

AMBER CHARTER SCHOOL
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
YEARS ENDED JUNE 30, 2012 AND 2011

AMBER CHARTER SCHOOL
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Amber Charter School

We have audited the accompanying statements of financial position of Amber Charter School (a nonprofit organization) as of June 30, 2012 and 2011, 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 an 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, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, 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 2012 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, 2012, 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 2012 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 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 2012 financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS

October 26, 2012

AMBER CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash | \$ 1,966,963 | \$ 1,429,182 |
| Certificate of deposit | 214,917 | 213,319 |
| Operating and capital reserves | - | 326,282 |
| Grants and contracts receivable | 185,621 | 245,553 |
| Prepaid expenses and other current assets | <u>26,844</u> | <u>26,769</u> |
| Total current assets | 2,394,345 | 2,241,105 |
| Property and equipment, net | 4,261,061 | 4,312,957 |
| Other asset: | | |
| Deferred financing costs, net | <u>54,536</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 6,709,942</u> | <u>\$ 6,554,062</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 221,451 | \$ 213,682 |
| Accrued payroll | 546,663 | 475,016 |
| Refundable advances | 51,354 | 4,708 |
| Current maturities of long-term debt | <u>39,390</u> | <u>26,860</u> |
| Total current liabilities | 858,858 | 720,266 |
| Long-term liabilities: | | |
| Long-term debt, less current maturities | <u>2,384,195</u> | <u>2,303,911</u> |
| Total liabilities | 3,243,053 | 3,024,177 |
| Commitments and contingencies (Notes 3, 4, 6, 7, 10, and 11) | | |
| Net assets: | | |
| Unrestricted | <u>3,466,889</u> | <u>3,529,885</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,709,942</u> | <u>\$ 6,554,062</u> |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---------------------------|---------------------|---------------------|
| Revenue and support: | | |
| Public school district: | | |
| Per student funding | \$ 5,948,396 | \$ 5,782,143 |
| Grants and contracts: | | |
| State and local | 61,416 | 73,961 |
| Federal | 561,413 | 711,535 |
| Contributions: | | |
| Foundations | 11,800 | 1,050 |
| Individuals | 46,765 | 2,500 |
| Corporations | 1,025 | 20,040 |
| Interest income | 8,929 | 5,735 |
| Rental income | 51,027 | 57,204 |
| Miscellaneous income | <u>21,023</u> | <u>20,715</u> |
| Total revenue and support | <u>6,711,794</u> | <u>6,674,883</u> |
| Expenses: | | |
| Program services: | | |
| Education | 5,505,030 | 4,867,091 |
| Management and general | 1,234,150 | 1,050,397 |
| Fundraising | <u>35,610</u> | <u>-</u> |
| Total expenses | <u>6,774,790</u> | <u>5,917,488</u> |
| Change in net assets | (62,996) | 757,395 |
| Net assets - beginning | <u>3,529,885</u> | <u>2,772,490</u> |
| NET ASSETS - ENDING | <u>\$ 3,466,889</u> | <u>\$ 3,529,885</u> |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

| | Program Services | Supporting Services | | |
|--|---------------------|---------------------------|------------------|---------------------|
| | Education | Management and General | 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>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>7,610</u> | <u>38,046</u> |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 5,505,030</u> | <u>\$ 1,234,150</u> | <u>\$ 35,610</u> | <u>\$ 6,774,790</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 | | |
|--|---------------------|---------------------------|-------------|---------------------|
| | Education | Management and General | Fundraising | Total |
| 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 | 111,847 | 26,362 | - | 138,209 |
| Supplies and materials | 104,648 | - | - | 104,648 |
| Equipment rental | 33,675 | 1,379 | - | 35,054 |
| Staff development | 120,222 | - | - | 120,222 |
| Technology | 28,195 | - | - | 28,195 |
| Food service | 149,406 | 8,154 | - | 157,560 |
| Student services | 33,068 | - | - | 33,068 |
| Office expenses | 20,267 | 11,391 | - | 31,658 |
| Depreciation and amortization | 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 |
| Payroll processing fees | 69,078 | - | - | 69,078 |
| Miscellaneous | <u>10,185</u> | <u>18,609</u> | <u>-</u> | <u>28,794</u> |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 4,867,091</u> | <u>\$ 1,050,397</u> | <u>\$ -</u> | <u>\$ 5,917,488</u> |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (62,996) | \$ 757,395 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Interest on certificate of deposit | (1,598) | (2,322) |
| Depreciation and amortization | 248,853 | 275,192 |
| Interest and consulting fees paid at closing | 20,352 | - |
| Changes in operating assets and liabilities: | | |
| Grants and contracts receivable | 59,932 | (138,819) |
| Prepaid expenses and other current assets | (75) | (5,169) |
| Accounts payable and accrued expenses | 7,769 | 65,649 |
| Accrued payroll | 71,647 | 20,621 |
| Refundable advances | <u>46,646</u> | <u>(64,443)</u> |
| Net cash provided by operating activities | <u>390,530</u> | <u>908,104</u> |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (187,333) | (150,563) |
| Refund of operating and capital reserves | <u>326,282</u> | <u>-</u> |
| Net cash provided by (used in) investing activities | <u>138,949</u> | <u>(150,563)</u> |
| Cash flows from financing activities: | | |
| Principal repayments of long-term debt | (61,775) | (124,503) |
| Net proceeds from refinance of mortgage | <u>70,077</u> | <u>-</u> |
| Net cash provided by (used in) financing activities | <u>8,302</u> | <u>(124,503)</u> |
| Net increase in cash | 537,781 | 633,038 |
| Cash - beginning | <u>1,429,182</u> | <u>796,144</u> |
| CASH - ENDING | <u>\$ 1,966,963</u> | <u>\$ 1,429,182</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | <u>\$ 153,569</u> | <u>\$ 143,368</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>(5,500)</u> | <u>-</u> |
| Cash received at closing | <u>\$ 70,077</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2012 and 2011, 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.

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, 2012 AND 2011

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. For the year ended June 30, 2012, amortization expense amounted to \$9,624. Estimated amortization expense for the next five years is as follows: \$12,832 (2013 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 Receivables

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, 2012 and 2011, 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, and matures in February 2013.

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.

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.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012 or 2011.

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.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the current year's presentation. The change in net assets previously reported for 2011 was not affected by these changes.

Subsequent Events

In accordance with the FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through October 26, 2012, 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 2012 and 2011, 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 89% and 88% of total revenue and support during the years ended June 30, 2012 and 2011, respectively. Federal grantor agencies accounted for 8% and 11% of total revenue and support during the years ended June 30, 2012 and 2011, respectively.

Additionally, federal grantor agencies accounted for 99% of total grants and contracts receivable at June 30, 2012 and 2011.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2012 and 2011) 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, 2012 and 2011, Amber had no borrowings outstanding under the credit agreement. The credit line expires in January 2013.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Land | \$ 335,000 | \$ 335,000 |
| Building | 3,123,388 | 3,123,388 |
| Equipment, furniture and fixtures | 963,988 | 913,985 |
| Building improvements | 1,500,547 | 1,363,217 |
| Software | <u>49,522</u> | <u>49,522</u> |
| | 5,972,445 | 5,785,112 |
| Less: accumulated depreciation and amortization | <u>1,711,384</u> | <u>1,472,155</u> |
| Property and equipment, net | \$ <u>4,261,061</u> | \$ <u>4,312,957</u> |

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| 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. The loan was re-financed on September 29, 2011. | \$ - | \$ 2,091,271 |
| 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. 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. This loan was fully repaid in September 2011. | - | 239,500 |
| Mortgage payable to Raza 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. | <u>2,423,585</u> | <u>-</u> |
| | 2,423,585 | 2,330,771 |
| Less: current portion | <u>(39,390)</u> | <u>(26,860)</u> |
| Long-term debt, net of current portion | <u>\$ 2,384,195</u> | <u>\$ 2,303,911</u> |

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

Year ending June 30:

| | |
|------|-----------|
| 2013 | \$ 39,390 |
| 2014 | 42,238 |
| 2015 | 45,291 |
| 2016 | 48,565 |
| 2017 | 2,248,101 |

In conjunction with the Raza mortgages, 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.

Pursuant to the terms of the original Raza mortgage, Amber was required to maintain certain reserve account balances. At June 30, 2011, Amber had a balance of \$326,282 in these reserves. In conjunction with the refinancing, the reserve requirements were eliminated and the amounts previously set aside by Amber were refunded in September 2011.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 7 - LEASES

Lease Revenue

At June 30, 2012, Amber had operating lease agreements with three tenants, expiring periodically through October 2015.

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

| <u>Year ending June 30:</u> | |
|-----------------------------|------------------|
| 2013 | \$ 30,634 |
| 2014 | 15,748 |
| 2015 | 16,063 |
| 2016 | <u>5,340</u> |
| Total | <u>\$ 67,785</u> |

Lease Expense

Amber leases office equipment pursuant to noncancelable operating leases that expire periodically through August 2014. For the years ended June 30, 2012 and 2011, total lease expenses aggregated \$41,512 and \$34,485, respectively.

Future minimum lease payments under noncancelable leases are as follows:

| <u>Year ending June 30:</u> | |
|-----------------------------|------------------|
| 2013 | \$ 41,999 |
| 2014 | 40,180 |
| 2015 | <u>6,697</u> |
| Total | <u>\$ 88,876</u> |

NOTE 8 - RELATED PARTY TRANSACTIONS

A member of Amber's Board of Trustees 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 for the year ended June 30, 2011. Such amounts are reflected in "management and general expenses" in the accompanying statements of activities.

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 2012 and 2011. For the years ended June 30, 2012 and 2011, Amber contributed \$108,376 and \$88,366, respectively, to the plan.

NOTE 10 - UNION AGREEMENT

At June 30, 2012, Amber had approximately 63 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.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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.

ADDITIONAL INFORMATION

AMBER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

| Federal Funding Department or Division | Program | Catalog Number | Expenditures |
|---|--|-------------------|-------------------|
| Food and Nutrition Services, Department of Agriculture | National School Breakfast Program | 10.553 | \$ 22,066 |
| Food and Nutrition Services, Department of Agriculture | National School Lunch and Snack Program | 10.555 | 116,497 |
| Office of Special Education and Rehabilitation Service, Department of Education | IDEA | 84.326 | 18,153 |
| Office of Elementary and Secondary Education, Department of Education | Elementary and Secondary Education Act of 1965 ("ESEA") Title I Part A | 84.010A | 172,667 |
| Office of Elementary and Secondary Education, Department of Education | ESEA Title II Part A | 84.367A | 20,146 |
| 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>145,274</u> |
| | | | <u>\$ 504,453</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, 2012

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, 2012, 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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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
Amber Charter School

We have audited the financial statements of Amber Charter School as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. 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

Management of Amber Charter School is responsible for establishing and maintaining effective 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 Amber Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 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.

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 Trustees, 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

New York, New York
October 26, 2012



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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 Trustees
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, 2012. 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.

In our opinion, 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, 2012.

Internal Control over Compliance

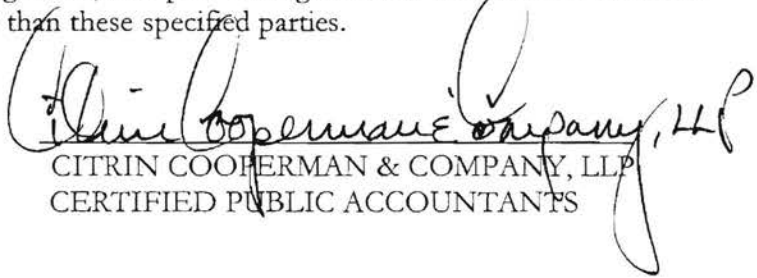
The management of Amber Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Amber Charter School's internal 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, or detected and corrected, on a timely basis.

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 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 Trustees, 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

New York, New York
October 26, 2012

AMBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's 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: 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 |
| 84.395A | 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 X No

AMBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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

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.

Corrective Actions:

Procedures were implemented 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.