

# The Commonwealth of Massachusetts

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INDEPENDENT STATE AUDITOR'S REVIEW  
OF CERTAIN ASPECTS OF  
CHARTER SCHOOL FINANCIAL RESULTS  
AND FINANCIAL REPORTING  
FISCAL YEARS 2002 AND 2003

OFFICIAL AUDIT  
REPORT  
JUNE 15, 2004

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## TABLE OF CONTENTS/EXECUTIVE SUMMARY

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### INTRODUCTION

1

In Massachusetts, charter school legislation was signed into law with the Education Reform Act of 1993, Chapter 71, Section 89, of the Massachusetts General Laws. This law provided for a maximum of 25 Commonwealth Charter Schools to be granted by the Secretary of Education. Massachusetts General Laws, Chapter 71, Section 89, was again amended during fiscal year 2000 to allow up to 120 schools. For the 2004-2005 school year, the state's Department of Education (DOE) projects that there will be 57 charter schools (49 Commonwealth and eight Horace Mann) operating within Massachusetts serving approximately 20,000 students.

Payments to the Commonwealth charter schools are funded through deductions from the local aid accounts (Chapter 70 of the General Laws) of the districts in which charter school students reside or the sending district and are generally based on the per-pupil tuition or cost of the sending district. In addition to state tuition payments, charter schools, like other public schools, may receive federal and state grant funds. Charter schools, however, are not eligible for the Commonwealth's School Building Assistance Bureau grant funding for costs associated with capital projects, including school construction, reconstruction, or improvement work. Charter schools may also receive funds and other donations from private contributors.

Chapter 71, Section 89(gg), of the General Laws requires charter schools to submit to DOE an annual report for the preceding year in a form prescribed by the DOE. According to this statute, this report is to include a discussion of progress made toward the achievement of the goals set forth in the charter, and a financial statement set forth by appropriate categories of the revenues and expenditures for the year just ended.

The scope of our review was to perform a review of the financial reports submitted by 48 of the 49 charter schools that provided financial information covering fiscal years 2002 and 2003 to the Office of the State Auditor (OSA). One charter school, the New Leadership Charter School, had not filed a copy of their financial statements with the OSA during the conduct of our field work, and was therefore not included in our analysis. Our specific objectives were to review the information in these financial reports and assess the financial results of these charter schools in terms of their net income and net assets, as well as their general financial condition based on certain financial ratios. The results of our review are discussed below:

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### REVIEW RESULTS

8

#### **BASED ON NET INCOME AND NET ASSET AMOUNTS CHARTER SCHOOLS ARE REPORTING AND VARIOUS OTHER FINANCIAL MEASURES, MOST CHARTER SCHOOLS APPEAR TO BE FINANCIALLY SOUND**

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We found that the majority of charter schools realize positive annual net income and net assets. For example, we found that 32 of the 39 charter schools that reported 2002 data had net income during this fiscal year. The total net income for these 32 schools ranged from \$2,456 to \$2,026,549, with an average of \$463,391. On average, the net income

realized by these 32 charter schools during this fiscal year represented approximately 12% of their total revenue. In contrast, six charter schools had a net loss for fiscal year 2002. The total net loss for these six schools ranged from \$21,222 to \$225,143, with an average of \$88,716. For fiscal year 2003, we found that 38 of the 48 charter schools had net income during this fiscal year. The total net income for these 38 schools ranged from \$4,159 to \$1,037,799, with an average of \$254,239. Further, in fiscal year 2003, 24 of the 38 charter schools reported net income equal or greater than 5% of their total revenue, ranging from 5% to 24%, with the average being 11.3%. In contrast, nine of the charter schools had a net loss for fiscal year 2003. The net loss realized by these nine schools ranged from \$1,785 to \$307,442, with an average of \$116,394. One charter school, the Sabis Foxborough Regional Charter School had operating losses for fiscal years 2002 and 2003. However, a related party organization, Foxborough Educational Systems, LLC, reduced their management fee by the amount of the losses to the extent that the school operated on a break even basis.

Relative to net assets of charter schools, as of June 30, 2003, cumulative net assets of the 47 charter schools were \$54,975,231, with an average balance of \$1,169,686. Since many charter schools have portions of their net asset balances invested in fixed assets, these amounts are not all available for use by the school. By reducing asset balances by these amounts, the average net asset balance available is \$844,631.

We also found that, based on certain financial ratios we calculated, charter schools are generally in good financial health. For example, the current ratio provides an indication of a school's ability to meet its short-term debt obligations in the near future. The higher the current ratio number, the more likely an entity is able to meet its obligations. During fiscal year 2003, charter schools had current ratios that ranged from .2 to 68.3, with an average of 7.1.

Based on our analysis, most of the charter schools operating within the Commonwealth are operating from a fiscally sound position. However, unlike public schools, factors such as changes in student enrollment can have a significant impact on the fiscal solvency of these schools.

|  |           |
|--|-----------|
| <b>APPENDIX A</b>  | <b>23</b> |
| <hr/>  |           |
| <b>Charter School Net Asset Summary-June 30, 2003</b>                                      |           |
| <hr/>  |           |
| <b>APPENDIX B</b>  | <b>25</b> |
| <hr/>  |           |
| <b>Charter School Estimated Enrollment 2004-2005 School Year</b>                           |           |
| <hr/>  |           |
| <b>APPENDIX C</b>  | <b>27</b> |
| <hr/>  |           |
| <b>Projected Fiscal Year 2004 Charter School Tuition Rates by Local Education Agencies</b> |           |
| <hr/>  |           |

---

|   |           |
|---|-----------|
| <b>APPENDIX D</b>   | <b>30</b> |
| <b>Moody's Investor Services Methodology and Median Report on Charter Schools (July 2003)</b> |           |
| <b>APPENDIX E</b>   | <b>35</b> |
| <b>Charter School Summary of Significant Revenue Sources-Fiscal Year 2003</b>                 |           |
| <b>APPENDIX F</b>   | <b>38</b> |
| <b>Charter School Summary of Significant Operating Expenses-Fiscal Year 2003</b>              |           |
| <b>APPENDIX G</b>   | <b>42</b> |
| <b>Glossary of Terms</b>  |           |

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## INTRODUCTION

### *Background*

In Massachusetts, charter school legislation was signed into law with the Education Reform Act of 1993, Chapter 71, Section 89, of the Massachusetts General Laws. This law provided for a maximum of 25 Commonwealth Charter Schools to be granted by the Secretary [Board] of Education. The original law included the following six purposes for establishing a charter school:

- To stimulate the development of innovative programs within public education;
- To provide innovative learning and assessment;
- To provide parents and students with greater options in choosing schools within and outside their school district;
- To provide teachers with a vehicle for establishing schools with alternative, innovative methods of educational instruction and school structure and management;
- To encourage performance-based educational programs; and
- To hold teachers and school administrators accountable for students' educational outcomes.

A 1997 amendment to Chapter 71 increased the total number of charter schools to 37. This amendment also added a maximum of 13 additional schools called Horace Mann charter schools. According to Chapter 71, Section 89, Horace Mann charter schools differ from Commonwealth charter schools as follows:

*A Commonwealth school charter is independent of any school. A Horace Mann charter school is a school or part of a school that operates under a charter approved by the local school committee and the local teachers' union and granted by the Board of Education. To the extent provided by the terms of their charters, Horace Mann schools may be exempt from local collective bargaining agreements, provided that employees of the school continue to (a) be members of the local collective bargaining unit; (b) accrue seniority; and (c) receive, at minimum, the salary and benefits established by the local collective bargaining agreement. Employees will be exempt from all union and school committee work rules to the extent provided by their charter.*

Massachusetts General Laws, Chapter 71, Section 89, was again amended during fiscal year 2000 to allow up to 120 schools. (Seventy-two Commonwealth and 48 Horace Mann schools.) For the 2004-2005 school year, DOE projects there will be 57 charter schools (49 Commonwealth and eight Horace Mann) operating within Massachusetts serving approximately 20,000 students (see Appendix B).

Charter schools are public schools that, to a large extent, operate administratively and financially independent of the conventional school district structure. Chapter 71, Section 89, of the General Laws defines a Commonwealth charter school as “a public school, operated under a charter granted by the board of education, which operates independently of any school committee and is managed by a board of trustees.” The law further states, “The board of trustees of a commonwealth charter school, upon receiving a charter from the board of education, shall be deemed to be public agents authorized by the commonwealth to supervise and control the charter school.” Charters are granted for a period of five years, and a charter school must demonstrate its ability to achieve fiscal and operational viability as well as fulfill the objectives of its charter within the five-year period of its initial charter issuance in order to gain DOE approval for an extension of its charter.

On February 24, 2004, the state’s Board of Education granted charters to three new Commonwealth charter schools--the Advanced Math and Science Academy Charter School (regional), the Community Charter School of Cambridge, and the KIPP Academy Lynn Charter School--and one Horace Mann charter school, the Marston Mills East Horace Mann Charter School (Barnstable). However, the Massachusetts House of Representatives and State Senate subsequently approved amendments to their fiscal year 2005 budget proposals that prevents any new charters from being granted until the end of 2005. This amendment effectively freezes the four aforementioned charters that were approved by the Board of Education this year, as well as two approved last year for the Berkshire Arts and Technology Charter School and the Salem Academy Charter School.

On a national level, a report issued by Moody’s Investor Services (Appendix D), entitled *Methodology and Median Report on Charter Schools (July 2003)*, notes the following:

- Roughly 60% of nationwide charter schools enrollment is clustered in five states: California, Arizona, Michigan, Texas, and Florida.
- Enrollment in charter schools has more than doubled over the last five years from 300,000 to approximately 684,000.
- The number of charter schools has expanded from 100 schools in 1995 to nearly 2,700.
- Thirty-nine states plus the District of Colombia and Puerto Rico had established charter school legislation as of 2002.
- In 2002, federal funding was also made available for the first time to initiate demonstration capital programs for a number of charter schools.

***Financial Reporting***

Chapter 71, Section 89, of the General Laws provided limited guidance to charter schools relative to financial reporting. The law as amended requires charter schools to submit to DOE and other interested parties an annual report for the preceding year in a form prescribed by DOE. According to this statute, this report is to include the following:

- A discussion of progress made toward the achievement of the goals set forth in the charter
- A financial statement set forth by appropriate categories, the revenues and expenditures for the year just ended

Subsequently, Chapter 46 of the Acts of 1997 amended this legislation by inserting Subsection (hh), which states:

*Each charter school shall keep an accurate account of all its activities, receipts and expenditures and shall have an independent audit performed annually. The report must be filed annually with the Department of Education (DOE) and the Office of State Auditor (OSA), and must be in a form prescribed by the State Auditor. The State Auditor may investigate the budget and finances etc. of the schools, examine the records and prescribe accounting methods and periodic reports.*

In response to this legislation, the Office of the State Auditor (OSA) initiated a review of the financial recordkeeping practices of charter schools. The results of the review were reported in an audit report (No. 99-4080-9) entitled *State Auditor's Report on Establishing Standardized Accounting and Reporting Methods for Massachusetts Charter Schools Pursuant to Chapter 46 of the Acts of 1997*. This report did not specify a specific financial reporting model for charter schools to use in preparing their financial statements. Rather, in this report, the OSA developed for implementation a basic chart of accounts, pro forma budgets and financial reports, in addition to those required by generally accepted accounting principles (GAAP) for charter schools to utilize. This chart of accounts prescribes the minimum accounts that are necessary to develop consistent and meaningful financial reports. In addition, this report recommended the following: (1) certain charter schools should modify this chart of accounts as necessary to accommodate their unique operational situation, (2) DOE should amend its current regulations to require charter schools operating within the Commonwealth to maintain their financial records in accordance with GAAP, (3) all independent annual audits of these schools should be performed in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States

and should comply with Office of Management and Budget Circular A-133 requirements, if appropriate, and (4) DOE should require that all charter schools submit a copy of the independent auditor's management letter with the financial reports and, as appropriate, provide further guidance to charter schools relative to the utilization of this information.

### ***Funding***

Payments to the Commonwealth charter schools are funded through deductions from the local aid accounts (Chapter 70 of the General Laws) of the districts in which charter school students reside or the sending district and are generally based on the per-pupil tuition rate of the sending district. Projected fiscal year 2004 charter school tuition rates by local education agencies are presented in Appendix C of this report.

No application fee and tuition can be charged by the charter schools. Rather, charter school funding is determined as follows: (a) if a student attending a charter school resides in a district with a positive foundation gap, as defined in Chapter 70, Section 2, of the General Laws, the Commonwealth shall pay tuition to the school equal to the average cost per student in said district; (b) if the student resides in a district that does not have a positive foundation gap, the tuition paid to the school shall be equal to the lesser of: (1) the average cost per student in said district and (2) the average cost per student in the district in which the charter school is located. The State Treasurer is authorized to deduct the charter school tuition from the total education aid, as defined in Chapter 70, of the district in which the student resided prior to the distribution of said aid.

In addition to state tuition payments, charter schools, like other public schools, may receive federal and state grant funds. Charter schools, however, are not eligible for the Commonwealth's School Building Assistance Bureau grant funding for costs associated with capital projects, including school construction, reconstruction, or improvement work. Under the charter school law, charter schools may incur temporary debt in anticipation of receiving funds, provided that the terms of repayment do not exceed the duration of the school's charter without the permission of the Board of Education (BOE). Charter schools may also receive funds and other donations from private contributors. According to the previously noted July 2003 Moody's Investor Services report:

*[Charter schools] typically have lower overhead costs, higher overall teacher costs because of smaller class sizes, advertising costs associated with attracting students and the need to raise capital since they are not given equipment or facilities. Because charter school funding is calculated on a per pupil basis there is a strong correlation*

*between enrollment level and fiscal solvency. The ability to reach enrollment levels to meet debt service and build reserves is critical.*

### ***Audit Scope, Objectives, and Methodology***

The scope of our review was to perform an analysis of the financial reports submitted by 48 of the 49 charter schools. One charter school, the New Leadership Charter School, had not filed a copy of their financial statements with the OSA during the conduct of our audit fieldwork and was therefore not included in our analysis. Our specific audit objectives were to review the information in these financial reports and assess the financial results of these charter schools in terms of their net income and net assets as well as their general financial condition, based on certain financial ratios. In order to meet our objectives, we first reviewed a number of regulatory criteria that pertain to how charter schools are to prepare their financial statements. These pronouncements include several Government Accounting Standards Board (GASB)<sup>1</sup> pronouncements, as follows:

- GASB 14, The Financial Reporting Entity
- GASB 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments
- GASB 39, Determining Whether Certain Organizations are Component Units
- American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide – Audits of State and Local Governments (GASB 34 Edition)

We also reviewed the following information published by DOE:

- Charter School Recommended Audit Guide – July 2003
- Fiscal Policies and Procedures Guide – March 2001
- The Charter School Administrative and Governance Guide – December 2003

We then performed various analyses on the audited financial statements of 48 of the 49 charter schools that provided financial information covering fiscal years 2002 and 2003 to the OSA. Specifically, we documented each charter school’s net income and net asset fund balances and, where possible, the changes in these balances during the accounting periods covered by our review. We then compared this information to regulations established by the state’s Operational Services

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<sup>1</sup> The Government Accounting Standards Board is a nonprofit organization responsible for establishing and improving accounting and reporting standards for governmental units.

Division (OSD), the state agency responsible for regulating and overseeing the activities of nonprofit human service providers that contract with the Commonwealth. The OSD regulations that we used in our analysis, 808 Code of Massachusetts Regulations (CMR) 1.03(7), establish specific levels of net income (surplus revenue) and net assets (cumulative surplus revenue balances) that OSD allows the state's nonprofit human service providers to realize in order to properly capitalize their operations. In making this comparison, we recognized that the operational and financial aspects of nonprofit human service providers and charter schools differ and therefore, a direct comparison of charter schools' operations to these criteria may not be reasonable. Consequently, we used OSD's regulations merely as a benchmark to determine whether the net income and net assets charter schools are realizing are at least what the Commonwealth allows nonprofit human service providers to realize to properly capitalize their operations.

We then used the information in these charter school financial reports to calculate various financial ratios. For the purposes of our analysis, we decided to calculate three types of financial ratios: liquidity, profitability, and leverage. Although charter schools are nonprofit organizations, we decided to calculate various profitability ratios in order to assess how efficiently charter schools are using their revenue. This is a relevant and important measure, since charter schools need to generate sufficient net assets (surplus revenues) in order to remain financially solvent and properly capitalize their operations. The financial ratios we calculated are as follows:

a. Liquidity Ratio:

*Current Ratio = Current assets/current liabilities. This ratio provides an indication of a school's ability to meet its cash obligations in the near future by demonstrating the extent to which a school's current liabilities are covered by its current assets when converted to cash. The higher the current ratio, the more ability the organization has to meet its short-term liabilities or obligations.*

b. Profitability Ratios:

*Profit Margin = Change in net assets (net income)/total revenue. This ratio measures a school's ability to turn revenue into net income. The higher the ratio, the more efficient the school has been in the use of its revenue.*

*Return on Assets = Change in net assets (net income)/total assets. This ratio is a measure of the school's ability to earn a return on its assets. The higher the ratio, the more effectively a school is using its total assets.*

## c. Leverage Ratios:

*Debt to Equity = Total liabilities/net assets, end of year. This ratio measures total liabilities as a percent of net assets. The lower the ratio, the more assets an organization has to cover its total liabilities.*

The purpose of our financial analysis was to obtain an understanding of the overall financial strength of each charter school in terms of its ability to continue to operate and adequately meet its financial obligations. Our audit was not conducted for the purposes of determining the appropriateness of the level of state funding being provided to charter schools. Such an assessment would involve conducting comprehensive audit work at each charter school and assessing their organizational and operational activities to determine the specific causes of any surplus or deficit fund balance situation. Rather, our review was conducted for the purposes of obtaining a general picture of the financial viability of the charter schools operating within the Commonwealth based on a limited review of reserves and other account balances.

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## REVIEW RESULTS

### **BASED ON NET INCOME AND NET ASSET AMOUNTS CHARTER SCHOOLS ARE REPORTING AND VARIOUS OTHER FINANCIAL MEASURES, MOST CHARTER SCHOOLS APPEAR TO BE FINANCIALLY SOUND**

We found that the majority of charter schools realize positive annual net income and net assets. For example, we found 32 of the 39 charter schools that reported 2002 data had net income during this fiscal year. The total net income for these 32 schools ranged from \$2,456 to \$2,026,549, with an average of \$463,391. On average, the net income realized by these 32 charter schools during this fiscal year represented approximately 12% of their total revenue. In contrast, six charter schools had a net loss for fiscal year 2002. The total net loss for these six schools ranged from \$21,222 to \$225,143, with an average of \$88,716. For fiscal year 2003, we found that 38 of the 48 charter schools had net income during this fiscal year. The total net income for these 38 schools ranged from \$4,159 to \$1,037,799, with an average of \$254,239. Further, in fiscal year 2003, 24 of the 38 charter schools reported net income equal or greater than 5% of their total revenue, ranging from 5% to 24% with the average being 11.3%. In contrast, nine of the charter schools had a net loss for fiscal year 2003. The net loss realized by these nine schools ranged from \$1,785 to \$307,442, with an average of \$116,394.

One charter school, the Sabis Foxborough Regional Charter School, had operating losses for fiscal years 2002 and 2003. However, a related party organization, Foxborough Educational Systems, LLC, reduced their management fee by the amount of the losses to the extent that the school operated on a break even basis.

We found that, based on certain financial ratios we calculated, in most cases charter schools are in good financial health. For example, the current ratio provides an indication of a school's ability to meet its short-term debt obligations in the near future. The higher the current ratio number, the more likely an entity is able to meet its obligations. During fiscal year 2003, charter schools had current ratios that ranged from .2 to 68.29, with an average of 7.1.

Based on our analysis, the majority of the charter schools operating within the Commonwealth are operating from a fiscally sound position. However, unlike other public schools, factors such as changes in student enrollment can have a significant impact on the fiscal solvency of these schools.

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***Limitations to Our Review*****a. Different Reporting Methods**

In March 2001, the Department of Education's (DOE) Charter School Office developed a Recommended Fiscal Policies and Procedure Guide to provide charter schools with a resource of recommended fiscal policies and procedures, which states, in part:

*Most of the Charter School are component units of the Commonwealth of Massachusetts. . . .As such, the accounting policies and financial reporting adopted should be consistent with a special purpose governmental unit, that operated as a business activity. . . .*

*Accounting Policies. The accounting policies and financial reporting adopted are consistent with the special purpose governmental unit requirements of the (GASB), including Statement of Governmental Accounting Standards No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB is recognized standard setting body for establishing governmental accounting and financial reporting principals. . . .*

*Basis of Presentation. The accounts of the Charter School are organized on a basis of Business-type Activity, which is considered to be a separate accounting entity. The operations of the fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenue and expenditures. . . .*

Although DOE's guidelines say that most charter schools are component units of the Commonwealth, there is some ambiguity relative to this issue. For example, officials from the Office of the State Comptroller (OSC) disagreed with DOE's position and stated that in their opinion, charter schools are not component units of the Commonwealth because they do not meet the criteria of Governmental Accounting Standards Board (GASB) 39, Determining Whether Certain Organizations Are Component Units, and therefore the school's financial reports are not included in the Commonwealth's financial statements. During our review of charter school financial statements, we noted that charter schools used four different financial reporting models when preparing their financial statements, as follows:

- Organizations engaged in business-type activities (DOE-recommended method) – used by 38 schools
- Organizations engaged in government-type activities – used by six schools

- Organizations engaged in both business and government-type activities – used by one school
- Organizations operating as a nonprofit organization – used by three schools

The various reporting models used by charter schools, in some instances, limited the ability for effective comparisons to be made between certain charter school account balances. For example, the first three of the reporting models listed above identify the amount of the organization's net asset balances that is invested in fixed assets (e.g., furniture and equipment) and therefore not available for use. However, the fourth model (organizations operating as a nonprofit organization) does not disclose this information in its presentation of net assets.

Also, in June 1999, GASB issued GASB 34, which establishes reporting requirements for state and local governments on long-term capital investments (including infrastructure) and accounting. GASB 34 calls for state and local governments to do the following:

- Calculate the original cost of infrastructure constructed or improved during the 20-year period prior to the statement's issuance date in the annual financial reports.
- Choose to report how much of the estimated original cost has been "used up" or depreciated in the intervening years or, if they meet certain requirements, report as expense the cost to maintain and renew that infrastructure on an annual basis.
- Ensure that all new infrastructure is either depreciated or has its maintenance requirements accounted for.

Although the effective date of the implementation of this pronouncement by governmental organizations, including charter schools, varies depending on their revenue, most charter schools would not have to implement GASB 34 until after June 15, 2003. Despite this, we found that 36 of the 45 charter schools that identified themselves as a government-type (as opposed to a nonprofit) entity had implemented GASB 34 and reported in this manner as of June 30, 2003, while the remaining nine charter schools had not yet implemented this pronouncement. The three charter schools that identified themselves as nonprofit organizations would not be required to implement GASB 34.

The implementation of GASB 34 by these 36 charter schools created problems with our analysis. First, given the change in reporting requirements of GASB 34 (e.g., long-term capital investment costs), in some cases it was difficult to compare the results of operations between charter schools. This is because those who had implemented GASB 34 included the costs of their long-term capital investments (e.g., buildings) and their associated depreciation expenses in their financial statements, whereas many of those who had not implemented GASB 34 expensed capital items when purchased and may not have included a fixed asset account in their financial statements. Also, unless charter schools that had implemented GASB 34 during fiscal year 2003 restated their fiscal year 2002 financial information to account for the reporting changes imposed by GASB 34, it was difficult to make reasonable year-to-year comparisons of these charter schools.

Finally, for two schools--the Roxbury Preparatory Charter School and the City on a Hill Charter High School--the 2003 financial statements included financial information about component units (e.g., a foundation) of the school that were not included in the schools' 2002 financial statements. Consequently, in these two instances, our ability to compare the financial information on a year-to-year basis was limited.

Based on the limitations we encountered during our review of these financial statements, we believe DOE should consider establishing more specific guidelines as to what reporting model charter schools should use in preparing their financial statements.

**b. Revenue Sources Not Always Segregated**

We noted that several of the charter schools did not segregate state revenue from non-state revenue in their financial reports. As a result, in certain cases our ability to assess the effect that non-state revenue (e.g., federal funds) that charter schools received may have had on their net income (surplus revenues) was limited.

**c. Varying Lengths of Operation**

As of June 30, 2003, the charter schools involved in our review had been in operation for varying lengths of time ranging from one to nine years, as detailed below:

| School Name   | Year School Began | Years in Operation |
|---|-------------------|--------------------|
| Abby Kelley Foster Regional Charter School                | 1998              | 5                  |
| Academy of Strategic Learning Charter School              | 2001              | 2                  |
| Academy of the Pacific Rim Charter School                 | 1995              | 8                  |
| Atlantis Charter School                                   | 1995              | 8                  |
| Barnstable Grade Five Horace Mann Charter School          | 1999              | 4                  |
| Benjamin Banneker Charter School                          | 2001              | 2                  |
| Benjamin Franklin Classical Charter School                | 1995              | 8                  |
| Boston Evening Academy Charter School                     | 1998              | 5                  |
| Boston Renaissance Charter Public School                  | 1995              | 8                  |
| Cape Cod Lighthouse Charter School                        | 1994              | 9                  |
| Champion Charter School of Brockton                       | 1999              | 4                  |
| City on a Hill Charter High School                        | 1995              | 8                  |
| Codman Academy Charter School                             | 2002              | 1                  |
| College Preparatory Charter School                        | 2002              | 1                  |
| Community Day Charter School                              | 1995              | 8                  |
| Conservatory Lab Charter School                           | 1998              | 5                  |
| Edward Brooke Charter School                              | 2001              | 2                  |
| Framingham Community Charter School                       | 2001              | 2                  |
| Francis W. Parker Charter Essential School                | 1994              | 9                  |
| Frederick Douglass Charter School                         | 2000              | 3                  |
| Health Careers Academy Charter School                     | 1998              | 5                  |
| Lawrence Family Development Charter School                | 1995              | 8                  |
| Lowell Community Charter School                           | 2000              | 3                  |
| Lowell Middlesex Academy Charter School                   | 1994              | 9                  |
| Marblehead Community Charter School                       | 1995              | 8                  |
| Martha's Vineyard Public Charter School                   | 1995              | 8                  |
| Media and Technology Charter High School                  | 1999              | 4                  |
| Murdoch Middle School                                     | 1996              | 7                  |
| Mystic Valley Regional Charter School                     | 1998              | 5                  |
| Neighborhood House Charter School                         | 1995              | 8                  |
| New Bedford Global Learning Charter School                | 2002              | 1                  |
| North Central Regional Charter Essential School           | 2002              | 1                  |
| Pioneer Valley Performing Arts Charter High School        | 1996              | 7                  |
| Prospect Hill Academy Charter School                      | 1996              | 7                  |
| Rising Tide Charter School                                | 1998              | 5                  |
| River Valley Charter School                               | 1999              | 4                  |
| Robert M. Hughes Academy Charter School                   | 1999              | 4                  |
| Roxbury Charter High School                               | 2002              | 1                  |
| Roxbury Preparatory Charter School                        | 1999              | 4                  |
| Sabis Foxborough Regional Charter School                  | 1998              | 5                  |
| Sabis International Charter School                        | 1995              | 8                  |
| Seven Hills Charter School                                | 2001              | 2                  |
| Smith Leadership Academy Charter School                   | 2002              | 1                  |
| South Boston Harbor Academy Charter School                | 1998              | 5                  |
| South Shore Charter School                                | 2000              | 3                  |
| Sturgis Charter School                                    | 1998              | 5                  |
| Uphams Corner Charter School                              | 2002              | 1                  |
| Western Massachusetts Hilltown Cooperative Charter School | 1994              | 9                  |

Since a charter school's net asset fund balance is a cumulative figure (i.e., this figure shows the cumulative net income or surplus revenue that the charter school has accumulated since it has been operating), it could be misleading to compare the net asset balances of charter

schools that have only been operating for short periods of time (e.g., 12 have been operating for two years or less as of June 30, 2003) and have not had the opportunity to accumulate significant net asset balances to those schools that have been operating for longer periods. Consequently, when reviewing the information in this report, it is important to consider both the length of time the charter schools have been operating when assessing such financial information as their net asset fund balances and the impact this figure had on the calculation of the averages and other financial calculations presented in this report.

**d. Financial Statements Were Not Used in Conjunction with Other Information**

As we did not review each charter school's individual financial records or operational activities, we therefore cannot comment on the reasons for any surplus or negative net asset balances that may have been realized by the charter schools during the given accounting periods. Although we can draw general conclusions about the financial activities of the charter schools in our review, it is not possible to determine such things as the reasonableness of the amount of funding being provided to specific charter schools by the Commonwealth without conducting on-site audits of each charter school. Factors such as student demographics (e.g., number of special education versus regular education students), staffing patterns, and other financial and operational activities, which are unique to each charter school, are not necessarily disclosed in charter school financial statements. These factors and activities would need to be examined in order to reach conclusions about the appropriateness of the amount of state funding being provided to these schools.

***Net Asset Balances and Changes in Net Assets or Net Income Reported by Charter Schools Is Generally Positive***

Based on our analysis, we found that 32 of the 39 charter schools that reported 2002 data had net income during this fiscal year. The total net income for these 32 schools ranged from \$2,456 to \$2,026,549, with an average of \$463,391. On average, the net income realized by these 32 charter schools during this fiscal year represented approximately 12% of their total revenue. In contrast, six charter schools had a net loss for fiscal year 2002. The total net loss for these six schools ranged from \$21,222 to \$225,143, with an average of \$88,716. For fiscal year 2003, we found that 38 of the 48 charter schools had net income during this fiscal year. The total net income for these 38 schools ranged from \$4,159 to \$1,037,799, with an average of \$254,239. In

contrast, nine of the charter schools had a net loss for fiscal year 2003. The net loss realized by these nine schools ranged from \$1,785 to \$307,442, with an average of \$116,394. One charter school, the Sabis Foxborough Regional Charter School had operating losses for fiscal years 2002 and 2003. However, a related party organization, Foxborough Educational Systems, LLC, reduced their management fee by the amount of the losses to the extent that the school operated on a break even basis.

Concerning net assets of charter schools, as of June 30, 2003, cumulative net assets of the 47 charter schools was \$54,975,231, with an average balance of \$1,169,686. Since many charter schools have portions of their net asset salaries invested in fixed assets, these amounts are not available for use by the school. By reducing asset balances by these amounts, the average net asset balance available is \$844,631.

A summary of our review in this area appears in the following tables:

| Charter School                               | Net Assets Balance |             | Net Income  |             | Increase<br>(Decrease)<br>in Net Income |
|--|--------------------|-------------|-------------|-------------|---|
|  | 2003               | 2002        | 2003        | 2002        |   |
| Abby Kelley Foster Regional Charter School   | \$4,731,674        | \$3,866,437 | \$865,237   | \$1,873,679 | \$(1,008,442)                           |
| Academy of the Pacific Rim Charter School    | \$1,641,953        | \$1,612,985 | \$28,968    | \$616,134   | \$(587,166)                             |
| Academy of Strategic Learning Charter School | \$65,778           | \$40,945    | \$24,833    | \$40,935    | \$(16,102)                              |
| Atlantis Charter School                      | \$3,894,607        | \$2,856,828 | \$1,037,779 | \$213,598   | \$824,181                               |
| Barnstable Grade Five Charter School         | \$1,050,975        | \$984,175   | \$66,800    | \$314,657   | \$(247,857)                             |
| Benjamin Banneker Charter School             | \$2,085,980        | \$1,699,425 | \$386,555   | \$442,860   | \$(56,305)                              |
| Benjamin Franklin Classical Charter School   | \$1,235,987        | \$1,423,863 | \$(187,876) | \$207,529   | \$(395,405)                             |
| Boston Evening Academy Charter School**      | \$557,175          | \$501,346   | \$55,829    | NP          | N/A                                     |
| Boston Renaissance Charter School            | \$1,098,203        | \$1,300,209 | \$(202,006) | \$428,115   | \$(630,121)                             |
| Cape Cod Lighthouse Charter School           | \$539,156          | \$528,185   | \$10,971    | \$123,517   | \$(112,546)                             |
| Champion Charter School of Brockton          | \$22,380           | \$60,826    | \$(38,446)  | \$(21,222)  | \$(17,224)                              |
| City on a Hill Charter High School           | \$569,133          | \$876,575   | \$(307,442) | RC          | N/A                                     |
| Codman Academy Charter School                | \$545,120          | \$384,321   | \$160,799   | \$384,321   | \$(223,522)                             |
| College Preparatory Charter School           | \$4,159            | N/A         | \$4,159     | N/A         | N/A                                     |
| Community Day Charter School                 | \$1,680,400        | \$1,387,468 | \$292,932   | \$351,217   | \$(58,285)                              |
| Conservatory Lab Charter School              | \$808,063          | \$511,711   | \$296,352   | \$(225,143) | \$521,495                               |

| Charter School                                    | Net Assets Balance |             | Net Income   |              | Increase<br>(Decrease)<br>in Net Income |
|---|--------------------|-------------|--------------|--------------|---|
|   | 2003               | 2002        | 2003         | 2002         |   |
| Edward Brooke Charter School                      | \$360,002          | \$18,784    | \$341,218    | N/A          | N/A                                     |
| Framingham Community Charter School               | \$269,093          | \$(25,035)  | \$294,128    | \$(25,035)   | \$319,163                               |
| Francis W. Parker Charter School                  | \$1,348,408        | \$1,126,838 | \$221,570    | \$140,884    | \$80,686                                |
| Frederick Douglass Charter School                 | \$304,566          | \$231,307   | \$73,259     | \$(88,926)   | \$162,185                               |
| Health Careers Academy Charter School**           | \$219,740          | \$209,313   | \$10,427     | \$181,874    | \$(171,447)                             |
| Lawrence Family Development Charter School        | \$895,909          | \$549,587   | \$346,322    | \$114,872    | \$231,450                               |
| Lowell Community Charter School                   | \$796,938          | \$554,131   | \$242,807    | \$396,814    | \$(154,007)                             |
| Lowell Middlesex Academy Charter School           | \$303,177          | \$349,655   | \$(46,478)   | \$78,509     | \$(124,987)                             |
| Marblehead Community Charter School               | \$311,326          | \$318,523   | \$(7,197)    | \$(130,902)  | \$123,705                               |
| Martha's Vineyard Charter School                  | \$1,113,581        | \$943,417   | \$170,164    | \$458,360    | \$(288,196)                             |
| Media and Technology Charter High School          | \$2,990,901        | \$2,087,752 | \$903,149    | \$1,158,618  | \$(255,469)                             |
| Murdoch Middle Charter School                     | \$660,540          | \$484,273   | \$176,267*** | \$166,517*** | \$9,750                                 |
| Mystic Valley Regional Charter School             | \$5,760,595        | \$5,033,556 | \$727,039    | \$2,026,549  | \$(1,299,510)                           |
| Neighborhood House Charter School                 | \$1,638,763        | \$1,522,110 | \$116,653    | \$331,849    | \$(215,196)                             |
| New Bedford Global Learning Charter School**      | \$137,306          | \$25,558    | \$111,748    | \$25,558     | \$86,190                                |
| North Central Charter School                      | \$193,948          | \$6,612     | \$187,336    | N/A          | N/A                                     |
| Pioneer Valley Performing Arts Charter School     | \$645,790          | \$396,669   | \$249,121    | \$13,369     | \$235,752                               |
| Prospect Hill Academy Charter School              | \$2,632,286        | \$1,980,093 | \$*652,193   | \$1,458,888  | \$(806,695)                             |
| Rising Tide Charter School                        | \$177,875          | \$104,865   | \$73,010     | \$(41,067)   | \$114,077                               |
| River Valley Charter School                       | \$822,467          | \$726,688   | \$95,779     | \$96,653     | \$(874)                                 |
| Robert M. Hughes Academy Charter School           | \$516,036          | \$715,340   | \$(199,304)  | \$182,394    | \$(381,698)                             |
| Roxbury Charter High School                       | \$(1,785)          | -           | \$(1,785)    | N/A          | N/A                                     |
| Roxbury Preparatory Charter School                | \$2,763,032        | \$2,461,765 | \$301,267    | RC           | N/A                                     |
| Sabis Foxborough Regional Charter School*         | -                  | -           | -            | -            | -                                       |
| Sabis International Charter School*               | \$2,782,109        | \$2,617,099 | \$165,010    | \$1,856,815  | \$(1,691,805)                           |
| Seven Hills Charter School                        | \$1,331,961        | \$1,208,955 | \$123,006    | \$211,037    | \$(88,031)                              |
| Smith Leadership Academy Charter School           | \$22,145           | \$1,215     | \$20,930     | N/A          | N/A                                     |
| South Boston Harbor Academy Charter School        | \$1,861,393        | \$1,792,493 | \$68,900     | \$107,310    | \$(38,410)                              |
| South Shore Charter School.                       | \$1,470,082        | \$1,392,380 | \$77,702     | \$512,233    | \$(434,531)                             |
| Sturgis Charter School                            | \$1,379,698        | \$1,023,622 | \$356,076    | \$408,314    | \$(52,238)                              |
| Uphams Corner Charter School                      | \$324,797          | -           | \$324,797    | N/A          | N/A                                     |
| Western Mass. Hilltown Cooperative Charter School | \$411,809          | 468,822     | \$(57,013)   | \$2,465      | \$(59,478)                              |

N/A = Not applicable since the school was not in operation in 2002

N/P = Information not provided by charter school

RC = Reporting entity change

\*The net income of this charter school is not retained by the school but rather is paid to its management company.

\*\*Horace Mann Charter School

\*\*\*Operating transfers to purchase fixed assets have been capitalized for this presentation, and the amounts are included in the Net Assets Balance figures.

It is important to note that not all of the charter school net asset balances presented in our report represent funds that are available for use by the school. Many charter schools (all but eight) have portions of their net asset balances invested in fixed assets (e.g., furnishings and equipment items), and therefore these amounts are not available for use by the school. (See Appendix A.)

For charter schools to remain fiscally solvent, sufficient funding needs to be available over and above their annual operating costs in order to properly capitalize their operations. In order to assess the reasonableness of the amounts of surplus revenues being generated and retained by charter schools for these purposes, we identified the amount of surplus revenue that the Commonwealth allows nonprofit human service organization doing business with the Commonwealth to retain. In making this comparison, we recognized that the operational and financial aspects of nonprofit human service providers and charter schools differ and that therefore a direct comparison of charter school's operations to this criterion may not be reasonable. Consequently, we used the state's Operational Services Division's (OSD) regulations merely as a benchmark to determine whether the net income and net assets that charter schools are realizing are at least what the Commonwealth allows nonprofit human service providers to realize to properly capitalize their operations.

OSD, the state agency responsible for regulating and overseeing human service agencies that contract with the Commonwealth, has established the following surplus revenue retention provision in its regulations, 808 Code of Massachusetts Regulations (CMR) 1.03(7):

*Not-for-Profit Contractor Surplus Revenue Retention. If, through cost savings initiatives implemented consistent with programmatic and contractual obligations, a non-profit Contractor accrues an annual net surplus from the revenues and expenses associated with services provided to Departments which are subject to 808 CMR 1.00, the Contractor may retain, for future use, a portion of that surplus not to exceed 5% of said revenues. . . . Surpluses may be used by the Contractor for any of its established charitable purposes, provided that no portion of the surplus may be used for any non-*

*reimbursable cost set forth in 808 CMR 1.05, the free care prohibition excepted. DPS shall be responsible for determining the amount of surplus that may be retained by each Contractor in any given year and may determine whether any excess surplus shall be used to reduce future prices or be recouped.*

According to OSD guidelines, the purpose of this regulation is to encourage providers to expend surplus funds, attributable to Commonwealth agreements, on services to consumers and to allow providers reasonable and acceptable possibilities for increased capitalization. OSD's policy applies to specific revenue (i.e., state contract revenue) and not the human service provider's total revenue, which could include revenue from non-state sources such as donations. However, for our analysis we used each charter school's total revenue figures because a number of the charter schools did not segregate their total state revenue from their other sources of revenues and none of the financial statements or notes provided a surplus account solely attributable to state funding.

Our analysis revealed that for fiscal year 2003, 38 of the 48 charter schools reported net income as opposed to a net loss. The total net income reported by these 38 charter schools ranged from \$4,159 to \$1,037,779, with the average being \$254,239. Twenty-four of the 38 charter schools that reported net income had a net income equal or greater than 5% of their total revenue, ranging from 5% to 24%, with an average of 11.3%.

The table that follows summarizes our work for fiscal year 2003:

| Charter School                                | Net Income 2003 | Total Revenue 2003 | Percent of Net Income to Total Revenue |
|---|-----------------|--------------------|--|
| Abby Kelley Foster Regional Charter School    | \$865,237       | \$7,751,146        | 11%                                    |
| Academy of the Pacific Rim Charter School     | \$28,968        | \$3,557,480        | 1%                                     |
| Academy of Strategic Learning Charter School* | \$24,833        | \$467,083          | 5%                                     |
| Atlantis Charter School                       | \$1,037,779     | \$5,986,602        | 17%                                    |
| Barnstable Grade Five Charter School*         | \$66,800        | \$4,095,853        | 2%                                     |
| Benjamin Banneker Charter School              | \$386,555       | \$4,523,968        | 9%                                     |
| Benjamin Franklin Classical Charter School    | \$(187,876)     | \$2,749,347        | N/A                                    |
| Boston Evening Academy Charter School*        | \$55,829        | \$1,748,016        | 3%                                     |
| Boston Renaissance Charter School             | \$(202,006)     | \$13,885,443       | N/A                                    |
| Cape Cod Lighthouse Charter School            | \$10,971        | \$1,746,590        | 1%                                     |
| Champion Charter School of Brockton           | \$(38,446)      | \$752,284          | N/A                                    |
| City on a Hill Charter High School            | \$(307,442)     | \$3,928,897        | N/A                                    |

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| Charter School                                | Net Income 2003 | Total Revenue 2003 | Percent of Net Income to Total Revenue |
|---|-----------------|--------------------|--|
| Codman Academy Charter School                 | \$160,799       | \$931,949          | 17%                                    |
| College Preparatory Charter School            | \$4,159         | \$206,452          | 2%                                     |
| Community Day Charter School                  | \$292,932       | \$3,587,943        | 8%                                     |
| Conservatory Lab Charter School               | \$296,352       | \$2,636,339        | 11%                                    |
| Edward Brooke Charter School                  | \$341,218       | \$1,402,070        | 24%                                    |
| Framingham Community Charter School           | \$294,128       | \$1,789,141        | 16%                                    |
| Francis W. Parker Charter School              | \$221,570       | \$3,287,064        | 7%                                     |
| Frederick Douglass Charter School             | \$73,259        | \$2,224,075        | 3%                                     |
| Health Careers Academy Charter School*        | \$10,429        | \$2,442,207        | .4%                                    |
| Lawrence Family Development Charter School    | \$346,322       | \$5,482,326        | 6%                                     |
| Lowell Community Charter School               | \$242,807       | \$4,541,564        | 5%                                     |
| Lowell Middlesex Academy Charter School       | \$(46,478)      | \$997,528          | N/A                                    |
| Marblehead Community Charter School           | \$(7,197)       | \$1,751,140        | N/A                                    |
| Martha's Vineyard Charter School              | \$170,164       | \$2,475,133        | 7%                                     |
| Media and Technology Charter High School      | \$903,149       | \$5,260,698        | 17%                                    |
| Murdoch Middle Charter School                 | \$176,267       | \$2,202,602        | 8%                                     |
| Mystic Valley Regional Charter School         | \$727,039       | \$8,015,212        | 9%                                     |
| Neighborhood House Charter School             | \$116,653       | \$3,490,842        | 3%                                     |
| New Bedford Global Learning Charter School*   | \$111,748       | \$1,974,034        | 6%                                     |
| North Central Charter School                  | \$187,336       | \$2,183,695        | 9%                                     |
| Pioneer Valley Performing Arts Charter School | \$249,121       | \$2,888,325        | 9%                                     |
| Prospect Hill Academy Charter School          | \$652,193       | \$7,561,500        | 9%                                     |
| Rising Tide Charter School                    | \$73,010        | \$1,875,882        | 4%                                     |
| River Valley Charter School                   | \$95,779        | \$2,342,090        | 4%                                     |
| Robert M. Hughes Academy Charter School       | \$(199,304)     | \$1,811,302        | N/A                                    |
| Roxbury Charter High School                   | \$(1,785)       | \$178,160          | N/A                                    |
| Roxbury Preparatory Charter School            | \$301,267       | \$2,601,160        | 12%                                    |
| Sabis Foxborough Regional Charter School      | -               | \$5,809,719        | N/A                                    |
| Sabis International Charter School            | \$165,010       | \$11,570,735       | 1%                                     |
| Seven Hills Charter School                    | \$123,006       | \$6,663,015        | 2%                                     |
| Smith Leadership Academy Charter School       | \$20,930        | \$185,676          | 11%                                    |
| South Boston Harbor Academy Charter School    | \$68,900        | \$3,421,057        | 2%                                     |
| South Shore Charter School                    | \$77,702        | \$3,004,835        | 3%                                     |
| Sturgis Charter School                        | \$356,076       | \$2,443,443        | 15%                                    |

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| Charter School                                    | Net Income 2003 | Total Revenue 2003 | Percent of Net Income to Total Revenue |
|---|-----------------|--------------------|--|
| Uphams Corner Charter School                      | \$324,797       | \$1,360,658        | 24%                                    |
| Western Mass. Hilltown Cooperative Charter School | \$(57,013)      | \$1,196,480        | N/A                                    |

\*Horace Mann Charter School

N/A=Charter School had a net loss in 2003

### ***Results of our Ratio Analysis Indicate Overall Financial Strength at Most Charter Schools***

We calculated certain financial ratios and found that in most cases, charter schools are in good financial health. Specifically, we noted the following:

- **Current Ratio** – The higher the current ratio number, the more likely an entity is able meet its short-term obligations. For fiscal year 2002, this ratio ranged from a low of .4 to a high of 22.2, with an average of 4.7. For fiscal year 2003, this ratio ranged from .2 to a high of 68.3, with an average of 7.1. The increase in the year-to-year average current ratio for charter schools is also one indicator of improving fiscal strength in the charter school system.
- **Profit Margin** - The higher the profit margin ratio, the higher the school's net income is in relation to its total income indicating a more efficient use of its revenue. During fiscal year 2002, for those schools for which we had financial information, six schools incurred a loss and did not have a profit margin. Profit margins for those schools that realized net income during fiscal year 2002 ranged from .1% to 38%, with an average of 11.82%. For fiscal year 2003, eight of the schools for which we had financial information incurred a loss and did not have a profit margin. Profit margins for those schools that realized net income for this period ranged from .4% to 24%, with an average of 9.8%.
- **Return on Assets (ROA)** - This measures a school's ability to earn a return on its assets. The higher the ratio the better, since it measures a school's net income in relation to the total net assets it had to generate this net income. For fiscal year 2002, charter school ROAs ranged from a low of .5% to a high of 91%, with an average of 24%. For fiscal year 2003, charter school ROAs ranged from a low of 1% to a high of 105%, with an average of approximately 19%.
- **Debt to Equity** - This ratio measures the amount of debt charter schools have relative to their net asset balances. The lower the number (e.g., less than one) the better, since this indicates that the school has sufficient net assets to meet its long-term debt obligations. As previously noted in this report, since many charter schools have been operating for a relatively short period of time, the range of results we got when we calculated this ratio varied significantly. Specifically, during fiscal year 2002 this ratio ranged between 1% and 781%, with an average of 129%. For 2003, this ratio ranges from 1% to 6,124%, with an average of 400%.

The table that follows summarizes our work in this area.

| Charter School                                | Current Ratio |      | Percent Profit Margin |      | Percent Return on Assets |      | Percent Debt to Equity |      |
|---|---------------|------|-----------------------|------|--------------------------|------|------------------------|------|
|   | 2003          | 2002 | 2003                  | 2002 | 2003                     | 2002 | 2003                   | 2002 |
| Abby Kelley Foster Regional Charter School    | 6.7           | 5.2  | 11%                   | 25%  | 16%                      | 37%  | 18%                    | 29%  |
| Academy of the Pacific Rim Charter School     | 2.1           | 2.5  | 1%                    | 17%  | 1%                       | 29%  | 29%                    | 30%  |
| Academy of Strategic Learning Charter School* | 7.0           | .9   | 5%                    | 9%   | 36%                      | 36%  | 4%                     | 175% |
| Atlantis Charter School                       | 6.0           | 5.8  | 17%                   | 4%   | 23%                      | 6%   | 18%                    | 17%  |
| Barnstable Grade Five Charter School*         | 2.3           | 12.9 | 2%                    | 9%   | 4%                       | 27%  | 75%                    | 9%   |
| Benjamin Banneker Charter School              | 4.1           | 2.7  | 9%                    | 9%   | 15%                      | 20%  | 22%                    | 32%  |
| Benjamin Franklin Classical Charter School    | 8.1           | 11.0 | N/A                   | 7%   | N/A                      | 11%  | 14%                    | 10%  |
| Boston Evening Academy Charter School*        | 14.0          | NP   | 3%                    | NP   | 9%                       | NP   | 6%                     | NP   |
| Boston Renaissance Charter School**           | 2.7           | 2.2  | N/A                   | 3%   | 105%                     | .6%  | 2,746%                 | 781% |
| Cape Cod Lighthouse Charter School            | 3.6           | 2.6  | .6%                   | 8%   | 2%                       | 16%  | 30%                    | 46%  |
| Champion Charter School of Brockton           | .9            | 2.6  | N/A                   | N/A  | N/A                      | N/A  | 128%                   | 18%  |
| City on a Hill Charter High School**          | 1.6           | 1.5  | N/A                   | N/A  | N/A                      | N/A  | 117%                   | 217% |
| Codman Academy Charter School                 | 10.0          | 5.5  | 17%                   | 38%  | 28%                      | 91%  | 7%                     | 9%   |
| College Preparatory Charter School            | 1.0           | N/A  | 2%                    | N/A  | 2%                       | N/A  | 4,727%                 | N/A  |
| Community Day Charter School                  | 4.3           | 6.0  | 8%                    | 11%  | 15%                      | 23%  | 14%                    | 10%  |
| Conservatory Lab Charter School               | 2.3           | 3.9  | 11%                   | N/A  | 27%                      | N/A  | 24%                    | 29%  |
| Edward Brooke Charter School                  | 6.9           | N/A  | 24%                   | N/A  | 83%                      | N/A  | 14%                    | N/A  |
| Framingham Comm. Charter School               | .9            | .8   | 16%                   | N/A  | 27%                      | N/A  | 303%                   | N/A  |
| Francis W. Parker Charter School**            | 15.7          | 14.6 | 7%                    | 5%   | 16%                      | 11%  | 6%                     | 7%   |
| Frederick Douglass Charter School**           | 2.8           | 1.5  | 3%                    | N/A  | 18%                      | N/A  | 34%                    | 205% |
| Health Careers Academy Charter School*        | 7.0           | 5.5  | .4%                   | 8%   | 4%                       | 73%  | 15%                    | 20%  |
| Lawrence Family Development Charter School    | 2.5           | 2.0  | 6%                    | 2%   | 24%                      | 10%  | 64%                    | 101% |
| Lowell Community Charter School               | 2.3           | .6   | 5%                    | 11%  | 9%                       | 27%  | 226%                   | 169% |
| Lowell Middlesex Academy Charter School       | 12.0          | 7.3  | N/A                   | 8%   | N/A                      | 20%  | 8%                     | 14%  |
| Marblehead Community Charter School           | 68.3          | 9.3  | N/A                   | N/A  | N/A                      | N/A  | 1%                     | 13%  |
| Martha's Vineyard Charter School              | 57.6          | 22.2 | 7%                    | N/A  | 15%                      | 46%  | 2%                     | 5%   |
| Media and Technology Charter High School      | 4.0           | 4.1  | 17%                   | 36%  | 5%                       | 8%   | 499%                   | 708% |
| Murdoch Middle Charter School                 | 1.3           | .9   | 8%                    | 9%   | 5%                       | 6%   | 6,124%                 | 910% |
| Mystic Valley Regional Charter School         | 9.4           | 8.3  | 9%                    | 26%  | 12%                      | 32%  | 8%                     | 24%  |
| Neighborhood House Charter School             | 2.7           | 1.7  | 3%                    | 10%  | 6%                       | 15%  | 26%                    | 50%  |

| Charter School                                   | Current Ratio |      | Percent Profit Margin |      | Percent Return on Assets |      | Percent Debt to Equity |      |
|--|---------------|------|-----------------------|------|--------------------------|------|------------------------|------|
|  | 2003          | 2002 | 2003                  | 2002 | 2003                     | 2002 | 2003                   | 2002 |
| New Bedford Global Learning Charter School*      | .2            | .8   | 6%                    | 13%  | 9%                       | 32%  | 781%                   | 217% |
| North Central Charter School                     | 1.0           | N/A  | 9%                    | N/A  | 22%                      | N/A  | 349%                   | N/A  |
| Pioneer Valley Performing Arts Charter School    | 2.1           | 3.2  | 9%                    | .1%  | 21%                      | .6%  | 88%                    | 46%  |
| Prospect Hill Academy Charter School             | 3.0           | 2.5  | 9%                    | 20%  | 15%                      | 48%  | 44%                    | 54%  |
| Rising Tide Charter School                       | .8            | .4   | 4%                    | N/A  | 9%                       | N/A  | 363%                   | 458% |
| River Valley Charter School                      | 3.8           | 3.1  | 4%                    | 5%   | 10%                      | 11%  | 18%                    | 19%  |
| Robert M. Hughes Academy Charter School          | 1.7           | 4.3  | N/A                   | 11%  | N/A                      | 11%  | 227%                   | 134% |
| Roxbury Charter High School                      | 1.0           | N/A  | N/A                   | N/A  | N/A                      | N/A  | N/A                    | N/A  |
| Roxbury Preparatory Charter School**             | 7.2           | 2.1  | 12%                   | 14%  | 10%                      | 25%  | 7%                     | 91%  |
| Sabis Foxborough Regional Charter School         | 1.0           | .9   | N/A                   | N/A  | N/A                      | N/A  | N/A                    | N/A  |
| Sabis International Charter School               | 1.3           | 1.2  | 1%                    | 15%  | 6%                       | 45%  | 66%                    | 130% |
| Seven Hills Charter School                       | 18.4          | 1.7  | 2%                    | 3%   | 9%                       | 7%   | 6%                     | 153% |
| Smith Leadership Academy Charter School          | 1.0           | N/A  | 11%                   | N/A  | 8%                       | N/A  | 1,041%                 | N/A  |
| South Boston Harbor Academy Charter School       | 6.1           | 7.6  | 2%                    | 4%   | 3%                       | 5%   | 16%                    | 13%  |
| South Shore Charter School                       | 6.5           | 8.1  | 3%                    | 16%  | 4%                       | 31%  | 22%                    | 19%  |
| Sturgis Charter School                           | 2.4           | 1.4  | 15%                   | 17%  | 20%                      | 24%  | 31%                    | 63%  |
| Uphams Corner Charter School                     | 4.9           | N/A  | 24%                   | N/A  | 82%                      | N/A  | 22%                    | N/A  |
| Western Mass Hilltown Cooperative Charter School | 6.1           | 11.2 | N/A                   | .2%  | N/A                      | .5%  | 14%                    | 7%   |

N/A = Not applicable since the charter school was not in operation or had no profits in the year indicated

NP= Information not provided by Charter School

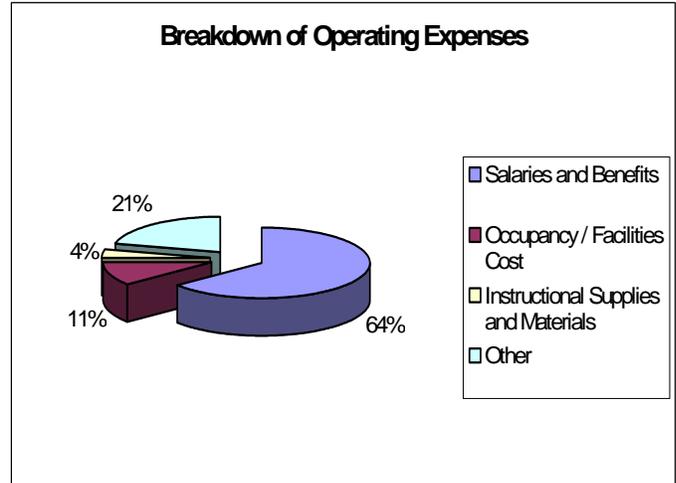
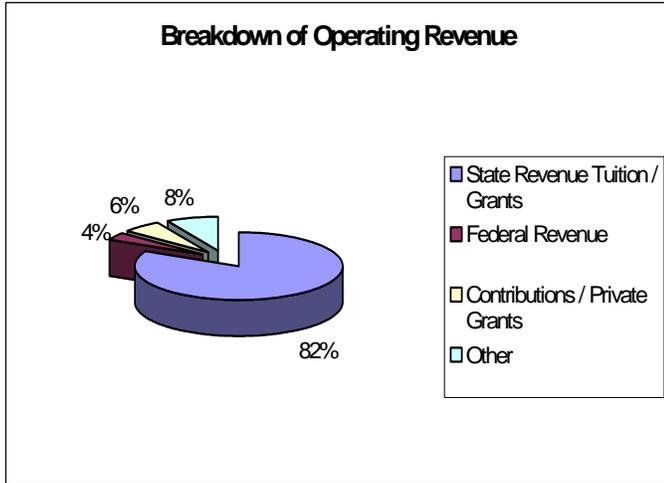
\*= Horace Mann Charter School

\*\* = Calculations were based on 2002 financial statements, and the balances used in these calculations may have been restated to comply with GASB 34 during fiscal year 2003

**Revenue and Operating Expenses**

Appendices E and F show major categories of revenue and spending for each charter school.

The following charts show statewide charter school averages in revenue and spending categories:



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**APPENDIX A**
**Charter School Net Asset Summary  
June 30, 2003**

| Charter School                                       | Net Asset<br>Balance | Net Asset Balance<br>In Fixed Assets | Net Asset Balance<br>Available |
|--|----------------------|--------------------------------------|--------------------------------|
| Abby Kelley Foster Regional Charter School           | \$4,731,674          | \$1,974,421                          | \$2,757,253                    |
| Academy of the Pacific Rim Charter School            | \$1,641,953          | \$1,201,622                          | \$440,331                      |
| Academy of Strategic Learning Charter School         | \$65,778             | \$45,933                             | \$19,845                       |
| Atlantis Charter School                              | \$3,894,607          | \$313,531                            | \$3,581,076                    |
| Barnstable Grade Five Horace Mann Charter School (1) | \$1,050,975          | -                                    | \$1,050,975                    |
| Benjamin Banneker Charter School                     | \$2,085,980          | \$674,379                            | \$1,411,601                    |
| Benjamin Franklin Classical Charter School (1)       | \$1,235,987          | -                                    | \$1,235,987                    |
| Boston Evening Academy Charter School                | \$557,175            | \$93,856                             | \$463,319                      |
| Boston Renaissance Charter Public School             | \$1,098,203          | -                                    | \$1,098,203                    |
| Cape Cod Lighthouse Charter School                   | \$539,156            | \$113,229                            | \$425,927                      |
| Champion Charter School of Brockton (1)              | \$22,380             | \$25,000                             | \$(2,620)                      |
| City on a Hill Charter High School                   | \$569,133            | \$183,470                            | \$385,663                      |
| Codman Academy Charter School                        | \$545,120            | \$231,220                            | \$313,900                      |
| College Preparatory Charter School                   | \$4,159              | \$3,999                              | \$160                          |
| Community Day Charter School                         | \$1,680,400          | \$7,270                              | \$1,673,130                    |
| Conservatory Lab Charter School (1)                  | \$808,063            | -                                    | \$808,063                      |
| Edward Brooke Charter School                         | \$360,002            | \$72,959                             | \$287,043                      |
| Framingham Comm. Unity Charter School                | \$269,093            | \$370,540                            | \$(101,447)                    |
| Francis W. Parker Essential Charter School           | \$1,348,408          | \$237,977                            | \$1,110,431                    |
| Frederick Douglass Charter School                    | \$304,566            | \$117,088                            | \$187,478                      |
| Health Careers Academy Charter School                | \$219,740            | \$19,124                             | \$200,616                      |
| Lawrence Family Development Charter School (1)       | \$895,909            | \$17,998                             | \$877,911                      |
| Lowell Community Charter School                      | \$796,938            | \$982,717                            | \$(185,779)                    |
| Lowell Middlesex Academy Charter School              | \$303,177            | -                                    | \$303,177                      |
| Marblehead Community Charter School (1)              | \$311,326            | -                                    | \$311,326                      |
| Martha's Vineyard Public Charter School (1)          | \$1,113,581          | -                                    | \$1,113,581                    |
| Media and Technology Charter High School             | \$2,990,901          | \$302,269                            | \$2,688,632                    |
| Murdoch Middle Charter School (1)                    | \$660,540            | \$615,378                            | \$45,162                       |
| Mystic Valley Regional Charter School                | \$5,760,595          | \$1,317,652                          | \$4,442,943                    |
| Neighborhood House Charter School (1)                | \$1,638,763          | \$896,683                            | \$742,080                      |
| New Bedford Global Learning Charter School           | \$137,306            | \$204,847                            | \$(67,541)                     |

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| Charter School                                    | Net Asset<br>Balance | Net Asset Balance<br>In Fixed Assets | Net Asset Balance<br>Available |
|---|----------------------|--------------------------------------|--------------------------------|
| North Central Regional Charter Essential School   | \$193,948            | \$154,983                            | \$38,965                       |
| Pioneer Valley Performing Arts Charter School (1) | \$645,790            | \$365,874                            | \$279,916                      |
| Prospect Hill Academy Charter School              | \$2,632,286          | \$502,035                            | \$2,130,251                    |
| Rising Tide Charter School                        | \$177,875            | \$229,206                            | \$(51,331)                     |
| River Valley Charter School (1)                   | \$822,467            | \$373,012                            | \$449,455                      |
| Robert M. Hughes Academy Charter School           | \$516,036            | \$219,485                            | \$296,551                      |
| Roxbury Charter High School                       | \$(1,785)            | -                                    | \$(1,785)                      |
| Roxbury Preparatory Charter School                | \$2,763,032          | \$1,641,311                          | \$1,121,721                    |
| Sabis Foxborough Regional Charter School          | -                    | -                                    | -                              |
| Sabis International Charter School                | \$2,782,109          | \$270,278                            | \$2,511,831                    |
| Seven Hills Charter School (1)                    | \$1,331,961          | -                                    | \$1,331,961                    |
| Smith Leadership Academy Charter School           | \$22,145             | \$12,936                             | \$9,209                        |
| South Boston Harbor Academy Charter School        | \$1,861,393          | \$239,167                            | \$1,622,226                    |
| South Shore Charter School                        | \$1,470,082          | \$177,558                            | \$1,292,524                    |
| Sturgis Charter School                            | \$1,379,698          | \$916,591                            | \$463,107                      |
| Uphams Corner Charter School                      | \$324,797            | \$37,213                             | \$287,584                      |
| Western Mass, Hilltown Cooperative Charter School | <u>\$411,809</u>     | <u>\$114,743</u>                     | <u>\$297,066</u>               |
|   | <u>\$54,975,231</u>  | <u>\$15,277,554</u>                  | <u>\$39,697,677</u>            |

(1) School had not implemented GASB 34

**APPENDIX B****Charter School Estimated Enrollment  
2004-2005 School Year**

| <b>Commonwealth Charter Schools</b>              | <b>Location</b> | <b>Grades Served</b> | <b>Pre-Enrollment Total</b> | <b>Students on the Waiting List</b> |
|--|-----------------|----------------------|-----------------------------|-------------------------------------|
| Abby Kelley Foster Regional Charter School       | Worcester       | K-11                 | 1,161                       | 20                                  |
| Academy Of the Pacific Rim Charter School        | Boston          | 06-12                | 350                         | 484                                 |
| Atlantis Charter School                          | Fall River      | K-08                 | 700                         | 200                                 |
| Benjamin Banneker Charter School                 | Cambridge       | K-08                 | 363                         | 494                                 |
| Benjamin Franklin Classical Charter School       | Franklin        | K-08                 | 411                         | 157                                 |
| Berkshire Arts & Technology Charter School       | North Adams     | 06-09                | 88                          | 27                                  |
| Boston Preparatory Charter School                | Roxbury         | 06                   | 110                         | 64                                  |
| Boston Renaissance Charter School                | Boston          | K-08                 | 1,458                       | 1,695                               |
| Cape Cod Lighthouse Charter School               | Orleans         | 06-08                | 180                         | 72                                  |
| City On A Hill Charter School                    | Boston          | 09-12                | 250                         | 317                                 |
| Codman Academy Charter School                    | Boston          | 09-12                | 120                         | 43                                  |
| Community Day Charter School                     | Lawrence        | K-08                 | 306                         | 755                                 |
| Conservatory Lab Charter School                  | Boston          | K-05                 | 132                         | 357                                 |
| Edward Brooke Charter School                     | Boston          | 05-07                | 240                         | 101                                 |
| Excel Academy Charter School                     | East Boston     | 06-07                | 200                         | 27                                  |
| Four Rivers Charter School                       | Greenfield      | 07-09                | 102                         | 52                                  |
| Foxboro Regional Charter School                  | Foxboro         | K-12                 | 1,018                       | -                                   |
| Framingham Community Charter School              | Framingham      | 06-08                | 306                         | 8                                   |
| Francis W. Parker Charter School                 | Devens          | 07-12                | 382                         | 201                                 |
| Frederick Douglass Charter School                | Boston          | 06-10                | 343                         | 93                                  |
| Hill View Montessori Charter School of Haverhill | Haverhill       | K-03                 | 122                         | 110                                 |
| Hilltown Cooperative Charter School              | Williamsburg    | K-08                 | 154                         | 108                                 |
| Holyoke Community Charter School                 | Holyoke         | K-07                 | 624                         | 25                                  |
| Kipp Academy Lynn Charter School                 | Lynn            | 05                   | 80                          | 7                                   |
| Lawrence Family Development Charter School       | Lawrence        | K-08                 | 533                         | 219                                 |
| Lowell Community Charter School                  | Lowell          | K-07                 | 651                         | 44                                  |
| Lowell Middlesex Academy Charter School          | Lowell          | 09-12                | 120                         | -                                   |
| Marblehead Community Charter School              | Marblehead      | 04-08                | 220                         | 114                                 |
| Martha's Vineyard Charter School                 | West Tisbury    | K-12                 | 177                         | 91                                  |
| Media and Technology Charter School              | Boston          | 09-12                | 196                         | 300                                 |
| Murdoch Middle Public Charter School             | Chelmsford      | 05-08                | 285                         | -                                   |

| Commonwealth Charter Schools                  | Location      | Grades Served | Pre-Enrollment Total | Students on the Waiting List |
|---|---------------|---------------|----------------------|------------------------------|
| Neighborhood House Charter School             | Boston        | PK-08         | 242                  | 2,021                        |
| North Central Charter Essential School        | Fitchburg     | 07-12         | 370                  | -                            |
| Pioneer Valley Performing Arts Charter School | Hadley        | 07-12         | 400                  | 109                          |
| Prospect Hill Academy Charter School          | Somerville    | K-12          | 842                  | 172                          |
| Rising Tide Charter School                    | Plymouth      | 05-08         | 260                  | 38                           |
| River Valley Charter School                   | Newburyport   | K-08          | 288                  | 196                          |
| Robert M. Hughes Academy Charter School       | Springfield   | K-08          | 180                  | 150                          |
| Roxbury Charter High School                   | Boston        | 09-10         | 175                  | 118                          |
| Roxbury Preparatory Charter School            | Boston        | 06-08         | 201                  | 70                           |
| Sabis International Charter School            | Springfield   | K-12          | 1,374                | 3,019                        |
| Salem Academy Charter School                  | Salem         | 06-07         | 88                   | 86                           |
| Seven Hills Charter School                    | Worcester     | K-08          | 658                  | 214                          |
| Smith Academy Leadership Charter School       | Boston        | 06-07         | 174                  | -                            |
| South Boston Harbor Academy Charter School    | Boston        | 05-12         | 370                  | 773                          |
| South Shore Charter School                    | Hull          | K-12          | 468                  | 215                          |
| Sturgis Charter School                        | Barnstable    | 09-12         | 379                  | 56                           |
| Uphams Corner Charter School                  | Boston        | 05-07         | <u>160</u>           | <u>17</u>                    |
| Total Commonwealth Enrollment                 |               |               | <u>18,011</u>        | <u>13,439</u>                |
| Academy of Strategic Learning Charter School  | Amesbury      | 07-12         | 45                   | 5                            |
| Barnstable Grade Five Charter School          | Barnstable    | 05-06         | 961                  | -                            |
| Boston Evening Academy Charter School         | Boston        | 09-12         | 205                  | 50                           |
| Champion Charter School                       | Brockton      | 09-12         | 81                   | -                            |
| Health Careers Academy Charter School         | Boston        | 09-12         | 207                  | 295                          |
| Marston Mills East Horace Mann Charter School | Marston Mills | K-04          | 355                  | -                            |
| New Bedford Global Learning Charter School    | New Bedford   | 05-09         | 121                  | 32                           |
| New Leadership Charter School                 | Springfield   | 06-12         | <u>130</u>           | <u>-</u>                     |
| Total Horace Mann Enrollment                  |               |               | <u>2,105</u>         | <u>382</u>                   |
| Total Charter School Enrollment               |               |               | <u>20,116</u>        | <u>13,821</u>                |

\*Information extracted from DOE Website and amended as necessary.

## APPENDIX C

### Projected Fiscal Year 2004 Charter School Tuition Rates by Local Education Agencies\*

| District    | Fiscal Year 2004<br>Projected Rate | District         | Fiscal Year 2004<br>Projected Rate | District    | Fiscal Year 2004<br>Projected Rate |
|-------------|------------------------------------|------------------|------------------------------------|-------------|------------------------------------|
| Abington    | \$6,374                            | Brockton         | \$8,199                            | Edgartown   | \$14,402                           |
| Acton       | \$6,296                            | Brookfield       | \$8,450                            | Erving      | \$18,926                           |
| Acushnet    | \$6,371                            | Brookline        | \$10,544                           | Everett     | \$7,655                            |
| Agawam      | \$7,232                            | Burlington       | \$8,705                            | Fairhaven   | \$6,725                            |
| Amesbury    | \$7,103                            | Cambridge        | \$16,010                           | Fall River  | \$8,123                            |
| Amherst     | \$10,622                           | Canton           | \$8,100                            | Falmouth    | \$7,822                            |
| Andover     | \$8,482                            | Carlisle         | \$8,444                            | Fitchburg   | \$7,569                            |
| Arlington   | \$8,141                            | Carver           | \$7,304                            | Florida     | \$8,636                            |
| Ashland     | \$7,295                            | Chatham          | \$10,513                           | Foxborough  | \$7,675                            |
| Attleboro   | \$7,027                            | Chelmsford       | \$6,778                            | Frammingham | \$9,186                            |
| Auburn      | \$6,997                            | Chelsea          | \$8,817                            | Franklin    | \$6,500                            |
| Avon        | \$8,334                            | Chicopee         | \$7,012                            | Freetown    | \$7,134                            |
| Ayer        | \$7,742                            | Clarksburg       | \$7,076                            | Gardner     | \$6,525                            |
| Barnstable  | \$7,977                            | Clinton          | \$7,336                            | Georgetown  | \$6,796                            |
| Bedford     | \$10,229                           | Cohasset         | \$8,395                            | Gloucester  | \$7,437                            |
| Belchertown | \$7,100                            | Concord          | \$10,707                           | Grafton     | \$7,058                            |
| Bellingham  | \$6,817                            | Conway           | \$9,859                            | Granby      | \$5,824                            |
| Belmont     | \$7,548                            | Danvers          | \$7,357                            | Granville   | \$7,939                            |
| Berkley     | \$6,711                            | Dartmouth        | \$6,738                            | Greenfield  | \$8,103                            |
| Berlin      | \$9,359                            | Dedham           | \$9,010                            | Hadley      | \$8,074                            |
| Beverly     | \$8,295                            | Deerfield        | \$8,025                            | Halifax     | \$7,016                            |
| Billerica   | \$6,610                            | Douglas          | \$6,675                            | Hancock     | \$9,203                            |
| Boston      | \$9,506                            | Dover            | \$9,973                            | Hanover     | \$7,271                            |
| Bourne      | \$7,501                            | Dracut           | \$6,292                            | Harvard     | \$6,582                            |
| Boxborough  | \$7,974                            | Duxbury          | \$6,962                            | Harwich     | \$10,130                           |
| Boxford     | \$7,272                            | East Bridgewater | \$6,705                            | Hatfield    | \$7,347                            |
| Boylston    | \$6,919                            | Eastham          | \$12,108                           | Haverhill   | \$6,924                            |
| Braintree   | \$7,450                            | Easthampton      | \$7,354                            | Hingham     | \$7,111                            |
| Brewster    | \$10,240                           | East Longmeadow  | \$7,832                            | Holbrook    | \$6,797                            |
| Brimfield   | \$7,463                            | Easton           | \$6,118                            | Holland     | \$7,555                            |
| Holliston   | \$7,695                            | Maynard          | \$8,141                            | Orange      | \$8,186                            |

| District     | Fiscal Year 2004<br>Projected Rate | District           | Fiscal Year 2004<br>Projected Rate | District          | Fiscal Year 2004<br>Projected Rate |
|--------------|------------------------------------|--------------------|------------------------------------|-------------------|------------------------------------|
| Holyoke      | \$8,091                            | Medfield           | \$6,816                            | Orleans           | \$14,336                           |
| Hopedale     | \$8,172                            | Medford            | \$9,034                            | Oxford            | \$6,599                            |
| Hopkinton    | \$8,156                            | Medway             | \$6,283                            | Palmer            | \$7,052                            |
| Hudson       | \$7,704                            | Melrose            | \$7,325                            | Peabody           | \$7,455                            |
| Hull         | \$7,776                            | Methuen            | \$7,060                            | Pelham            | \$10,988                           |
| Ipswich      | \$6,676                            | Middleborough      | \$6,326                            | Pembroke          | \$6,300                            |
| Kingston     | \$5,722                            | Middleton          | \$7,593                            | Petersham         | -                                  |
| Lakeville    | \$5,726                            | Milford            | \$7,191                            | Pittsfield        | \$7,568                            |
| Lanesborough | \$7,722                            | Millbury           | \$6,654                            | Plainville        | \$7,287                            |
| Lawrence     | \$8,523                            | Millis             | \$7,257                            | Plymouth          | \$7,006                            |
| Lee          | \$9,796                            | Milton             | \$7,814                            | Plympton          | \$6,887                            |
| Leicester    | \$6,515                            | Monson             | \$6,250                            | Provincetown      | \$16,864                           |
| Lenox        | \$11,464                           | Nahant             | \$9,058                            | Quincy            | \$7,602                            |
| Leominster   | \$6,804                            | Nantucket          | \$16,469                           | Randolph          | \$7,022                            |
| Leverett     | \$11,318                           | Natick             | \$8,685                            | Reading           | \$7,308                            |
| Lexington    | \$9,881                            | Needham            | \$8,978                            | Revere            | \$7,649                            |
| Lincoln      | \$11,525                           | New Bedford        | \$7,685                            | Richmond          | \$8,644                            |
| Littleton    | \$7,872                            | Newburyport        | \$8,110                            | Rochester         | \$7,038                            |
| Longmeadow   | \$7,074                            | Newton             | \$10,859                           | Rockland          | \$6,681                            |
| Lowell       | \$8,081                            | Norfolk            | \$8,148                            | Rockport          | \$8,242                            |
| Ludlow       | \$6,639                            | North Adams        | \$7,722                            | Rowe              | \$24,519                           |
| Lunenburg    | \$6,854                            | Northampton        | \$7,297                            | Salem             | \$8,054                            |
| Lynn         | \$8,697                            | North Andover      | \$7,280                            | Sandwich          | \$6,908                            |
| Lynnfield    | \$6,721                            | North Attleborough | \$7,322                            | Saugus            | \$6,754                            |
| Malden       | \$7,878                            | Northborough       | \$6,904                            | Savoy             | \$10,813                           |
| Mansfield    | \$6,409                            | Northbridge        | \$6,838                            | Scituate          | \$6,400                            |
| Marblehead   | \$8,303                            | North Brookfield   | \$6,950                            | Seekonk           | \$7,875                            |
| Marion       | \$8,025                            | North Reading      | \$6,840                            | Sharon            | \$8,802                            |
| Marlborough  | \$8,532                            | Norton             | \$6,122                            | Sherborn          | \$10,331                           |
| Marshfield   | \$7,150                            | Norwell            | \$7,671                            | Shirley           | \$7,265                            |
| Mashpee      | \$7,101                            | Norwood            | \$7,906                            | Shrewsbury        | \$6,909                            |
| Mattapoisett | \$7,982                            | Oak Bluffs         | \$12,773                           | Shutesbury        | \$11,011                           |
| Somerset     | \$8,410                            | Wellfleet          | \$15,565                           | Central Berkshire | \$7,179                            |

| District     | Fiscal Year 2004<br>Projected Rate | District                   | Fiscal Year 2004<br>Projected Rate | District            | Fiscal Year 2004<br>Projected Rate |
|--------------|------------------------------------|----------------------------|------------------------------------|---------------------|------------------------------------|
| Somerville   | \$10,951                           | Westborough                | \$8,734                            | Chesterfield Goshen | \$7,143                            |
| Southampton  | \$6,511                            | West Boylston              | \$7,433                            | Concord Carlisle    | \$10,193                           |
| Southborough | \$7,055                            | West Bridgewater           | \$7,945                            | Dennis Yarmouth     | \$8,085                            |
| Southbridge  | \$7,737                            | Westfield                  | \$7,878                            | Dighton Rehoboth    | \$6,145                            |
| South Hadley | \$7,380                            | Westford                   | \$7,064                            | Dover Sherborn      | \$10,948                           |
| Springfield  | \$7,816                            | Westhampton                | \$8,396                            | Dudley Charlton     | \$6,594                            |
| Stoneham     | \$7,214                            | Weston                     | \$11,369                           | Nauset              | \$8,568                            |
| Stoughton    | \$6,995                            | Westport                   | \$6,631                            | Farmington River    | \$11,715                           |
| Sturbridge   | \$8,198                            | West Springfield           | \$8,029                            | Freetown Lakeville  | \$7,536                            |
| Sudbury      | \$9,183                            | Westwood                   | \$9,834                            | Frontier            | \$10,338                           |
| Sunderland   | \$7,712                            | Weymouth                   | \$6,974                            | Gateway             | \$7,730                            |
| Sutton       | \$5,975                            | Whately                    | \$9,999                            | Groton Dunstable    | \$8,418                            |
| Swampscott   | \$8,009                            | Williamsburg               | \$8,842                            | Gill Montague       | \$8,790                            |
| Swansea      | \$6,886                            | Williamstown               | \$9,251                            | Hamilton Wenham     | \$7,778                            |
| Taunton      | \$6,674                            | Wilmington                 | \$7,084                            | Hampden Wilbraham   | \$6,665                            |
| Tewksbury    | \$6,507                            | Winchendon                 | \$6,361                            | Hampshire           | \$6,907                            |
| Tisbury      | \$14,468                           | Winchester                 | \$8,095                            | Hawlemont           | \$13,734                           |
| Topsfield    | \$6,675                            | Winthrop                   | \$7,339                            | King Philip         | \$6,979                            |
| Truro        | \$18,545                           | Woburn                     | \$9,078                            | Lincoln Sudbury     | \$10,463                           |
| Tyngsborough | \$7,144                            | Worcester                  | \$8,190                            | Manchester Essex    | \$10,092                           |
| Uxbridge     | \$7,434                            | Wrentham                   | \$6,727                            | Martha's Vineyard   | \$13,843                           |
| Wakefield    | \$7,972                            | Northampton Smith          | \$11,290                           | Masconomet          | \$9,548                            |
| Wales        | \$9,267                            | Acton Boxborough           | \$7,358                            | Mendon Upton        | \$5,805                            |
| Walpole      | \$7,133                            | Adams Cheshire             | \$7,815                            | Mount Greylock      | \$9,031                            |
| Waltham      | \$11,851                           | Amherst Pelham             | \$9,934                            | Mohawk Trail        | \$7,901                            |
| Ware         | \$7,729                            | Ashburnham-<br>Westminster | \$6,674                            | Narragansett        | \$6,463                            |
| Wareham      | \$6,824                            | Athol Royalston            | \$7,703                            | Nashoba             | \$7,989                            |
| Watertown    | \$11,346                           | Berkshire Hills            | \$10,051                           | New Salem Wendell   | \$9,647                            |
| Wayland      | \$8,802                            | Berlin Boylston            | \$7,790                            | Northboro Southboro | \$8,079                            |
| Webster      | \$7,381                            | Blackstone Millville       | \$6,529                            | North Middlesex     | \$6,661                            |
| Wellesley    | \$9,350                            | Bridgewater Raynham        | \$6,318                            | Old Rochester       | \$8,162                            |

\*Information extracted from DOE website.

-Information missing from DOE website.

## APPENDIX D

### Moody's Investor Services Methodology and Median Report on Charter Schools (July 2003)

The purpose of the Moody's report was to rate the credit-worthiness of debt issuances sold by charter schools across the country. The report provides specific information on 35 schools currently rated by Moody's.

We are presenting this information in our report to give a perspective on how charter schools are performing financially in other selected states. Some general conclusions in this report include:

- Moody's median rating for charter schools is "Baa3," which is significantly below the median ratings of "A2" for traditional private schools and "A3" (lower than "A2") for public schools. More than one-third of charter schools are rated below investment grade. The low rating reflects factors such as limited reserves and revenue raising capabilities, volatile enrollments, and limited business management experience.
- Relative to public schools, charter schools typically have lower overhead costs, higher overall teacher costs because of smaller class sizes, advertising costs associated with attracting students, and the need to raise capital since they are not given equipment or facilities.

Moody's uses the following factors in evaluating charter school credit worthiness: (1) service area demographics and enrollment trends; (2) management policies and fiscal planning and results; (3) security features including additional bond (debt) test and flow of funds; (4) oversight issues; and (5) charter renewal risk.

1. Service Area Demographics and Enrollment Trends. Because charter school funding is calculated on a per-pupil basis, there is a strong correlation between a school's enrollment level and fiscal solvency. The ability to reach enrollment levels to meet debt service and build reserves is critical. The smallest schools demonstrating investment-grade characteristics generally have a minimum enrollment of between 300 and 500 students, with median enrollment of stand-alone investment grade charter schools equaling a much higher figure of 925 students. A school should be able to lose between 25 and 50 students with no significant impact on meeting debt service.
2. Management Policies and Fiscal Planning and Results. A well-established trend of favorable budget to actual results, strong finances with steadily increasing reserve levels, and well-established practices of multiyear forecasts and budgeting are features that Moody's looks for. The policies need to be institutionalized by a strong Board of Directors with fiscal and legal knowledge and that has developed transition plans, governance procedures, and member replacement policies. Additionally, because charter

schools typically begin operations with small financial reserves, consistent growth in reserves is necessary to ensure financial flexibility and preparedness for one-time capital needs enrollment declines or unforeseen expenses.

3. Security Features Supporting Charter School Debt. Key elements include: limitations on issuing additional debt, required debt service reserves and working capital requirements, pledged assets and reserves equal to related debt (i.e., loan to value), and the ability of the bond trustee to intercept payments from the state before they are sent to the charter school.
4. Charter School Oversight. In Moody's opinion, a cooperative relationship between the charter school and chartering entity is a critical component in meeting the challenges faced by charter schools because oversight entities can often provide critical guidance and resources especially during the early year of operation. Evidence suggests a national charter school failure rate of 5%. Oversight should be proactive, clearly defined, and with the authority to review operating procedures/fiscal policies with the ability to provide personnel and financial resources to a charter school that runs into temporary academic, fiscal, or management hurdles.
5. Charter Renewal Risk. Because school charters are generally for three to five years and bond issues tend to have a duration of 20 to 30 years, charter renewal is a fundamental credit risk. Therefore, charter renewal criteria should be clearly delineated and provide for an appeal process or transfer of the charter to another sponsor. Political support is another factor that must be evaluated. California, Arizona, Colorado, Texas, Florida, Minnesota, and Michigan are among those states that Moody's views as demonstrating strongest support. Colorado is the only state with a provision for 30-year charters, and Arizona has 15-year charter approvals that include five-year incremental reviews.

The following table summarizes information used by Moody's to evaluate the 35 schools in its report. Nearly all the debt issuances by the charter schools in this report were used to purchase land, construct new facilities, rehabilitate existing structures, or refinance existing debt.

The table shows a median surplus (fund balance or net assets) of \$228,899 representing 12.10% of revenue (median). Moody's did not establish any surplus benchmarks but likes reserves that are steadily increasing. Sixteen schools had surplus amounts of over \$250,000. It would appear these reserves would be much larger without the interest expense generated by the large debt levels.

| Name                               | Date Opened | General Fund Balance | General Fund Balance As % of Revenues | Debt Outstanding ('000) | No. of Students (FTE) Fall 2002 | Waitlist | State Capital Assistance* |
|------------------------------------|-------------|----------------------|---------------------------------------|-------------------------|---------------------------------|----------|---------------------------|
| <b>Colorado</b>                    |             |                      |                                       |                         |                                 |          |                           |
| Bromley East                       | 2001        | \$195,802            | 5.8%                                  | \$11,870                | 927                             | -        | Yes                       |
| Cherry Creek Academy               | 1995        | \$308,857            | 13.0%                                 | \$4,110                 | 449                             | 900      | Yes                       |
| Classical Academy                  | 1997        | \$191,279            | 3.3%                                  | \$19,600                | 1630                            | 4500     | Yes                       |
| Collegiate Academy                 | 1994        | -\$41,605            | -1.4%                                 | \$6,780                 | 543                             | 129      | Yes                       |
| Frontier Academy                   | 1996        | \$469,944            | 14.8%                                 | \$15,830                | 654                             | 800      | Yes                       |
| Peak to Peak Charter School        | 1999        | \$329,894            | 7.6%                                  | \$18,320                | 991                             | 695      | Yes                       |
| Pinnacle Charter School            | 1997        | \$1,409,042          | 33.2%                                 | \$12,355                | 1183                            | -        | Yes                       |
| Platte River Academy               | 1997        | -                    | -                                     | \$6,620                 | 390                             | -        | Yes                       |
| The University Lab School          | 2002        | \$640,410            | 18.1%                                 | \$17,630                | 725                             | 800      | Yes                       |
| <b>Michigan</b>                    |             |                      |                                       |                         |                                 |          |                           |
| Black River Public Schools         | 1997        | \$107,000            | 4.3%                                  | \$5,700                 | 417                             | 10       | No                        |
| Detroit Academy of Arts & Sciences | 1996        | \$149,331            | 1.0%                                  | \$30,700                | 2,108                           | Small    | None                      |
| Sankofa Shule                      | 1997        | \$72,000             | 5.7%                                  | \$2,550                 | 195                             | -        | No                        |
| Summit Academy North               | 1998        | \$471,000            | 6.4%                                  | \$15,700                | 872                             | 250      | No                        |
| YMCA Service Learning Academy      | 1999        | \$81,628             | 1.1%                                  | \$12,100                | 1,084                           | 98       | None                      |
| <b>Minnesota</b>                   |             |                      |                                       |                         |                                 |          |                           |
| Community of Peace Academy         | 1995        | \$1,325,503          | 29.4%                                 | \$11,663                | 532                             | 117      | Yes                       |

| Name                                  | Date Opened | General Fund Balance            | General Fund Balance As % of Revenues | Debt Outstanding ('000) | No. of Students (FTE) Fall 2002 | Waitlist     | State Capital Assistance*                       |
|---------------------------------------|-------------|---------------------------------|---------------------------------------|-------------------------|---------------------------------|--------------|---|
| <b>Florida</b>                        |             |                                 |                                       |                         |                                 |              |   |
| Florida State University Schools, Inc | 1857        | \$562,000                       | 7.8%                                  | \$22,825                | 1,487                           | 255          | Yes<br>1 1/15 <sup>th</sup> of cost per student |
| <b>Texas</b>                          |             |                                 |                                       |                         |                                 |              |   |
| North Hills Charter School            | 1997        | \$973,000                       | 22.4%                                 | \$6,000                 | 853                             | 400          | Yes   |
| <b>Arizona</b>                        |             |                                 |                                       |                         |                                 |              |   |
|                                       |             | Unrestricted Net Assets FY 2002 | Unrestricted Assets % of Revenues     |                         |                                 |              |   |
| Tempe Prep. Academy                   | 1996        | -\$5,992                        | -0.4%                                 | \$2,170                 | 271                             | 100          | No  |
| Westwind Academy                      | 1998        | \$14,287                        | 0.7%                                  | \$3,811                 | 258                             | -            | No  |
| Omega Academy                         | 1997        | \$675,025                       | 20.3%                                 | \$7,664                 | 477                             | -            | No  |
| Foothills Academy                     | 1995        | -\$60,256                       | -5.0%                                 | \$4,450                 | 283                             | 30           | No  |
| American Heritage                     | 1998        | \$541,359                       | 45.1%                                 | \$3,240                 | 274                             | 30           | No  |
| Arizona Montessori                    | 1995        | \$140,969                       | 8.5%                                  | \$1,822                 | 278                             | Not Reported | No  |
| Challenge Charter School, Inc         | 1996        | -\$445,624                      | -15.7%                                | \$4,920                 | 549                             | 200          | No  |
| Young Scholars Academy                | 1996        | \$901,028                       | 51.8%                                 | \$4,460                 | 347                             | 500          | No  |
| Kingman Academy of Learning           | 1995        | \$884,504                       | 17.9%                                 | \$8,250                 | 1,036                           | 350          | No  |

| Name                            | Date Opened | General Fund<br>Balance | General Fund<br>Balance<br>As % of Revenues | Debt<br>Outstanding<br>('000) | No. of Students<br>(FTE) Fall 2002 | Waitlist | State Capital<br>Assistance* |
|---------------------------------|-------------|-------------------------|---|-------------------------------|------------------------------------|----------|------------------------------|
| International Studies Academy   | 1996        | \$183,363               | 12.6%                                       | \$2,685                       | 335                                | 406      | No                           |
| Stepping Stones Academy         | 1999        | -\$230,254              | -22.6%                                      | \$2,290                       | 175                                | 30       | No                           |
| Paramount Education             | 1998        | \$228,899               | 12.1%                                       | \$4,105                       | 407                                | -        | No                           |
| Academy with Community Partners | 2000        | \$153,919               | 12.2%                                       | \$3,165                       | 193                                | -        | No                           |
| Hearn                           | 1998        | \$722,732               | 28.0%                                       | \$4,595                       | 337                                | 14       | No                           |
| Dobson Academy                  | 1998        | \$1,225,444             | 44.0%                                       | \$4,470                       | 517                                | 123      | No                           |
| Valley Academy, Inc.            | 1995        | \$1,076,835             | 38.6%                                       | \$4,405                       | 547                                | 98       | No                           |
| New School for the Arts         | 1995        | \$16,130                | 0.9%  | \$5,425                       | 270                                | -        | No                           |
| Benchmark                       | 1999        | \$134,475               | 13.5%                                       | \$4,120                       | 225                                | 133      | No                           |
| <b>Median</b>                   |             | \$228,899               | 12.1%                                       | \$5,425                       | 517                                | 117      |                              |

\*In addition to per-pupil reimbursement

## APPENDIX E

### Charter School Summary of Significant Revenue Sources

#### Fiscal Year 2003

| Charter School                                       | Total Revenue | State Revenue<br>Tuition/Grants | % of Total<br>Revenue | Federal<br>Revenue | % of Total<br>Revenue | Contributions/<br>Private Grants | % of Total<br>Revenue | Other (1) | % of Total<br>Revenue |
|--|---------------|---------------------------------|-----------------------|--------------------|-----------------------|----------------------------------|-----------------------|-----------|-----------------------|
| Abby Kelley Foster Regional Charter School           | \$7,751,146   | \$7,183,258                     | 92.6%                 | \$331,546          | 4.3%                  | \$21,268                         | 0.3%                  | \$215,074 | 2.8%                  |
| Academy of the Pacific Rim Charter School            | \$3,557,480   | \$2,785,976                     | 78.3%                 | \$320,516          | 9.0%                  | \$413,004                        | 11.6%                 | \$37,984  | 1.1%                  |
| Academy of Strategic Learning Charter School         | \$467,083     | \$365,466                       | 78.2%                 | \$98,836           | 21.2%                 | \$2,781                          | 0.6%                  | -         | -                     |
| Atlantis Charter School                              | \$5,986,602   | \$5,220,013                     | 87.2%                 | \$531,914          | 8.9%                  | \$35,615                         | 0.6%                  | \$199,060 | 3.3%                  |
| Barnstable Grade Five Horace Mann Charter School (3) | \$4,095,853   | \$3,225,015                     | 78.7%                 | \$446,659          | 10.9%                 | -                                | -                     | \$424,179 | 10.4%                 |
| Benjamin Banneker Charter School                     | \$4,523,968   | \$4,367,887                     | 96.5%                 | -                  | -                     | \$55,575                         | 1.3%                  | \$100,506 | 2.2%                  |
| Benjamin Franklin Classical Charter School (3, 2)    | \$2,749,347   | \$2,467,128                     | 89.7%                 | -                  | -                     | -                                | -                     | \$282,219 | 10.3%                 |
| Boston Evening Academy Charter School                | \$1,748,016   | \$1,743,458                     | 99.7%                 | -                  | -                     | -                                | -                     | \$4,558   | 0.3%                  |
| Boston Renaissance Charter Public School (2)         | \$13,885,443  | \$13,066,800                    | 94.1%                 | -                  | -                     | -                                | -                     | \$818,643 | 5.9%                  |
| Cape Cod Lighthouse Charter School                   | \$1,746,590   | \$1,675,849                     | 95.9%                 | \$17,057           | 1.0%                  | \$18,419                         | 1.1%                  | \$35,265  | 2.0%                  |
| Champion Charter School of Brockton (3)              | \$752,284     | \$733,616                       | 97.5%                 | -                  | -                     | \$18,668                         | 2.5%                  | -         | -                     |
| City on a Hill Charter High School                   | \$3,928,897   | \$2,450,508                     | 62.4%                 | \$348,560          | 8.9%                  | \$1,088,524                      | 27.7%                 | \$41,305  | 1.0%                  |
| Codman Academy Charter School (2)                    | \$931,949     | \$567,132                       | 60.9%                 | -                  | -                     | \$85,050                         | 9.1%                  | \$279,767 | 30.0%                 |
| College Preparatory Charter School                   | \$206,452     | -                               | -                     | \$108,988          | 52.8%                 | \$96,969                         | 47.0%                 | \$495     | 0.2%                  |
| Community Day Charter School (2)                     | \$3,587,943   | \$2,695,973                     | 75.1%                 | -                  | -                     | \$259,893                        | 7.2%                  | \$632,077 | 17.7%                 |
| Conservatory Lab Charter School (3)                  | \$2,636,339   | \$1,148,311                     | 43.6%                 | \$80,797           | 3.0%                  | \$1,262,074                      | 47.9%                 | \$145,157 | 5.5%                  |
| Edward Brooke Charter School                         | \$1,402,070   | \$826,339                       | 58.9%                 | \$323,114          | 23.0%                 | \$239,758                        | 17.1%                 | \$12,859  | 1.0%                  |
| Framingham Comm. Unity Charter School                | \$1,789,141   | \$949,596                       | 53.1%                 | \$561,340          | 31.4%                 | \$88,353                         | 4.9%                  | \$189,852 | 10.6%                 |

| Charter School                                       | Total Revenue | State Revenue<br>Tuition/Grants | % of Total<br>Revenue | Federal<br>Revenue | % of Total<br>Revenue | Contributions/<br>Private Grants | % of Total<br>Revenue | Other (1)   | % of Total<br>Revenue |
|--|---------------|---------------------------------|-----------------------|--------------------|-----------------------|----------------------------------|-----------------------|-------------|-----------------------|
| Francis W. Parker Essential Charter School (2)       | \$3,287,064   | \$2,699,326                     | 82.1%                 | -                  | -                     | \$361,925                        | 11.0%                 | 225,813     | 6.9%                  |
| Frederick Douglass Charter School                    | \$2,224,075   | \$1,838,224                     | 82.6%                 | \$185,765          | 8.4%                  | \$182,125                        | 8.2%                  | \$17,961    | 0.8%                  |
| Health Careers Academy Charter School (2)            | \$2,442,207   | \$2,102,098                     | 86.1%                 | -                  | -                     | \$50,550                         | 2.1%                  | \$289,559   | 11.8%                 |
| Lawrence Family Development Charter School (3, 2)    | \$5,482,326   | \$4,518,992                     | 82.4%                 | -                  | -                     | \$75,650                         | 1.4%                  | \$887,684   | 16.2%                 |
| Lowell Community Charter School                      | \$4,541,564   | \$3,920,798                     | 86.3%                 | \$525,369          | 11.6%                 | \$40,000                         | 0.9%                  | \$55,397    | 1.2%                  |
| Lowell Middlesex Academy Charter School              | \$997,528     | \$938,904                       | 94.1%                 | -                  | -                     | \$49,762                         | 5.0%                  | \$8,862     | 0.9%                  |
| Marblehead Community Charter School (3, 2)           | \$1,751,140   | \$1,507,716                     | 86.1%                 | -                  | -                     | \$44,287                         | 2.5%                  | \$199,137   | 11.4%                 |
| Martha's Vineyard Public Charter School (3, 2)       | \$2,475,133   | \$2,272,185                     | 91.8%                 | -                  | -                     | -                                | -                     | \$202,948   | 8.2%                  |
| Media and Technology Charter High School             | \$5,260,698   | \$1,610,478                     | 30.6%                 | \$175,897          | 3.3%                  | \$2,415,666                      | 46.0%                 | \$1,058,657 | 20.1%                 |
| Murdoch Middle Charter School (3, 2)                 | \$2,202,602   | \$1,790,376                     | 81.3%                 | -                  | -                     | \$44,894                         | 2.0%                  | \$367,332   | 16.7%                 |
| Mystic Valley Regional Charter School                | \$8,015,212   | \$7,533,977                     | 94.0%                 | \$260,352          | 3.2%                  | -                                | -                     | \$220,883   | 2.8%                  |
| Neighborhood House Charter School (3, 2)             | \$3,490,842   | \$1,951,243                     | 55.9%                 | \$56,488           | 1.6%                  | \$1,045,759                      | 30.0%                 | \$437,352   | 12.5%                 |
| New Bedford Global Learning Charter School (2)       | \$1,974,034   | \$1,540,800                     | 78.0%                 | -                  | -                     | \$137,595                        | 7.0%                  | \$295,639   | 15.0%                 |
| North Central Regional Charter Essential School (2)  | \$2,183,695   | \$1,592,395                     | 72.0%                 | -                  | -                     | \$273,832                        | 12.5%                 | \$317,468   | 14.5%                 |
| Pioneer Valley Performing Arts Charter School (3, 2) | \$2,888,325   | \$2,341,681                     | 81.1%                 | -                  | -                     | \$178,828                        | 6.2%                  | \$367,816   | 12.7%                 |
| Prospect Hill Academy Charter School (2)             | \$7,561,500   | \$6,766,152                     | 89.5%                 | -                  | -                     | \$22,909                         | 0.3%                  | \$772,439   | 10.2%                 |
| Rising Tide Charter School                           | \$1,875,882   | \$1,735,118                     | 92.5%                 | \$54,957           | 2.9%                  | \$22,333                         | 1.2%                  | \$63,474    | 3.4%                  |
| River Valley Charter School (3)                      | \$2,342,090   | \$2,036,380                     | 87.0%                 | \$89,047           | 3.8%                  | \$98,402                         | 4.2%                  | \$118,261   | 5.0%                  |
| Robert M. Hughes Academy Charter School (2)          | \$1,811,302   | \$1,412,120                     | 78.0%                 | -                  | -                     | \$212,110                        | 11.7%                 | \$187,072   | 10.3%                 |
| Roxbury Charter High School                          | \$178,160     | -                               | -                     | \$165,249          | 92.7%                 | \$12,365                         | 7.0%                  | \$546       | 0.3%                  |
| Roxbury Preparatory Charter School (2)               | \$2,601,160   | \$1,647,592                     | 63.3%                 | -                  | -                     | \$492,042                        | 19.0%                 | \$461,526   | 17.7%                 |
| Sabis Foxborough Regional Charter School             | \$5,809,719   | \$5,446,302                     | 93.7%                 | \$117,491          | 2.0%                  | -                                | -                     | \$245,926   | 4.3%                  |

| Charter School                                       | Total Revenue        | State Revenue<br>Tuition/Grants | % of Total<br>Revenue | Federal<br>Revenue | % of Total<br>Revenue | Contributions/<br>Private Grants | % of Total<br>Revenue | Other (1)           | % of Total<br>Revenue |
|--|----------------------|---------------------------------|-----------------------|--------------------|-----------------------|----------------------------------|-----------------------|---------------------|-----------------------|
| Sabis International Charter School                   | \$11,570,735         | \$10,605,366                    | 91.6%                 | \$803,990          | 7.0%                  | -                                | -                     | \$161,379           | 1.4%                  |
| Seven Hills Charter School (3, 2)                    | \$6,663,015          | \$5,460,471                     | 82.0%                 | -                  | -                     | -                                | -                     | \$1,202,544         | 18.0%                 |
| Smith Leadership Academy Charter School              | \$185,676            | \$2,000                         | 1.1%                  | \$172,843          | 93.0%                 | \$5,138                          | 2.8%                  | \$5,695             | 3.1%                  |
| South Boston Harbor Academy Charter School<br>(2)    | \$3,421,057          | \$2,509,998                     | 73.4%                 | -                  | -                     | \$586,602                        | 17.2%                 | \$324,457           | 9.4%                  |
| South Shore Charter School (2)                       | \$3,004,835          | \$2,622,763                     | 87.3%                 | -                  | -                     | \$96,366                         | 3.2%                  | \$285,706           | 9.5%                  |
| Sturgis Charter School (2)                           | \$2,443,443          | \$2,306,389                     | 94.4%                 | -                  | -                     | \$7,605                          | 0.3%                  | \$129,449           | 5.3%                  |
| Uphams Corner Charter School (2)                     | \$1,360,658          | \$733,599                       | 53.9%                 | -                  | -                     | \$31,372                         | 2.3%                  | \$595,687           | 43.8%                 |
| Western Mass, Hilltown Cooperative Charter<br>School | <u>\$1,196,480</u>   | <u>\$1,091,977</u>              | 91.2%                 | <u>\$58,442</u>    | 4.9%                  | <u>\$34,790</u>                  | 2.9%                  | <u>\$11,271</u>     | 1.0%                  |
|  | <u>\$162,988,760</u> | <u>\$134,007,745</u>            | 82.2%                 | <u>\$5,835,217</u> | 3.6%                  | <u>\$10,208,858</u>              | 6.3%                  | <u>\$12,936,940</u> | 7.9%                  |

(1) Other sources of revenue could include such items as private grants, interest income, and food program revenue.

(2) School did not segregate state and federal grant revenues so they were included in "other" category.

(3) School had not implemented GASB 34

**APPENDIX F**  
**Charter School**  
**Summary of Significant Operating Expenses**  
**Fiscal Year 2003**

| Charter School                               | Total Operating Expenses | Salaries and Benefits | % of Operating Expenses | Occupancy / Facilities Costs | % of Operating Expenses | Instructional Supplies and Materials | % of Operating Expenses | Other Expenses** | % of Operating Expenses |
|--|--------------------------|-----------------------|-------------------------|------------------------------|-------------------------|--------------------------------------|-------------------------|------------------|-------------------------|
| Abby Kelley Foster Regional Charter School   | \$6,885,909              | \$4,282,023           | 62.1%                   | \$425,587                    | 6.2%                    | \$141,392                            | 2.1%                    | \$2,036,907      | 29.6%                   |
| Academy of the Pacific Rim Charter School    | \$3,528,512              | \$2,305,261           | 65.3%                   | \$439,394                    | 12.4%                   | \$101,678                            | 2.9%                    | \$682,179        | 19.4%                   |
| Academy of Strategic Learning Charter School | \$442,250                | \$298,466             | 67.5%                   | \$37,493                     | 8.5%                    | \$14,325                             | 3.2%                    | \$91,966         | 20.8%                   |
| Atlantis Charter School                      | \$4,948,823              | \$3,628,986           | 73.4%                   | \$320,526                    | 6.4%                    | \$142,340                            | 2.9%                    | \$856,971        | 17.3%                   |
| Barnstable Grade Five Charter School         | \$4,029,053              | \$2,568,254           | 63.7%                   | \$234,096                    | 5.8%                    | -                                    | -                       | \$1,226,703      | 30.5%                   |
| Benjamin Banneker Charter School             | \$4,137,413              | \$2,943,390           | 71.1%                   | \$388,038                    | 9.4%                    | \$247,192                            | 5.9%                    | \$558,793        | 13.6%                   |
| Benjamin Franklin Classical Charter School * | \$2,937,223              | \$2,650,188           | 90.2%                   | \$287,035                    | 9.8%                    | -                                    | -                       | -                | -                       |
| Boston Evening Academy Charter School        | \$1,666,616              | \$1,121,291           | 67.2%                   | -                            | -                       | \$87,609                             | 5.3%                    | \$457,716        | 27.5%                   |
| Boston Renaissance Charter Public School     | \$13,630,841             | \$8,768,115           | 64.4%                   | \$1,483,902                  | 10.9%                   | -                                    | -                       | \$3,378,824      | 24.7%                   |
| Cape Cod Lighthouse Charter School           | \$1,735,619              | \$1,095,753           | 63.1%                   | \$318,255                    | 18.3%                   | \$18,062                             | 1.1%                    | \$303,549        | 17.5%                   |

| Charter School                             | Total Operating Expenses | Salaries and Benefits | % of Operating Expenses | Occupancy / Facilities Costs | % of Operating Expenses | Instructional Supplies and Materials | % of Operating Expenses | Other Expenses** | % of Operating Expenses |
|--|--------------------------|-----------------------|-------------------------|------------------------------|-------------------------|--------------------------------------|-------------------------|------------------|-------------------------|
| Champion Charter School of Brockton        | \$790,730                | \$624,843             | 79.0%                   | \$78,000                     | 10.0%                   | \$28,435                             | 3.6%                    | \$59,452         | 7.4%                    |
| City on a Hill Charter High School         | \$3,526,563              | \$2,551,257           | 72.3%                   | \$266,568                    | 7.6%                    | \$50,239                             | 1.4%                    | \$658,499        | 18.7%                   |
| Codman Academy Charter School              | \$771,150                | \$383,601             | 49.7%                   | \$59,279                     | 7.7%                    | \$73,275                             | 9.5%                    | \$254,995        | 33.1%                   |
| College Preparatory Charter School         | \$202,293                | \$58,823              | 29.1%                   | \$2,974                      | 1.5%                    | -                                    | -                       | \$140,496        | 69.4%                   |
| Community Day Charter School               | \$3,295,011              | \$2,395,443           | 72.7%                   | \$261,414                    | 7.9%                    | \$64,492                             | 2.0%                    | \$573,662        | 17.4%                   |
| Conservatory Lab Charter School*           | \$2,339,987              | \$1,452,184           | 62.0%                   | \$188,970                    | 8.1%                    | \$49,226                             | 2.1%                    | \$649,607        | 27.8%                   |
| Edward Brooke Charter School               | \$1,060,852              | \$700,431             | 66.0%                   | \$120,000                    | 11.3%                   | \$24,059                             | 2.3%                    | \$216,362        | 20.4%                   |
| Framingham Community Charter School        | \$1,284,911              | \$732,092             | 57.0%                   | \$204,795                    | 15.9%                   | \$3,759                              | .3%                     | \$344,265        | 26.8%                   |
| Francis W. Parker Charter School           | \$3,065,494              | \$2,483,602           | 81.1%                   | \$71,596                     | 2.3%                    | \$16,680                             | .5                      | \$493,616        | 16.1%                   |
| Frederick Douglass Charter School          | \$2,150,816              | \$1,338,989           | 62.3%                   | \$338,860                    | 15.8%                   | \$35,783                             | 1.7%                    | \$437,184        | 20.2%                   |
| Health Careers Academy Charter School      | \$2,431,780              | \$1,869,732           | 76.9%                   | \$112,550                    | 4.6%                    | \$31,083                             | 1.3%                    | \$418,415        | 17.2%                   |
| Lawrence Family Development Charter School | \$5,136,004              | \$3,410,289           | 66.4%                   | \$467,779                    | 9.1%                    | \$150,226                            | 2.9%                    | \$1,107,710      | 21.6%                   |
| Lowell Community Charter School            | \$4,298,757              | \$2,589,065           | 60.2%                   | \$375,153                    | 8.7%                    | \$232,014                            | 5.4%                    | 1,102,525        | 25.7%                   |
| Lowell Middlesex Academy Charter School    | \$1,044,006              | \$611,496             | 58.6%                   | \$136,170                    | 13.0%                   | \$28,600                             | 2.8%                    | \$267,740        | 25.6%                   |

| Charter School                                | Total Operating Expenses | Salaries and Benefits | % of Operating Expenses | Occupancy / Facilities Costs | % of Operating Expenses | Instructional Supplies and Materials | % of Operating Expenses | Other Expenses** | % of Operating Expenses |
|---|--------------------------|-----------------------|-------------------------|------------------------------|-------------------------|--------------------------------------|-------------------------|------------------|-------------------------|
| Marblehead Community Charter School           | \$1,758,337              | \$1,220,358           | 69.4%                   | \$248,754                    | 14.1%                   | \$86,430                             | 4.9%                    | \$202,795        | 11.6%                   |
| Martha's Vineyard Charter School              | \$2,304,969              | \$1,117,152           | 48.4%                   | \$129,756                    | 5.7%                    | \$417,824                            | 18.1%                   | \$640,237        | 27.8%                   |
| Media and Technology Charter High School      | \$2,649,686              | \$1,210,919           | 45.8%                   | \$833,635                    | 31.3%                   | \$141,046                            | 5.3%                    | \$464,086        | 17.6%                   |
| Murdoch Middle Charter School*                | \$2,073,899              | \$1,687,000           | 81.3%                   | \$356,836                    | 17.2%                   | \$30,063                             | 1.5%                    | -                | -                       |
| Mystic Valley Regional Charter School         | \$7,288,173              | \$3,828,850           | 52.5%                   | \$486,496                    | 6.6%                    | \$217,976                            | 3.0%                    | \$2,754,851      | 37.9%                   |
| Neighborhood House Charter School             | \$3,374,189              | \$2,076,203           | 61.5%                   | \$149,230                    | 4.4%                    | \$88,814                             | 2.7%                    | \$1,059,942      | 31.4%                   |
| New Bedford Global Learning Charter School    | \$1,862,286              | \$1,075,275           | 57.7%                   | -                            | -                       | \$44,778                             | 2.4%                    | \$742,233        | 39.9%                   |
| North Central Charter School                  | \$1,996,359              | \$1,295,163           | 64.9%                   | \$268,414                    | 13.4%                   | \$139,191                            | 7.0%                    | \$293,591        | 14.7%                   |
| Pioneer Valley Performing Arts Charter School | \$2,639,204              | \$1,740,091           | 65.9%                   | \$298,350                    | 11.3%                   | \$104,933                            | 3.9%                    | \$495,830        | 18.9%                   |
| Prospect Hill Academy Charter School          | \$7,003,539              | \$4,975,238           | 71.1%                   | \$707,559                    | 10.2%                   | \$551,464                            | 7.8%                    | \$769,278        | 10.9%                   |
| Rising Tide Charter School                    | \$1,776,702              | \$1,080,464           | 60.9%                   | \$242,324                    | 13.6%                   | \$39,306                             | 2.2%                    | \$414,608        | 23.3%                   |
| River Valley Charter School                   | 2,246,311                | \$1,438,974           | 64.0%                   | \$332,988                    | 14.8%                   | 48,159                               | 2.1%                    | 426,190          | 19.1%                   |
| Robert M. Hughes Academy Charter School       | \$2,010,606              | \$1,141,992           | 56.8%                   | \$66,271                     | 3.2%                    | \$84,501                             | 4.2%                    | \$717,842        | 35.8%                   |
| Roxbury Charter High School                   | \$179,945                | \$67,815              | 37.7%                   | -                            | -                       | \$2,216                              | 1.3%                    | \$109,914        | 61.0%                   |
| Roxbury Preparatory Charter School            | \$2,258,239              | \$1,578,007           | 69.9%                   | \$200,836                    | 8.9%                    | \$229,904                            | 10.1%                   | \$249,492        | 11.1%                   |
| Sabis Foxborough Regional Charter School      | \$6,439,370              | \$3,564,069           | 55.4%                   | \$1,178,914                  | 18.3%                   | \$378,539                            | 5.9%                    | \$1,317,848      | 20.4%                   |

| Charter School                                    | Total Operating Expenses | Salaries and Benefits | % of Operating Expenses | Occupancy / Facilities Costs | % of Operating Expenses | Instructional Supplies and Materials | % of Operating Expenses | Other Expenses**    | % of Operating Expenses |
|---|--------------------------|-----------------------|-------------------------|------------------------------|-------------------------|--------------------------------------|-------------------------|---------------------|-------------------------|
| Sabis International Charter School                | \$11,397,116             | \$5,403,863           | 47.4%                   | \$1,994,977                  | 17.6%                   | \$683,311                            | 5.9%                    | \$3,314,965         | 29.1%                   |
| Seven Hills Charter School*                       | \$6,540,009              | \$4,825,362           | 73.8%                   | \$1,128,028                  | 17.3%                   | -                                    | -                       | \$586,619           | 8.9%                    |
| Smith Leadership Academy Charter School           | \$164,746                | \$82,569              | 50.1%                   | -                            | -                       | \$1,048                              | .7%                     | \$81,129            | 49.2%                   |
| South Boston Harbor Academy Charter School        | \$3,077,671              | \$2,001,884           | 65.0%                   | \$479,213                    | 15.6%                   | \$331,088                            | 10.7%                   | \$265,486           | 8.7%                    |
| South Shore Charter School                        | \$2,907,001              | \$2,127,057           | 73.1%                   | \$336,523                    | 11.6%                   | \$220,115                            | 7.6%                    | \$223,306           | 7.7%                    |
| Sturgis Charter School                            | \$2,087,367              | \$1,521,344           | 72.9%                   | \$186,850                    | 8.9%                    | \$59,968                             | 2.9%                    | \$319,205           | 15.3%                   |
| Uphams Corner Charter School                      | \$1,035,861              | \$605,525             | 58.4%                   | \$135,451                    | 13.1%                   | \$102,541                            | 9.9%                    | \$192,344           | 18.6%                   |
| Western Mass. Hilltown Cooperative Charter School | <u>\$1,253,493</u>       | <u>\$900,834</u>      | 71.9%                   | <u>\$118,125</u>             | 9.5%                    | <u>\$19,192</u>                      | 1.5%                    | <u>\$215,342</u>    | 17.1%                   |
|   | <u>\$151,665,691</u>     | <u>\$97,429,582</u>   | 64.2%                   | <u>\$16,497,964</u>          | 10.9%                   | <u>\$5,562,876</u>                   | 3.7%                    | <u>\$32,175,269</u> | 21.2%                   |

\* Schools had not implemented GASB 34, reported as engaged in a government type activity and did not necessarily disclose amounts expended on supplies or materials. Also, salaries and benefits totals include expenditures for special education services.

\*\* Other expenses include such items as; insurance, debt service, staff development, technical support expenditures, and travel.

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## APPENDIX G

### Glossary of Terms

Asset: Anything owned by an individual or a business, which has commercial or exchange value. Assets may consist of specific property or claims against others, in contrast to obligations due others.

Capital: In economics, capital can mean factories, machines, and other man-made inputs into a production process. In finance, capital is money and other property of a corporation or other enterprise used in transacting the business.

Capital Asset: A long-term asset that is not purchased or sold in the normal course of business. Generally, it includes fixed assets, e.g., land, buildings, furniture, equipment, fixtures and furniture.

Capital Budget: The estimated amount planned to be expended for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods. The capital budget, however, is limited to the expenditures that will be made within the fiscal year comparable to the related operating budgets.

Capital Employed: The value of the assets that contribute to a company's ability to generate revenue; i.e, fixed assets plus current assets minus current liabilities.

Capital Expenditure: The amount used during a particular period to acquire or improve long-term assets such as property, plant, or equipment.

Current Assets: Those assets of a company that are reasonably expected to be realized in cash, sold, or consumed during the normal operating cycle of the business (usually one year). Such assets include cash, accounts receivable and money due usually within one year, short-term investments, US government bonds, inventories, and prepaid expenses.

Current Liabilities: Liabilities to be paid within one year of the balance sheet date.

Current Ratio: A comparison of current assets to current liabilities is a commonly used measure of short-run solvency (i.e., the immediate ability of a firm to pay its current debts as they come due). Current Ratio is particularly important to a company thinking of borrowing money or getting credit from their suppliers. Potential creditors use this ratio to measure a company's liquidity or ability to pay off short-term debts. Though acceptable ratios may vary from industry to industry, below 1.00 is not atypical for high-quality companies with easy access to capital markets to finance unexpected cash requirements. Smaller companies, however, should have higher current ratios to meet unexpected cash requirements. The Current Ratio rule of thumb for small companies is 2:1, indicating the need for a level of safety in the ability to cover unforeseen cash needs from current assets. Current Ratio is best compared to the industry.

Debt to Equity: A measurement of the risk of a firm's capital structure in terms of amounts of capital contributed by creditors and that contributed by owners. It expresses the protection provided by owners for the creditors. In addition, a low Debt-to-Equity ratio implies ability to borrow. While using debt implies risk (required interest payments must be paid), it also introduces the potential for increased benefits to the firm's owners. When debt is used successfully (operating earnings exceeding interest charges) the returns to shareholders are magnified through financial leverage. Depending on the industry, different ratios are acceptable. The company should be compared to the industry, but, generally, a 3:1 ratio is a general benchmark. Should a company have debt-to-equity ratio that exceeds this number; it will be a major impediment to obtaining additional financing.

Fixed Assets: Those assets of a permanent nature required for the normal conduct of a business and which will not normally be converted into cash during the ensuing fiscal period. For example, furniture, fixtures, land, and buildings are all fixed assets. However, accounts receivable and inventory are not.

Liability: A loan, expense, or any other form of claim on the assets of an entity that must be paid or otherwise honored by that entity.

Liquidity: A company's ability to meet current obligations with cash or other assets that can be quickly converted to cash.

Net Assets: The difference between total assets and total liabilities, including noncapitalized long-term liabilities.

Net Income: The difference between a businesses total revenue and its total expenses. This caption and amount is usually found at the bottom of a company's Profit and Loss statement. Same as Net Profit.

Net Operating Loss: Experienced by a business when business deductions exceed business income for the fiscal year. For income tax purposes, a net operating loss can be used to offset income in a prior year, or a taxpayer can elect to forego the carry back and carry the net operating loss forward.

Net Profit: The company's total earnings, reflecting revenues adjusted for costs of doing business, depreciation, interest, taxes and other expenses. Same as Net Income.

Non-Current Assets: Includes PPE (property, plant and equipment) as opposed to current assets, which includes cash, cash equivalents (e.g. securities, short-term notes, etc.), inventory, and accounts receivable.

Operating Expenditures: The amount used during a particular period directly in support of day-to-day operations such as wages, maintenance, office supplies, etc.

Profit Margin: Net income divided by sales or revenue, usually expressed as a ratio. This ratio measures the ability of an entity to convert its as net income.

Return on Assets: Shows the after tax earnings of assets. Return on assets is an indicator of how profitable a company is. Use this ratio annually to compare a business' performance to the industry norms: The higher the ratio the greater the return on assets. However this has to be balanced against such factors as risk, sustainability, and reinvestment in the business through development costs.

Return on Equity (ROE): Measures the overall efficiency of the firm in managing its total investments in assets and in generating a return to stockholders. It is the primary measure of how well management is running a company. All things being equal, the higher a company's ROE, the better the company.

Revenue: The inflows of assets from selling goods and providing services to customers, including the reduction of liabilities from selling goods and providing services to customers.

Total Assets: The total of all assets, both current and fixed.