

FOXBOROUGH REGIONAL CHARTER SCHOOL

FINANCIAL STATEMENTS

for the year ended June 30, 2010
with comparative totals for June 30, 2009

FOXBOROUGH REGIONAL CHARTER SCHOOL

**for the year ended June 30, 2010
with comparative totals for June 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Foxborough Regional Charter School

We have audited the accompanying statement of net assets of Foxborough Regional Charter School (a governmental entity) and its aggregate discretely presented component unit, the Friends of Foxborough Regional Charter School, Inc. (a non-profit organization), as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the School's 2009 financial statements and, in our report dated January 25, 2010, we expressed an unqualified opinion on those financial statements.

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 within 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 the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Foxborough Regional Charter School, and its aggregate discretely presented component unit, the Friends of Foxborough Regional Charter School, Inc. as of June 30, 2010, and their respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated, September 22, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for 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 basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.



Springfield, Massachusetts
September 22, 2010

FOXBOROUGH REGIONAL CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The following discussion and analysis of the Foxborough Regional Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2010 and summarized comparative information for 2009. Please read it in conjunction with the School's financial statements which begin on page 7.

The School as a Whole

The School received their charter on July 1, 1998 to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Board of Elementary and Secondary Education. The school's charter was most recently renewed for an additional five years effective July 1, 2008. During fiscal year 2010, the School operated kindergarten through grade twelve and the enrollment was comprised of approximately 1,137 students. During fiscal year 2009, the School operated kindergarten through grade twelve and the enrollment was approximately 1,081 students. At capacity, the School will serve kindergarten through grade twelve and enrollment will be approximately 1,200 students. The School currently expects to be operating at capacity at the beginning of 2013.

Using This Annual Report

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

Financial Statements

The Statement of Net Assets presents the assets, liabilities and net assets of the School as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and non-current assets, current and non-current liabilities, and net assets. Net assets represent the difference between assets and liabilities. Net assets are displayed in three components, invested in capital assets net of related debt, restricted net assets and unrestricted net assets. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

FOXBOROUGH REGIONAL CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2010

Financial Statements – *continued*

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt. Over time, readers of financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if the School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

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

The Statement of Cash Flows provides information about the School's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in helping users assess the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

Supplemental Information

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The schedule of expenditures of federal awards can be found on page 19 of this report.

FOXBOROUGH REGIONAL CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2010

Financial Highlights

The following financial highlights are for the fiscal year 2010 with comparative information from fiscal year 2009, and include the component unit, the Friends:

- The School held total assets of \$17,490,967 and \$15,368,900 at June 30, 2010 and 2009, respectively, of which \$10,387,262 and \$10,358,575 were net capital assets, respectively and the majority of remaining assets consisted of cash, accounts receivable and prepaid expenses.
- The School held total liabilities of \$8,221,397 and \$8,514,392 at June 30 2010 and 2009, respectively. In fiscal years 2010 and 2009 there were current and non-current liabilities. In 2010, the School held \$1,654,875 in current liabilities and \$6,566,522 in non-current liabilities. In 2009, the School held \$1,465,832 in current liabilities and \$7,048,560 in non-current liabilities.
- Total net assets for the School was \$9,269,570 and \$6,854,508 at June 30, 2010 and 2009, respectively, of which \$5,674,192 and \$3,739,959 were unrestricted and \$3,595,378 and \$3,114,549 were for investments in capital assets, respectively. As of June 30, 2010, the Board of Trustees has designated \$4,206,940 of unrestricted net assets for future capital purchases.
- The School earned total revenues of \$13,619,883 and \$12,405,169 for the year ended June 30, 2010 and 2009, respectively, which were all operating revenues.
- The School had total expenses of \$11,204,821 and \$10,788,834 for the year ended June 30, 2010 and 2009, respectively.
- The School earned net income of \$2,415,062 and \$1,616,335 for the year ended June 30, 2010 and 2009.

Budgetary Highlights

For the fiscal year ended June 30, 2010, the School incurred \$11,311,147 in actual expenditures (inclusive of capitalized purchases) compared to budgeted expenditures of \$11,866,622.

FOXBOROUGH REGIONAL CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2010

School's Financial Activities

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per pupil. The School received \$10,119 in per pupil funding in fiscal year 2010, versus \$9,886 in per pupil funding in fiscal year 2009. This represents 84.5% and 86.2% of the School's revenue for the years ended June 30, 2010 and 2009, respectively. In addition, the School received various federal and Commonwealth of Massachusetts grants, which totaled \$1,133,136 and \$1,046,274 for fiscal years 2010 and 2009, respectively.

Other Financial Factors

In fiscal year 2007, the Friends of Foxborough Regional Charter School was established. The Friends was established for the sole purpose of fund raising on behalf of the School.

The School is planning an expansion to the facility, which is scheduled to start in the Fall of 2010. Bonds will be issued to finance the construction costs and repayment of the current mortgage.

Contacting the School's Financial Management

This financial report is designed to provide the reader with a general overview of the School's finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the Business Office of the School.

FOXBOROUGH REGIONAL CHARTER SCHOOL

STATEMENT OF NET ASSETS

June 30, 2010

with comparative totals for June 30, 2009

	Foxborough Regional Charter School 2010	Friends of Foxborough Regional Charter School 2010	(Memorandum Only - Financial Reporting Entity) Totals 2010	(Memorandum Only - Financial Reporting Entity) Totals 2009
ASSETS				
Current assets				
Cash	\$ 7,031,273	\$ 20,713	\$ 7,051,986	\$ 4,887,158
Accounts receivable				
State and federal.....	26,518		26,518	96,571
Prepaid expenses.....	25,201		25,201	26,596
Total current assets.....	<u>7,082,992</u>	<u>20,713</u>	<u>7,103,705</u>	<u>5,010,325</u>
Capital assets				
Building, equipment, & furniture.....	13,685,140		13,685,140	13,175,933
Less accumulated depreciation.....	<u>3,297,878</u>		<u>3,297,878</u>	<u>2,817,358</u>
Total investment in capital assets.....	<u>10,387,262</u>		<u>10,387,262</u>	<u>10,358,575</u>
TOTAL ASSETS	<u><u>\$ 17,470,254</u></u>	<u><u>\$ 20,713</u></u>	<u><u>\$ 17,490,967</u></u>	<u><u>\$ 15,368,900</u></u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable.....	\$ 417,459		\$ 417,459	\$ 143,329
Accrued expenses.....	280,853		280,853	412,087
Accrued compensation.....	698,386		698,386	706,719
Deferred grant revenue.....	32,815		32,815	8,231
Mortgage notes payable, current portion.....	<u>225,362</u>		<u>225,362</u>	<u>195,466</u>
Total current liabilities.....	1,654,875		1,654,875	1,465,832
Mortgage notes payable, net of current portion.....	<u>6,566,522</u>		<u>6,566,522</u>	<u>7,048,560</u>
Total liabilities.....	<u>8,221,397</u>		<u>8,221,397</u>	<u>8,514,392</u>
Net assets				
Investment in capital assets, net of related debt.....	3,595,378		3,595,378	3,114,549
Unrestricted.....	<u>5,653,479</u>	\$ 20,713	<u>5,674,192</u>	<u>3,739,959</u>
Total net assets.....	<u>9,248,857</u>	<u>20,713</u>	<u>9,269,570</u>	<u>6,854,508</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,470,254</u></u>	<u><u>\$ 20,713</u></u>	<u><u>\$ 17,490,967</u></u>	<u><u>\$ 15,368,900</u></u>

See notes to financial statements.

FOXBOROUGH REGIONAL CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the year ended June 30, 2010
with comparative totals for the year ended June 30, 2009

	Foxborough Regional Charter School 2010	Friends of Foxborough Regional Charter School 2010	(Memorandum Only - Financial Reporting Entity) Totals 2010	(Memorandum Only - Financial Reporting Entity) Totals 2009
Operating revenues				
Student tuition.....	\$ 11,505,221		\$ 11,505,221	\$ 10,687,261
Federal and state grants.....	1,133,136		1,133,136	1,046,274
Educational fees.....	852,397		852,397	506,385
Student activities.....	27,420		27,420	27,348
Interest income.....	22,047		22,047	46,198
Reimbursement income.....	35,941		35,941	49,941
Pension income.....	17,946		17,946	16,011
Fundraising.....		\$ 25,775	25,775	10,820
Contributions.....				14,931
Total operating revenues.....	<u>13,594,108</u>	<u>25,775</u>	<u>13,619,883</u>	<u>12,405,169</u>
Operating expenses				
Advertising.....	6,862		6,862	7,059
After school program.....	9,046		9,046	12,826
Bank fees.....	1,085	356	1,441	1,232
Board of trustees expense.....	34,399		34,399	48,622
Classroom and other supplies.....	497,646		497,646	733,157
Depreciation and amortization.....	518,110		518,110	525,409
Fundraising.....		5,049	5,049	19,331
Grant expenses.....	913,334		913,334	790,927
Insurance.....	61,447		61,447	48,580
Interest.....	369,555		369,555	454,378
Loan costs.....	11,233		11,233	28,108
Lunch program.....	264,324		264,324	260,722
Occupancy costs.....	448,239		448,239	441,268
Office supplies, postage and expense.....	89,531		89,531	60,017
Payroll service charge.....	22,864		22,864	21,720
Pension expense.....	17,946		17,946	16,011
Professional services.....	173,116	2,253	175,369	141,137
Repairs, maintenance, and supplies.....	288,282		288,282	285,350
Salaries and benefits.....	7,282,107		7,282,107	6,776,384
Student support.....		10,044	10,044	1,600
Student life programs.....	96,264		96,264	91,162
Telephone.....	16,689		16,689	16,929
Transportation and travel.....	65,040		65,040	6,905
Total operating expenses.....	<u>11,187,119</u>	<u>17,702</u>	<u>11,204,821</u>	<u>10,788,834</u>
Change in net assets.....	2,406,989	8,073	2,415,062	1,616,335
Net assets, beginning of year.....	<u>6,841,868</u>	<u>12,640</u>	<u>6,854,508</u>	<u>5,238,173</u>
Net assets, end of year.....	<u>\$ 9,248,857</u>	<u>\$ 20,713</u>	<u>\$ 9,269,570</u>	<u>\$ 6,854,508</u>

See notes to financial statements.

FOXBOROUGH REGIONAL CHARTER SCHOOL

STATEMENT OF CASH FLOWS

for the year ended June 30, 2010

with comparative totals for the year ended June 30, 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Receipts from student tuition.....	\$ 11,505,221	\$ 10,687,261
Receipts from federal and state grants.....	1,227,773	998,955
Receipts from educational fees.....	852,397	506,385
Other receipts.....	85,408	123,487
Payments to employees.....	(7,290,440)	(6,664,297)
Payments to vendors and suppliers.....	(3,224,665)	(3,516,096)
	<u>3,155,694</u>	<u>2,135,695</u>
Cash flows from capital and financing activities		
Purchases of capital assets.....	(546,797)	(815,194)
Proceeds from mortgage note.....	302,311	
Payments on capital leases.....		(58,743)
Payments on mortgage notes payable.....	(754,453)	(246,570)
	<u>(998,939)</u>	<u>(1,120,507)</u>
Increase in cash.....	2,156,755	1,015,188
Cash, beginning of year.....	4,874,518	3,859,330
Cash, end of year.....	<u>\$ 7,031,273</u>	<u>\$ 4,874,518</u>
Reconciliation of the change in net assets to net cash provided by operating activities		
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Change in net assets.....	\$ 2,406,989	\$ 1,620,587
Depreciation and amortization.....	518,110	525,409
(Increase) decrease in operating assets		
State and federal receivable.....	70,053	(53,821)
Other receivable.....		5,328
Prepaid expense.....	1,395	27,520
Increase (decrease) in operating liabilities		
Accounts payable	274,130	(362,981)
Accrued expenses and compensation.....	(139,567)	367,151
Deferred grant revenue.....	24,584	6,502
Net cash provided by operating activities.....	<u>\$ 3,155,694</u>	<u>\$ 2,135,695</u>

See notes to financial statements.

FOXBOROUGH REGIONAL CHARTER SCHOOL
FRIENDS OF FOXBOROUGH REGIONAL CHARTER SCHOOL

STATEMENT OF CASH FLOWS

for the year ended June 30, 2010

with comparative totals for the year ended June 30, 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets.....	\$ 8,073	\$ (4,252)
Decrease in accrued expenses.....	<u> </u>	<u>(5,328)</u>
Net cash provided by (used in) operating activities.....	<u>8,073</u>	<u>(9,580)</u>
Increase (decrease) in cash.....	8,073	(9,580)
Cash, beginning of year.....	<u>12,640</u>	<u>22,220</u>
Cash, end of year.....	<u><u>\$ 20,713</u></u>	<u><u>\$ 12,640</u></u>

See notes to financial statements.

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

Foxborough Regional Charter School (the School) was established on July 1, 1998 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The School's charter is awarded in five year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE). The School's charter was most recently renewed in 2008 and expires June 30, 2013.

The School has one location in Foxborough, Massachusetts and offers children in the towns of Canton, Foxborough, Mansfield, Medway, Millis, Norfolk, North Attleboro, Norton, Norwood, Plainville, Raynham, Sharon, Stoughton, Walpole, West Bridgewater, and Wrentham., and the cities of Attleboro, Avon, and Brockton, in grades kindergarten through 12, a public supported academic education. During fiscal years 2010 and 2009 the School served 1,137 and 1,081 children, respectively.

The School's mission is:

- 1) to engage students in a learning environment in order to enhance interdisciplinary studies and foster critical thinking skills
- 2) to cultivate children's shared respect for each other, their community and the world around us.

The School also receives financial support from its non-profit component unit, the Friends of Foxborough Regional Charter School, Inc. (the Friends), which was founded in 2007 and whose primary purpose is fundraising.

2. Summary of Significant Accounting Policies

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

Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the School and its component unit, The Friends of Foxborough Regional Charter School, Inc., in conformance with the Government Accounting Standards Board (GASB) Statements No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units. Under these statements component units are organizations that are included in the School's reporting entity because of the significance of their operational or financial relationships with the School.

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

The component unit column in the accompanying financial statements contains financial data of the Friends. The Friends is a legally separate, tax exempt organization that acts primarily as a fund-raising organization to supplement the resources of the School. Although the School does not control the timing or amounts of receipts from the Friends, the majority of the resources or income thereon that the Friends holds is restricted to the activities of the School. Because these restricted resources can only be used by or for the benefit of the School, the Friends is considered a component unit of the School and is discretely presented in the School's financial statements.

The Friends is a non-profit organization that reports under Financial Accounting Standards Board (FASB) accounting standards. As such, certain revenue recognition criteria and financial presentation features are different from GASB revenue recognition and financial presentation features. No modifications have been made to the Friends' financial information in the School's reporting entity for those differences.

Financial Statement Presentation

The School, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund. Also in accordance with GASB Statement No. 39 - Determining Whether Certain Organizations are Component Units, the Friends is considered a component unit of the School and is discretely presented in the School's financial statements in a separate column in the financial statements to emphasize that it is legally separate from the School. The discretely presented component unit has a June 30 fiscal year end.

Basis of Accounting

The accrual basis of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. The Commonwealth of Massachusetts Executive Office of Administration and Finance calculates the per pupil tuition that is paid to the School by DESE. Grants and contributions are recognized when all eligible requirements are met.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the School has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

Capital Assets

Property and equipment are recorded at cost, if purchased or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$1,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 40 years for the building, 10 years for building improvements, 5 years for equipment and computers, 4 years for furniture and fixtures, and 3 years for software. Leasehold improvements are amortized over the life of the lease. Depreciation expense of \$518,110 and \$525,409 was recorded for the years ended June 30, 2010 and 2009, respectively.

Deferred Grant Revenue

Revenue is recognized when earned, however funds received that are not earned as of year-end are recorded as a liability under deferred revenue.

Operating Revenue and Expenses

Operating revenue and expenses generally result from providing educational and instructional services in connection with School's principal ongoing operations. The principal operating revenues include Federal and Commonwealth of Massachusetts grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets.

Tax Status

The School was established under a Charter granted by the Commonwealth of Massachusetts' Department of Education and operates as part of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

The Friends qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and accordingly has no provision for income taxes. In addition, contributors to the Friends qualify for the charitable contribution deduction under Section 170(b)(1)(A). The Friends has been classified as an organization other than a private foundation under section 509(a)(2).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Memorandum Only – Financial Reporting Entity

The financial statements include Memorandum Only totals for the year ended June 30, 2010 and 2009. These totals include all the activity of the financial reporting entity as described above and do not take into consideration any eliminating entries that would be prepared if the entities were consolidated.

3. Deposits with Financial Institutions

The School maintained its cash accounts at two financial institutions. These balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per financial institution. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institution minimizes such risk. As required by GASB No. 40, Deposits and Investment Risk Disclosures, the following represents a summary of deposits as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
FDIC fully insured deposits - Eastern Bank	\$ 250,000	\$ 250,000
FDIC fully insured deposits – Foxboro Savings	213,374	
Uninsured deposits	<u>6,617,777</u>	<u>4,736,511</u>
	<u>\$ 7,081,151</u>	<u>\$ 4,986,511</u>

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

4. Capital Assets

Changes in capital assets during fiscal year 2010 are as follows:

	Balance <u>6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2010</u>
Building	\$ 7,752,993	\$ 177,104		\$ 7,930,097
Building (Site) improvements	1,920,431	190,509		2,110,940
Land	1,150,000			1,150,000
Building - capital lease	1,356,842			1,356,842
Equipment	177,065	24,280		201,345
Computers and software	673,251	154,904	\$ (36,102)	792,053
Classroom equipment	43,812		(1,488)	42,324
Furniture and fixtures	101,539			101,539
	<u>13,175,933</u>	<u>546,797</u>	<u>(37,590)</u>	<u>13,685,140</u>
Less accumulated depreciation and amortization				
Building	(780,719)	(257,942)		(1,038,661)
Building improvements	(178,583)	(50,054)		(228,637)
Building - capital lease	(1,356,841)			(1,356,841)
Equipment	(102,071)	(29,641)		(131,712)
Computers and software	(271,386)	(173,643)	36,102	(408,927)
Classroom equipment	(26,496)	(6,553)	1,488	(31,561)
Furniture and fixtures	(101,262)	(277)		(101,539)
	<u>(2,817,358)</u>	<u>(518,110)</u>	<u>37,590</u>	<u>(3,297,878)</u>
Net capital assets	<u>\$ 10,358,575</u>	<u>\$ 28,687</u>	<u></u>	<u>\$ 10,387,262</u>

5. Line of Credit

The School has a loan agreement with a bank for the purpose of financing the quarterly working capital needs of the School. The maximum loan amount in any quarter shall be the lesser of \$1,500,000 or 80% of the amount of tuition to be received from the Commonwealth for that quarter. The principal and interest charged at the bank's base rate shall be paid in full each quarter after the School receives their payment from the Commonwealth. This line expires on December 31, 2010. The school did not draw on this line in fiscal year 2010 or 2009.

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

6. Mortgage Notes Payable

Mortgage notes payable consists of the following:

	<u>2010</u>	<u>2009</u>
Mortgage note payable to Eastern Bank in the original amount of \$7,200,000, principal and interest payable monthly in the amount of \$39,578, interest charged at 4.99%. The note is secured by the building. The note matures on February 1, 2012. The above amounts reflect the amendment which occurred on June 30, 2009.	\$ 5,839,926	\$ 6,556,701
Mortgage note payable to Nonprofit Finance Fund (NPF) in the amount of \$980,000, principal and interest payable monthly in the amount of \$8,537, interest charged at the greater of the prime rate plus 2.25% or 6.5%, at June 30, 2010 the prime rate was 3.25%. The note matures on October 1, 2012. The original amount of this note was \$800,000. On October 16, 2009, NPF increased the note to \$980,000, and amended the terms of the note to the terms stated above.	<u>951,958</u>	<u>687,325</u>
Less current portion	<u>6,791,884</u>	7,244,026
	<u>225,362</u>	<u>195,466</u>
	<u>\$ 6,566,522</u>	<u>\$ 7,048,560</u>

The aggregate principal repayments are as follows:

Years ended <u>June 30,</u>	<u>Principal</u> <u>Installments</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 225,362	\$ 352,018	\$ 577,380
2012	5,473,635	2,672,919	8,146,554
2013	<u>1,092,887</u>	<u>395,930</u>	<u>1,488,817</u>
	<u>\$ 6,791,884</u>	<u>\$ 3,420,867</u>	<u>\$ 10,212,751</u>

The School is required to maintain a debt service coverage ratio, as defined, of not less than 1.25 to 1.00, determined as of the last day of the fiscal year. The School was in compliance with this covenant on June 30, 2010.

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

7. Operating Lease Obligations

The School has two lease agreements for modular buildings containing a total of 16 classrooms. One lease requires monthly payments of \$9,174 and expires on August 31, 2011. The second lease requires monthly payments of \$10,500 and expires on October 14, 2011. Rental expense was \$235,554 in 2010 and \$183,570 in 2009. Future minimum lease payments are \$236,088 in 2011 and \$55,098 in 2012.

8. Professional Development

The School incurred expenditures throughout the year for the purpose of providing professional development for the staff and teachers. The total amount of expenditures relating to professional development for staff and teachers for the years ended June 30, 2010 and 2009 was \$184,441 and \$190,273, respectively.

9. Retirement Plan

The School's teaching staff and certain administrators participate individually in the Massachusetts Teachers Retirement System (MTRS). All qualified teachers and administrators are covered by and must participate in MTRS. All qualified teachers and administrators who qualify for the plan, along with the School are exempt from federal social security tax for these employees. Benefits vest fully after 10 years of qualified employment and an employee may receive retirement benefits after 20 years of service or having reached the age of 55 if the participant (1) has a record of 10 years of credible service, (2) was first employed by the school after January 1, 1978, (3) voluntarily left School employment on or after that date, and (4) left an accumulated annuity deduction in the fund. This retirement plan requires an employee contribution of eight to eleven percent (depending on the plan and the employment date) of their compensation. The Massachusetts Teachers Retirement Board paid pension benefits of \$17,946 and \$16,011 for the years ended June 30, 2010 and 2009 for teachers who retired from the School.

10. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information are as follows:

	<u>2010</u>	<u>2009</u>
Cash paid during the year for:		
Interest	\$ 369,555	\$ 454,378

FOXBOROUGH REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

11. Related Party Transactions

A board member is an officer of the financial institution with whom the School has the line of credit agreement and mortgage note, see Notes 5 and 6.

12. Board Designated Net Assets

As of June 30, 2010, the Board of Trustees has designated \$4,206,940 of unrestricted net assets for future capital expenditures.

13. Concentration of Revenue

DESE provided 87.4% and 87.3% of the funding to the School for the years ended June 30, 2010 and 2009 through a per pupil reimbursement and Federal and Commonwealth of Massachusetts grants.

14. Subsequent Events

The School has evaluated subsequent events through September 22, 2010 which is the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net assets date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net assets date, which are necessary to disclose to keep the financial statements from being misleading.

FOXBOROUGH REGIONAL CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education:		
Direct Programs:		
Voluntary Public School Choice	84.361	\$ 778,529
Total Direct Programs		<u>778,529</u>
Pass-through Programs from		
Massachusetts Department of Education:		
Title I Grants to Local Educational Agencies	84.010	27,396
Special Education - Grants to States	84.027	187,728
Special Education - American Recovery and Reinvestment Act	84.391	124,408
Improving Teacher Quality State Grants	84.367	8,624
Total Pass-through Programs		<u>348,156</u>
Total U.S. Department of Education		<u>1,126,685</u>
U.S. Department of Agriculture:		
Pass-through from Massachusetts Department of Education:		
National School Lunch Program	10.555	85,538
Total U.S. Department of Agriculture		<u>85,538</u>
Total Expenditures of Federal Awards		<u>\$ 1,212,223</u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2010

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foxborough Regional Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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
Foxborough Regional Charter School

We have audited the financial statements of Foxborough Regional Charter School (the School), as of and for the year ended June 30, 2010, and have issued our report thereon dated September 22, 2010. 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. The financial statements of the Friends of Foxborough Regional Charter School, Inc. were not audited in accordance with Government Auditing Standards and accordingly this report does not extend to the component unit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, others within the School, 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.

Morarty : Prunick, P.C.

Springfield, Massachusetts

September 22, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Foxborough Regional Charter School

Compliance

We have audited Foxborough Regional Charter School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2010. Foxborough Regional Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of Foxborough Regional Charter School's management. Our responsibility is to express an opinion on the Foxborough Regional 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Foxborough Regional 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 of Foxborough Regional Charter School's compliance with those requirements.

In our opinion, Foxborough Regional Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

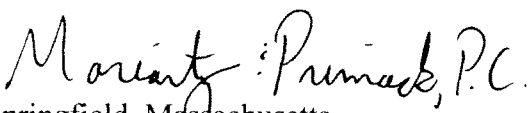
Internal Control Over Compliance

Management of Foxborough Regional Charter School is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Foxborough Regional Charter School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foxborough Regional 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 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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 School, 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.


Springfield, Massachusetts
September 22, 2010

FOXBOROUGH REGIONAL CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2010

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Foxborough Regional Charter School.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Foxborough Regional Charter School were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Foxborough Regional Charter School expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included: Voluntary Public School Choice 84.361A and Special Education – 84.027 and 84.391.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Foxborough Regional Charter School did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

FOXBOROUGH REGIONAL CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

for the year ended June 30, 2010

FEDERAL AWARD FINDINGS

DEPARTMENT OF EDUCATION – VOLUNTARY PUBLIC SCHOOL CHOICE

Finding 2009-01:

Condition: The School charged parents a bus fee to subsidize the cost of student transportation, which created additional program income of approximately \$156,000.

Recommendation: The fees collected from parents for student transportation should have offset the costs of the transportation program. Management should contact the awarding agency to determine the proper disposition of these excess funds.

Current Status: On March 17, 2010, the United States Department of Education approved an amendment to the grant allowing the School to use the collection of transportation fees to carry out additional program activities, including adding regular and late buses and installing cameras on every bus. In June 2010, the School received a letter from the United States Department of Education Post Audit Group stating that they had reviewed the audit finding and the approved amendment and do not require the School to return the \$156,000 to the Department of Education.

Board of Trustees

Lori Rudd

Chairperson

Stephen DiPrete

Vice Chairperson

Kathleen Crawford

Treasurer

William Buckley

Reem Ozone

Steven Steiner

ACCEPTANCE OF THE BOARD OF TRUSTEES

Administrators

Mark Logan

Executive Director

Ron Griffin

*Director of Teaching
and Learning*

Dawn Hall

*Director of Students
and Families*

Heidi Berkowitz

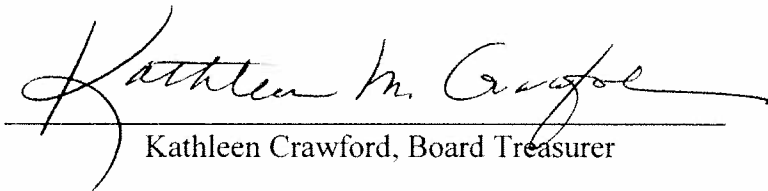
*Director of Outreach
and Development*

Edward Lucy

Director of Operations

We, the Board of Trustees of Foxborough Regional Charter School, have voted to accept the representations of management and the expression of the opinions made by Moriarty & Primack, P.C. as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2010.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the Commonwealth of Massachusetts Charter School Audit Guide for the period ended June 30, 2010.


Kathleen Crawford, Board Treasurer

September 14, 2010

Date

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