-	69,078
Miscellaneous	<u>7,802</u>	<u>18,609</u>	<u>-</u>	<u>26,411</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,902,094</u>	<u>\$ 1,015,394</u>	<u>\$ -</u>	<u>\$ 5,917,488</u>

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Supporting Services		Total
	Education	Management and General	Fundraising	
Personnel service costs:				
Administrative staff personnel	\$ -	\$ 620,660	\$ -	\$ 620,660
Instructional personnel	2,266,803	-	-	2,266,803
Non-instructional personnel	175,579	-	-	175,579
Total personnel service costs	2,442,382	620,660	-	3,063,042
Fringe benefits and payroll taxes	688,869	153,613	-	842,482
Legal service	20,000	-	-	20,000
Interest expense	145,223	6,051	-	151,274
Accounting and audit services	-	53,300	-	53,300
Other professional and consulting services	140,424	24,116	-	164,540
Security	12,756	-	-	12,756
Repairs and maintenance	74,588	7,468	-	82,056
Insurance	76,922	-	-	76,922
Utilities	124,338	-	-	124,338
Supplies and materials	94,172	-	-	94,172
Equipment rental	29,677	13,835	-	43,512
Staff development	69,707	-	-	69,707
Technology	35,984	-	-	35,984
Food service	144,523	4,328	-	148,851
Student services	30,522	-	-	30,522
Office expenses	19,062	7,974	-	27,036
Depreciation	181,371	7,447	-	188,818
Travel	4,752	-	-	4,752
Dues and subscriptions	6,169	257	-	6,426
Postage	10,764	-	-	10,764
Bad debt expense	-	3,000	-	3,000
License and permits	2,103	-	-	2,103
Payroll processing fees	64,765	-	-	64,765
Write off of deferred costs	-	133,995	-	133,995
Miscellaneous	8,423	8,211	-	16,634
TOTAL FUNCTIONAL EXPENSES	\$ 4,427,496	\$ 1,044,255	\$ -	\$ 5,471,751

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 757,395	\$ 359,780
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Interest on certificate of deposit	(2,322)	(5,341)
Depreciation	275,192	188,818
Write off of deferred costs	-	133,995
Noncash contributions of equipment	-	(15,043)
Bad debt expense	-	3,000
Changes in operating assets and liabilities:		
Grants and contracts receivable	(138,819)	56,443
Other receivable	400	1,600
Prepaid expenses	(5,569)	4,290
Accounts payable and accrued expenses	65,649	31,815
Accrued payroll	20,621	39,783
Deferred revenue	(64,443)	69,151
Net cash provided by operating activities	908,104	868,291
Cash flows from investing activities:		
Additions to property and equipment	(150,563)	(298,266)
Deposit on contract	-	(32,580)
Net cash used in investing activities	(150,563)	(330,846)
Cash flows from financing activities:		
Repayments of note payable	-	(65,000)
Principal repayments of long-term debt	(124,503)	(116,727)
Net cash used in financing activities	(124,503)	(181,727)
Net increase in cash	633,038	355,718
Cash and cash equivalents - beginning	796,144	440,426
CASH AND CASH EQUIVALENTS- ENDING	\$ 1,429,182	\$ 796,144
Supplemental disclosure of cash flow information:		
Interest paid	\$ 143,368	\$ 151,274
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash contribution of equipment	\$ -	\$ 15,043

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - ORGANIZATION

Pursuant to Article 56 of the New York State Education Law by the Board of Regents of the University of the state of New York, Amber Charter School ("Amber" or the "Organization") was incorporated on April 4, 2000, as a charter school valid for a term of five years. Charters are renewable every five years. Amber was successfully re-chartered in the spring of 2010 for an additional five years. Amber is a nonprofit, grade charter school located in the Upper Manhattan section of the city of New York, serving children in kindergarten through fifth grade. Founded by Community Association of Progressive Dominicans/Asociacion Comunal de Dominicanos Progresistas ("ACDP"), Amber is the first charter school in New York City created by a community-based organization, and the first to develop an English/Spanish two-way immersion program. Amber's mission is to provide comprehensive learning experiences that will enable all of its students to become fully educated, creative adults, prepared to take leadership roles in New York City and in our global society. To fulfil this mission, Amber attempts to prepare each of its students with the ability to demonstrate proficiency and/or distinction in all New York State Learning Standards. Amber's funding is primarily from per-student funding provided by New York City; additionally Amber receives government grants and contracts and private contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In the statements of activities, Amber distinguishes between contributions that increase permanently restricted net assets (subject to perpetual funding source imposed restrictions), temporarily restricted net assets (funding source-imposed restrictions have not been met) and unrestricted net assets (not subject to funding source-imposed restrictions or whose funding source-imposed restrictions have been met). As of June 30, 2011 and 2010, there were no temporarily or permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Property and Equipment

Property and equipment, when purchased, are recorded at cost. Contributions of property and equipment are recorded at their estimated fair values at the date of contribution. Depreciation of equipment is calculated using the double declining balance method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenditures that increase the value or significantly extend the lives of assets are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally promised and are reflected as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Grants are recognized as revenue when they are unconditionally awarded.

Donations-in-kind

Contributions of donated noncash assets are recorded at their fair values at the date received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Compensation expenses and certain other costs have been allocated by management between the programs and supporting services benefited.

Income Taxes

Effective July 1, 2009, in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*, the Organization applies the "more likely than not" threshold to the recognition and derecognition of tax positions for its financial statements. Using that guidance, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2011 or 2010.

The Organization files income tax returns in the U.S. federal jurisdiction and in the state of New York. The Organization is no longer subject to U.S. or New York State income tax examinations by tax authorities for years before 2008.

NOTE 3 - TAX EXEMPT STATUS

Amber qualifies as a charitable organization as defined by Internal Revenue Code Section ("IRC") 501(c)(3) and, accordingly, is exempt from Federal income taxes. Amber is also exempt from New York State and New York City income taxes. Additionally, since Amber is a Section 509(a)(1) publicly supported organization, contributions made to Amber qualify for the maximum charitable contribution deduction under the IRC.

NOTE 4 - CONCENTRATION OF CREDIT RISKS

Amber maintains cash balances with a financial institution in New York City which routinely during 2011 and 2010, were in excess of federal insurance limits. Amber has not experienced any losses in these accounts, and management does not believe Amber is exposed to any significant credit risks with respect to cash.

Revenue from The New York City Department of Education ("NYC") accounted for 88% and 85% of total revenue and support during the years ended June 30, 2011 and 2010, respectively. Federal grantor agencies accounted for 11% and 8% of total revenue and support during the years ended June 30, 2011 and 2010, respectively.

AMBER CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011 AND 2010

NOTE 4 - CONCENTRATION OF CREDIT RISKS (CONTINUED)

Additionally, federal grantor agencies accounted for 99% and 97% of total grants and contracts receivable at June 30, 2011 and 2010, respectively.

NOTE 5 - NOTE PAYABLE

Amber has a \$100,000 noncommitted credit line with a major New York City bank. Borrowings under the note bear interest at the prime rate plus 1% per annum (the prime rate was 3.25% at June 30, 2011 and 2010). Borrowings were also personally guaranteed by a member of Amber's Board of Directors; however, upon the renewal of the credit line in March 2011, the guarantee was removed. At June 30, 2011 and 2010, Amber owed \$ -0-, under the credit agreement. The credit line expires in January 2012.

NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following:

	2011	2010
First mortgage payable to Raza Development Fund, Inc., ("Raza"), dated June 22, 2004. The loan was collateralized by Amber's real estate in the city of New York and guaranteed by ACDP. It was due in monthly installments of \$19,229, including interest at 6% per annum, with a balloon payment of approximately \$2,096,900 due at maturity on June 1, 2011. Subsequently, the loan was refinanced (See Note 12).	\$ 2,091,271	\$ 2,195,224
Second mortgage payable to Local Initiatives Support Corporation ("LISC"), dated June 22, 2004. The loan was collateralized by Amber's real estate in the city of New York. This loan had been subordinated to the first mortgage from Raza described above. The loan was due in monthly installments of \$3,122 including interest at 6% per annum, with a balloon payment of approximately \$239,500 due at maturity on July 1, 2011. Subsequently, the loan was repaid upon the refinancing of the Raza loan (See Note 12).	<u>239,500</u>	<u>260,050</u>
	2,330,771	2,455,274
Less: current portion	<u>(26,860)</u>	<u>(2,215,774)</u>
Long-term debt, net of current portion	<u>\$ 2,303,911</u>	<u>\$ 239,500</u>

Maturities of long-term debt for each of the next five years in accordance with the mortgage refinancing are as follows (see Note 12):

Year ending June 30:

2012	\$	26,860
2013		36,031
2014		45,663
2015		45,238
2016		48,604

AMBER CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011 AND 2010

NOTE 6 - LONG-TERM DEBT (CONTINUED)

In conjunction with the mortgage loan agreement with Raza (the "Raza mortgage") and the refinance agreement (See Note 12), Amber is required to maintain a debt service coverage ratio of 1.15 to 1 and certain operating and replacement reserves. At June 30, 2011 and 2010, Amber was in compliance with the debt service coverage ratio.

Pursuant to the terms of the Raza mortgage, Amber was required to maintain certain reserve account balances. Based on calculations required each year, within 30 days of the lenders receipt of Amber's most recent audited financial statements, Amber was required to supplement those reserves. For the years ended June 30, 2011 and 2010, the required amounts for the reserves were \$518,206 and \$279,006, respectively. In conjunction with the refinancing (see Note 12), the reserve requirements were eliminated and the amounts previously set aside by Amber were refunded in September 2011.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 335,000	\$ 335,000
Building	3,123,388	3,123,388
Equipment, furniture and fixtures	913,985	844,884
Building improvements	1,363,217	1,256,394
Software	<u>49,522</u>	<u>42,303</u>
	5,785,112	5,601,969
Less: accumulated depreciation	<u>1,472,155</u>	<u>1,196,963</u>
Property and equipment, net	<u>\$ 4,312,957</u>	<u>\$ 4,405,006</u>

NOTE 8 - LEASES

Lease Revenue

At June 30, 2010, Amber had operating lease agreements with three tenants, expiring periodically through October 2016.

Future minimum rents receivable under these noncancelable leases are as follows:

<u>Year ending June 30:</u>	
2012	\$ 34,416
2013	35,299
2014	15,541
2015	15,852
2016	<u>10,779</u>
Total	<u>\$ 111,887</u>

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 - LEASES (CONTINUED)

Lease Expense

Amber leases office equipment pursuant to noncancelable operating leases that expire periodically through September 2013. For the years ended June 30, 2011 and 2010, total lease payments aggregated \$45,844 and \$43,021, respectively.

Future minimum lease payments under noncancelable leases are as follows:

<u>Year ending June 30:</u>	
2012	\$ 25,029
2013	13,797
2014	<u>3,449</u>
Total	\$ <u>42,275</u>

NOTE 9 - DONATED EQUIPMENT, MATERIAL AND SERVICES

Related Parties

A member of Amber's Board of Directors is a partner in a law firm that provides pro bono legal services to Amber. The value of the services provided to Amber was \$20,000 during the years ended June 30, 2011 and 2010. Such amounts are reflected in "Management and general expenses" in the accompanying financial statements.

Others

During the year ended June 30, 2010, an unrelated party donated computers to Amber which had a fair value of \$15,043 at the date of the contribution. These amounts are reflected in "Revenue and support" in the accompanying financial statements. During the year ended June 30, 2011, there were no such contributions.

NOTE 10 - RETIREMENT PLAN

Amber sponsors a defined contribution 403(b) retirement plan covering substantially all of its full-time employees. Contributions to the plan on behalf of non-union employees are at the discretion of the Board of Directors. Contributions on behalf of union employees are in accordance with the union contract, which specified a 3% match as defined in the agreement for 2011 and 2010. For the years ended June 30, 2011 and 2010, Amber contributed \$88,366 and \$84,645, respectively, to the plan.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Certain of Amber's contracts are subject to audit by the funding sources. Disallowance and adjustments, if any, resulting from such audits, will be reflected in financial statements in the year of determination.

At June 30, 2011, Amber had approximately 64 employees, of which, approximately 41 are represented by a union.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 12 - SUBSEQUENT EVENTS

In September 2011, Amber and Raza entered into an agreement to refinance the Raza mortgage. Part of the proceeds of the financing were used to pay off the second mortgage payable to LISC. The refinanced Raza mortgage, is payable in monthly installments of \$17,316, including interest at the rate of 7% per annum, which matures in November 2016, at which time a balloon payment of approximately \$2,300,000 is due. The loan is secured by Amber's real estate. The mortgage agreement also contains restrictive covenants, the most significant of which is maintaining a debt service coverage ratio of 1.15 to 1.

The Organization has evaluated all events or transactions that occurred after June 30, 2010, up through October 24, 2011, the date on which the financial statements were available to be issued. Except as mentioned in the preceding paragraph, no additional material subsequent events occurred that required recognition or additional disclosure in these financial statements.

NOTE 13 - RECLASSIFICATIONS

Certain amounts in the 2010 financial statements have been reclassified to conform to the current year's presentation. The increase in net assets previously reported for 2010 was not affected by these changes.

ADDITIONAL INFORMATION

AMBER CHARTER SCHOOL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

Federal Funding Department or Division	Program	Catalog Number	Expenditures
Food and Nutrition Services, Department of Agriculture	National School Breakfast Program	10.553	\$ 30,989
Food and Nutrition Services, Department of Agriculture	National School Lunch and Snack Program	10.555	117,730
Office of Special Education and Rehabilitation Service, Department of Education	IDEA	84.326	50,410
Office of Elementary and Secondary Education, Department of Education	Elementary and Secondary Education Act of 1965 ("ESEA") Title I Part A	84.010	178,172
Office of Elementary and Secondary Education, Department of Education	American Recovery and Reinvestment Act - ESEA Title I Part A	84.389A	70,631
Office of Elementary and Secondary Education, Department of Education	ESEA Title II Part A	84.367A	19,471
Office of Elementary and Secondary Education, Department of Education	ESEA Title IV Part A	84.186	437
Office of Elementary and Secondary Education, Department of Education	ARRA - Race to the Top	84.395A	6,995
Office of Innovation and improvement, Department of Education	Teaching American History	84.215X	<u>161,503</u>
			<u>\$ 636,338</u>

See independent auditors' report and accompanying notes
to schedule of expenditures of federal awards.

AMBER CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Amber Charter School. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the Schedules of Expenditures of Federal Awards.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports as of June 30, 2011, which have been submitted to grantor agencies, will in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared on the cash basis of accounting and the Schedule of Expenditures of Federal Awards is prepared on the basis of accounting described in the preceding note 2. Under the cash basis of accounting expenses are recorded when paid rather than when incurred. The reports agree to amounts reported in the Amber Charter School's basic financial statements after adjusting from cash to accrual basis.



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INDEPENDENT AUDITORS' 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 Board of Directors
Amber Charter School

We have audited the financial statements of Amber Charter School as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 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 Amber Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Amber Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Amber Charter School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 Amber Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, the Charter School Institute, others within the entity, 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.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Springfield, New Jersey
October 24, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Directors
Amber Charter School

Compliance

We have audited Amber Charter School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Amber Charter School's major federal programs for the year ended June 30, 2011. Amber Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Amber Charter School's management. Our responsibility is to express an opinion on Amber Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Amber Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Amber Charter School's compliance with those requirements.

As described in item 1 in Section III of the accompanying Schedule of Findings and Questioned Costs, Amber Charter School did not comply with requirements regarding "Eligibility" that are applicable to its School Breakfast Program and National School Lunch Program. Compliance with such requirements is necessary, in our opinion, for Amber Charter School to comply with the requirements applicable to that program.

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

Amber Charter School's responses to our findings are described in the accompanying schedule. We did not audit responses and, accordingly, we express no opinion on the responses.

Internal Control over Compliance

The management of Amber Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Amber Charter School's internal control over compliance, with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Amber Charter School's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Amber Charter School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and 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.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Springfield, New Jersey
October 24, 2011

AMBER CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes No

Reportable conditions identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness identified? Yes No

Reportable conditions identified not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Breakfast Program
10.555	National School Lunch and Snack Program
84.010	ESEA Title I, Part A
84.389A	ARRA - ESEA Title I, Part A
84.395A	ARRA- Race to the Top
84.215X	Teaching American History

Dollar threshold to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee Yes No

AMBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Financial statement audit - reported findings under *Government Auditing Standards*:

None

Section III - Federal awards findings and questioned costs:

1. Condition:

Our audit disclosed two instances in which the auditee was unable to provide us with the application forms used to determine the level of benefits that a student was eligible to receive under the National School Breakfast and Lunch Program.

Criteria:

Procedures should be in place to provide reasonable assurance that documentation is maintained to support the auditee's determination of the eligibility for and the level of benefits provided to students.

Cause:

The procedures in place were not adequate to ensure the maintenance of the aforementioned documentation.

Effect:

Management is unable to document the eligibility of and level of benefits provided to students.

Recommendation:

Amber should ensure that all documentation relating to a student's meeting eligibility criteria according to Federal guidelines are properly retained, either in the student's file or files established for the specific grant.

School's Response:

We believe that the eligibility for these two students were properly evaluated and the correct determinations were reached. However, during the audit we discovered that the related application forms had been misplaced.