

AMBER CHARTER SCHOOL  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 2013 AND 2012

AMBER CHARTER SCHOOL  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Amber Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Amber Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amber Charter School's internal control over financial reporting and compliance.

  
CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey  
October 23, 2013

AMBER CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,519,071	\$ 1,966,963
Certificate of deposit	215,900	214,917
Grants and contracts receivable	107,994	185,621
Prepaid expenses and other current assets	<u>29,684</u>	<u>26,844</u>
Total current assets	2,872,649	2,394,345
Property and equipment, net	4,188,309	4,261,061
Other asset:		
Deferred financing costs, net	<u>41,704</u>	<u>54,536</u>
TOTAL ASSETS	<u>\$ 7,102,662</u>	<u>\$ 6,709,942</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 277,171	\$ 221,451
Accrued payroll	587,079	546,663
Refundable advances	21,189	51,354
Current maturities of long-term debt	<u>42,238</u>	<u>39,390</u>
Total current liabilities	927,677	858,858
Long-term liabilities:		
Long-term debt, less current maturities	<u>2,341,957</u>	<u>2,384,195</u>
Total liabilities	3,269,634	3,243,053
Commitments and contingencies (Notes 3, 4, 6, 7, 10, and 11)		
Net assets:		
Unrestricted	<u>3,833,028</u>	<u>3,466,889</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,102,662</u>	<u>\$ 6,709,942</u>

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenue and support:		
Public school district:		
Per student funding	\$ 6,333,054	\$ 5,948,396
Grants and contracts:		
State and local	76,675	61,416
Federal	472,974	561,413
Contributions:		
Foundations	1,750	11,800
Individuals	3,375	46,765
Corporations	14,496	1,025
Special events revenue	45,455	-
Interest income	5,685	8,929
Rental income	48,755	51,027
Miscellaneous income	<u>20,654</u>	<u>21,023</u>
Total revenue and support	<u>7,022,873</u>	<u>6,711,794</u>
Expenses:		
Program services:		
Education	5,361,027	5,505,030
Management and general	1,241,137	1,234,150
Cost of direct benefit to donors	9,370	-
Fundraising	<u>45,200</u>	<u>35,610</u>
Total expenses	<u>6,656,734</u>	<u>6,774,790</u>
Change in net assets	366,139	(62,996)
Net assets - beginning	<u>3,466,889</u>	<u>3,529,885</u>
NET ASSETS - ENDING	<u>\$ 3,833,028</u>	<u>\$ 3,466,889</u>

See accompanying notes to financial statements.



AMBER CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Supporting Services			Total
	Education	Management and General	Direct Costs to Donors	Fundraising	
Personnel service costs:					
Administrative staff personnel	\$ -	\$ 869,954	\$ -	\$ -	\$ 869,954
Instructional personnel	2,729,803	-	-	-	2,729,803
Non-instructional personnel	294,785	-	-	-	294,785
Total personnel service costs	3,024,588	869,954	-	-	3,894,542
Fringe benefits and payroll taxes	813,049	217,489	-	-	1,030,538
Interest expense	161,667	6,736	-	-	168,403
Accounting and audit services	-	40,621	-	-	40,621
Other professional and consulting services	226,159	-	-	38,500	264,659
Security	13,012	-	-	-	13,012
Repairs and maintenance	66,357	2,765	-	-	69,122
Insurance	103,155	-	-	-	103,155
Utilities	106,077	27,869	-	-	133,946
Supplies and materials	85,044	-	-	-	85,044
Equipment rental	39,307	3,114	-	-	42,421
Staff development	142,316	-	-	-	142,316
Technology	24,984	-	-	-	24,984
Food service	127,324	12,156	-	-	139,480
Student services	37,837	-	-	-	37,837
Office expenses	36,589	28,300	-	-	64,889
Depreciation and amortization	216,201	9,008	-	-	225,209
Travel	11,740	-	-	-	11,740
Dues and subscriptions	18,446	476	-	-	18,922
Postage	8,030	-	-	-	8,030
Catering for special events	-	-	9,370	-	9,370
Contributions	-	4,466	-	-	4,466
Entertainment	-	8,155	-	-	8,155
Payroll processing fees	74,669	-	-	-	74,669
Miscellaneous	24,476	10,028	-	6,700	41,204
TOTAL FUNCTIONAL EXPENSES	\$ 5,361,027	\$ 1,241,137	\$ 9,370	\$ 45,200	\$ 6,656,734

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES AND CHANGE IN ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Supporting Services			
	Education	Management and General	Direct Costs to Donors	Fundraising	Total
Personnel service costs:					
Administrative staff personnel	\$ -	\$ 878,288	\$ -	\$ -	\$ 878,288
Instructional personnel	2,908,316	-	-	-	2,908,316
Non-instructional personnel	<u>280,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,608</u>
Total personnel service costs	3,188,924	878,288	-	-	4,067,212
Fringe benefits and payroll taxes	833,486	219,572	-	-	1,053,058
Legal service	-	1,855	-	-	1,855
Interest expense	147,426	6,143	-	-	153,569
Accounting and audit services	-	37,120	-	-	37,120
Other professional and consulting services	202,601	-	-	28,000	230,601
Security	11,957	-	-	-	11,957
Repairs and maintenance	69,684	2,904	-	-	72,588
Insurance	99,606	-	-	-	99,606
Utilities	95,763	20,641	-	-	116,404
Supplies and materials	93,491	-	-	-	93,491
Equipment rental	40,184	1,674	-	-	41,858
Staff development	140,507	-	-	-	140,507
Technology	19,520	-	-	-	19,520
Food service	139,329	14,063	-	-	153,392
Student services	38,841	-	-	-	38,841
Office expenses	24,628	17,748	-	-	42,376
Depreciation and amortization	238,899	9,954	-	-	248,853
Travel	9,634	-	-	-	9,634
Dues and subscriptions	11,456	477	-	-	11,933
Postage	11,212	-	-	-	11,212
Contributions	-	4,700	-	-	4,700
Entertainment	-	4,172	-	-	4,172
Payroll processing fees	72,285	-	-	-	72,285
Miscellaneous	<u>15,597</u>	<u>14,839</u>	<u>-</u>	<u>7,610</u>	<u>38,046</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,505,030</u>	<u>\$ 1,234,150</u>	<u>\$ -</u>	<u>\$ 35,610</u>	<u>\$ 6,774,790</u>

See accompanying notes to financial statements.



AMBER CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 366,139	\$ (62,996)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest on certificate of deposit	(983)	(1,598)
Depreciation and amortization	225,209	248,853
Interest and consulting fees paid at closing	-	20,352
Changes in operating assets and liabilities:		
Grants and contracts receivable	77,627	59,932
Prepaid expenses and other current assets	(2,840)	(75)
Accounts payable and accrued expenses	55,720	7,769
Accrued payroll	40,416	71,647
Refundable advances	<u>(30,165)</u>	<u>46,646</u>
Net cash provided by operating activities	<u>731,123</u>	<u>390,530</u>
Cash flows from investing activities:		
Maturity of certificate of deposit	215,776	-
Purchase of certificate of deposit	(215,776)	-
Additions to property and equipment	(139,625)	(187,333)
Refund of operating and capital reserves	<u>-</u>	<u>326,282</u>
Net cash provided by (used in) investing activities	<u>(139,625)</u>	<u>138,949</u>
Cash flows from financing activities:		
Principal repayments of long-term debt	(39,390)	(61,775)
Net proceeds from refinance of mortgage	<u>-</u>	<u>70,077</u>
Net cash provided by (used in) financing activities	<u>(39,390)</u>	<u>8,302</u>
Net increase in cash	552,108	537,781
Cash and cash equivalents - beginning	<u>1,966,963</u>	<u>1,429,182</u>
CASH AND CASH EQUIVALENTS- ENDING	<u>\$ 2,519,071</u>	<u>\$ 1,966,963</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 168,403</u>	<u>\$ 153,569</u>
Supplemental disclosure of non-cash financing activity:		
Refinancing of long-term debt:		
Proceeds of new borrowing	\$ -	\$ 2,450,000
Less: Repayments of debt at closing	-	(2,295,411)
Loan origination fees	-	(64,160)
Interest	-	(14,852)
Consulting fees	<u>-</u>	<u>(5,500)</u>
Cash received at closing	<u>\$ -</u>	<u>\$ 70,077</u>

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

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. On May 27, 2011, Amber received a third five-year renewal from the Board of Regents of the University of the state of New York. 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 its students with an academically rigorous and well-rounded education, along with strong character development, that will enable them to prosper in top middle schools and beyond. To fulfill 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, 2013 and 2012, 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 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, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

In connection with the refinancing of Amber's mortgages, the Organization incurred costs of \$64,160, which is being amortized over the term of the loan. At June 30, 2013 and 2012, accumulated amortization of the refinancing costs amounted to \$22,456 and \$9,624, respectively. For the years ended June 30, 2013 and 2012, amortization expense amounted to \$12,832 and \$9,624, respectively. Future amortization expense is as follows: \$12,832 (2014 through 2016) and \$3,208 (2017).

Contributions

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 and Refundable Advances

Revenue from the state and local governments resulting from the Organization's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Revenue from federal, state and local grants and contracts is recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of fees earned on student enrollment and of expenditures incurred are recognized as refundable advances.

Rental Income

Rental income is recognized as payments are due under the lease agreements.

Grant and Contract Receivable

Grant and contract receivables are stated at the amount management expects to collect. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At June 30, 2013 and 2012, management determined that no allowance was required.

Certificate of Deposit

The Organization has a certificate of deposit that is stated at cost plus accrued interest, which approximates fair value. The certificate of deposit matures monthly.

Donations-in-kind

Contributions of noncash assets are recorded at their fair values at the date received. Contributions of 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.

A number of unpaid volunteers have made or have agreed to make significant contributions of their time to the Organization. The value of such contributions is not reflected in the accompanying financial statements since these services do not require specialized skills.

AMBER CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amber qualifies as a charitable organization as defined by Internal Revenue Code ("IRC") Section 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.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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. Management has evaluated the Organization's tax positions and has concluded that the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2013 or 2012.

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 2009.

Subsequent Events

In accordance with the FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through October 23, 2013, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosures in these financial statements.

NOTE 3 - CONCENTRATION OF CREDIT RISKS

Amber maintains cash balances with a financial institution in New York City which routinely during 2013 and 2012, 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 accounted for 90% and 89% of total revenue and support during the years ended June 30, 2013 and 2012, respectively. Federal grantor agencies accounted for 7% and 8% of total revenue and support during the years ended June 30, 2013 and 2012, respectively.

Additionally, federal grantor agencies accounted for 98% and 99% of total grants and contracts receivable at June 30, 2013 and 2012.



AMBER CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

NOTE 4 - BANK LINE OF CREDIT

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, 2013 and 2012) but in no event less than 5.5%. Borrowings are secured by substantially all of Amber's assets. Borrowings were personally guaranteed by a member of Amber's Board of Trustees; however, upon the renewal of the credit line in January 2012, the guarantee was removed. At June 30, 2013 and 2012, Amber had no borrowings outstanding under the credit agreement. The credit line expires in January 2014.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 335,000	\$ 335,000
Building	3,123,388	3,123,388
Equipment, furniture and fixtures	1,045,111	963,988
Building improvements	1,558,153	1,500,547
Software	<u>50,418</u>	<u>49,522</u>
	6,112,070	5,972,445
Less: accumulated depreciation and amortization	<u>1,923,761</u>	<u>1,711,384</u>
Property and equipment, net	<u>\$ 4,188,309</u>	<u>\$ 4,261,061</u>

NOTE 6 - LONG-TERM DEBT

Amber has a mortgage payable to Raza Development Fund, Inc. dated September 29, 2011. The loan is collateralized by Amber's real estate in the city of New York. The loan is payable in monthly installments of \$17,316, including interest at 7% per annum, with a balloon payment of approximately \$2,235,000 due at maturity on October 1, 2016. At June 30, 2013 and 2012, amounts outstanding under the mortgage agreement were \$2,384,195 and \$2,423,585, respectively.

Maturities of long-term debt are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2014	\$ 42,238
2015	45,291
2016	48,565
2017	2,248,101

In conjunction with the mortgage, Amber is required to maintain a debt service coverage ratio of 1.15 to 1. Management is not aware of any violations of the covenant.

AMBER CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

NOTE 7 - OPERATING RESERVE

During the year ended June 30, 2013, Amber's board of trustees adopted an operating reserve policy to ensure the stability of Amber's mission. The policy requires Amber to establish an operating reserve fund with a minimum of \$250,000. Such funds shall be segregated from Amber's operating cash and are not to be used for normal operations. As of June 30, 2013, Amber had not yet established the operating reserve fund. However, management believes that Amber has adequate liquidity available, and that the segregation and restriction of such funds will not have an adverse effect on the operations of the school.

NOTE 8 - LEASES

Lease Revenue

At June 30, 2013, Amber had operating lease agreements with two tenants, expiring periodically through April, 2018.

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

<u>Year ending June 30:</u>	<u>Amount</u>
2014	\$ 21,023
2015	21,654
2016	22,304
2017	22,973
2018	<u>17,614</u>
Total	<u>\$ 105,568</u>

Lease Expense

Amber leases office equipment pursuant to a noncancelable operating lease that expires in August 2014. For the years ended June 30, 2013 and 2012, total lease expense aggregated \$42,061 and \$41,512, respectively.

Future minimum lease payments under noncancelable leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2014	\$ 40,180
2015	<u>6,697</u>
Total	<u>\$ 46,877</u>

NOTE 9 - 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 Trustees. Contributions on behalf of union employees are in accordance with the union contract, which specified a 3% match as defined in the agreement for 2013 and 2012. For the years ended June 30, 2013 and 2012, Amber contributed \$101,222 and \$108,376, respectively, to the plan.



AMBER CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

NOTE 10 - UNION AGREEMENT

At June 30, 2013, Amber had approximately 64 employees, of which, approximately 40 are represented by a union. The union agreement covering these employees expired on August 31, 2012. Amber is in the process of negotiating a new contract with the union.

NOTE 11 - CONTINGENCIES

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

## SUPPLEMENTARY INFORMATION

AMBER CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Funding Department or Division	Program	Catalog Number	Expenditures
Food and Nutrition Services, Department of Agriculture	National School Breakfast Program	10.553	\$ 19,899
Food and Nutrition Services, Department of Agriculture	National School Lunch and Snack Program	10.555	107,262
Office of Special Education and Rehabilitation Service, Department of Education	IDEA	84.326	38,045
Office of Elementary and Secondary Education, Department of Education	Elementary and Secondary Education Act of 1965 ("ESEA") Title I Part A	84.010A	195,697
Office of Elementary and Secondary Education, Department of Education	ESEA Title II Part A	84.367A	14,361
Office of Elementary and Secondary Education, Department of Education	ARRA - Race to the Top	84.395A	9,650
Office of Innovation and improvement, Department of Education	Teaching American History	84.215X	<u>125,886</u>
			<u>\$ 510,800</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, 2013

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, 2013, 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 Trustees of  
Amber 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 Amber Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Amber Charter 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 Amber Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Amber Charter School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Citrin Cooperman & Company, LLP*  
CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey  
October 23, 2013





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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of  
Amber Charter School

#### **Report on Compliance for Each Major Federal Program**

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, 2013. 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.

#### **Management's Responsibility**

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Amber Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Amber Charter School's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Amber Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Amber Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Amber Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Citrin Cooperman & Company, LLP*  
CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey  
October 23, 2013

AMBER CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        Yes   X   No

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

Noncompliance material to financial statements  
noted?        Yes   X   No

Federal Awards

Internal control over major federal programs:

Material weakness identified?        Yes   X   No

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

Type of auditors' report issued on compliance  
for major programs: 3 Unqualified

Any audit findings disclosed that are required to  
be reported in accordance with Circular A-133,  
Section .510(a)        Yes   X   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

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

Auditee qualified as low-risk auditee        Yes   X   No

AMBER CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013

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

None

Section III - Federal awards findings and questioned costs:

Current Year Findings

None

Prior Year Findings

None