

CHARMS COLLABORATIVE

BASIC FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2015

CHARMS COLLABORATIVE

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Business Advisors
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
CHARMS Collaborative
Stoughton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities of CHARMS Collaborative as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of CHARMS Collaborative as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 5 and page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of CHARMS Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHARMS Collaborative's internal control over financial reporting and compliance.

Parents, Rotchiff, King & Co., LLC

Franklin, Massachusetts
December 18, 2015

CHARMS COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the CHARMS Collaborative's (the Collaborative) financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2015 and summarized comparative information for 2014. Please read it in conjunction with the Collaborative's financial statements, which follow.

THE COLLABORATIVE AS A WHOLE

The Collaborative was established for the purpose of conducting educational programs and/or services, which meet the special needs of children for whom its member school committees are responsible. The Collaborative also provides clinical services as requested by its member districts. Non-member schools may contract for program and clinical services as capacity allows. The Collaborative is supported through tuitions and fees for clinical services from contracting municipalities. Provision of services is primarily confined to the Southeastern Massachusetts region. The Collaborative is governed by a six member Board of Directors consisting of one representative from each member district. During fiscal year 2015, the Collaborative conducted school based programs and served 38 students as of the fiscal year end.

OVERVIEW OF THE FINANCIAL REPORTS

This discussion and analysis is intended to serve as an introduction to the Collaborative's financial reports, which consist of a series of financial statements and other information as follows:

- **Management's Discussion and Analysis** introduces the basic financial statements and provides an analytical overview of the Collaborative's financial activities.
- **Government-wide financial statements** consist of the Statement of Net Position and the Statement of Activities. These provide both short-term and long-term information about the Collaborative's overall financial status.
- **Fund basis financial statements** focus on individual parts of the Collaborative, reporting the Collaborative's operations in more detail than the government-wide statements. The *governmental funds statements* tell how basic services were financed in the short-term as well as what remains for future spending.
- **Notes to the financial statements** explain some of the information in the statements and provide more detailed data.
- **Supplementary information** includes both additional financial information which provides more detail support of the basic financial statements and information required by the Massachusetts Department of Elementary and Secondary Education.

Government-wide Statements

The government-wide statements (*statement of net position* and *statement of activities*) report information about the Collaborative as a whole using accounting methods similar to those used by private sector companies.

- The **Statement of Net Position** presents information on all of the Collaborative's assets and liabilities with the difference between the two reported as *net position*. It is one way of measuring the Collaborative's financial health or position.
- The **Statement of Activities** presents information showing how the Collaborative's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid.

CHARMS COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS *(continued)*

Government-wide Statements (continued)

Over time, increases or decreases in the Collaborative's net position is an indicator of whether its financial position is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of the Collaborative.

Fund Financial statements

Funds are accounting devices used to keep track of specific sources of funding and spending in particular categories: governmental funds, proprietary funds, and fiduciary funds. Presently, the Collaborative has only governmental funds.

- **Governmental funds** – The Collaborative's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Collaborative's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarized *Statement of Net Position* is for the fiscal year 2015 with comparative information from fiscal year 2014.

	June 30, 2015	June 30, 2014
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$1,164,876	\$1,588,411
Capital assets	-	-
Total assets	<u>\$1,164,876</u>	<u>\$1,588,411</u>
Current liabilities, i.e. accounts payable, accrued expenses and deferred revenue	\$ 261,365	\$ 464,530
Non-current liabilities	862,775	726,204
Total liabilities	<u>\$1,124,140</u>	<u>\$1,190,734</u>
Net position:		
Invested in capital assets	\$ -	\$ -
Unrestricted	40,736	397,677
Total net position	<u>\$ 40,736</u>	<u>\$ 397,677</u>

CHARMS COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

As indicated in the following summarized *Statement of Activities*, net assets decreased by \$356,941 during fiscal year 2015. Average enrollments were down significantly compared with the prior year due to the withdrawal of their students by the town of Canton. Tuition rates increased and cost-cutting measures were implemented early in the fiscal year, but they were not enough to make up for the decrease in enrollment.

	Year ended June 30, 2015	Year ended June 30, 2014	% Change
Revenues:			
Charges for student services	\$2,612,163	\$3,443,483	-24%
Intergovernmental revenue	291,012	367,110	
Interest income	-	16	
Total revenues	<u>2,903,175</u>	<u>3,810,609</u>	
Expenses:			
Student services	2,402,488	2,595,572	-7.4%
General and administrative	566,616	606,501	
Depreciation	-	-	
Intergovernmental expense	<u>291,012</u>	<u>367,110</u>	
Total expenses	<u>3,260,116</u>	<u>3,569,183</u>	
Change in net position	(356,941)	241,426	
Net position – beginning	<u>397,677</u>	<u>156,251</u>	
Net position - ending	<u>\$ 40,736</u>	<u>\$ 397,677</u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2015 provided for a net surplus of \$67,140. The budgeted numbers were based on a goal of increasing the surplus, which would be used to offset the increased OPEB liability. In 2015, actual revenues were lower than budgeted amounts by approximately \$450,000 due to lower enrollment. Total expenditures were lower than budgeted amounts by approximately \$25,000 as the Collaborative responded to lower enrollments through cost cutting measures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office of the Collaborative.

CHARMS COLLABORATIVE

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
CURRENT ASSETS:	
Cash and cash equivalents	\$ 934,441
Accounts receivable	230,435
Prepaid expenses	<u>-</u>
Total current assets	<u>1,164,876</u>
PROPERTY, PLANT AND EQUIPMENT, net	<u>-</u>
Total assets	<u>\$1,164,876</u>
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 233,303
Deferred revenue	<u>28,062</u>
Total current liabilities	<u>261,365</u>
Accrued post-employment retirement benefits	<u>862,775</u>
NET POSITION:	
Invested in capital assets	\$ -
Unrestricted	<u>40,736</u>
Total net position	<u>40,736</u>
	<u>\$1,164,876</u>

The accompanying notes are an integral part of these financial statements.

CHARMS COLLABORATIVE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	Program Revenue		Total
	Charges for Expenses	Charges for Services	
Governmental Activities:			
Student services	\$2,402,488	\$2,612,163	\$ 209,675
General and administrative	566,616	-	(566,616)
Depreciation	-	-	-
Intergovernmental revenue	<u>291,012</u>	<u>291,012</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$3,260,116</u>	<u>\$2,903,175</u>	<u>(356,941)</u>
	General revenue:		
	Interest		-
	Other		<u>-</u>
	Change in Net Position		<u>(356,941)</u>
	NET POSITION, BEGINNING OF YEAR		<u>397,677</u>
	NET POSITION, END OF YEAR		<u>\$ 40,736</u>

The accompanying notes are an integral part of these financial statements.

CHARMS COLLABORATIVE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

ASSETS:	
Cash and cash equivalents	\$ 934,441
Accounts receivable	230,435
Prepaid expenses	<u>-</u>
Total assets	<u>\$1,164,876</u>
LIABILITIES:	
Accounts payable and accrued expenses	\$ 233,303
Deferred revenue	<u>28,062</u>
Total liabilities	<u>261,365</u>
FUND BALANCES:	
Assigned	160,000
Unassigned	<u>743,511</u>
Total fund balances	<u>903,511</u>
Total liabilities and fund balances	<u>\$1,164,876</u>

The accompanying notes are an integral part of these financial statements.

CHARMS COLLABORATIVE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

REVENUES:	
Direct service and administrative	\$2,612,163
Intergovernmental revenue	291,012
Interest income	<u>-</u>
Total revenues	<u>2,903,175</u>
EXPENDITURES:	
Administrative expenses	546,130
Intergovernmental expense	291,012
Program expenses	2,286,403
Capital outlay	<u>-</u>
Total expenditures	<u>3,123,545</u>
Revenue over (under) expenditures	<u>(220,370)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,123,881</u>
FUND BALANCES, END OF YEAR	<u>\$ 903,511</u>

The accompanying notes are an integral part of these financial statements.

CHARMS COLLABORATIVE

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total fund balance, governmental funds	\$ 903,511
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Accrued post-employment retirement benefits used in governmental activities are not current financial liabilities and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

(862,775)

Net Position of Governmental Activities in the Statement of Net Position

\$ 40,736

The accompanying notes are an integral part of these financial statements.

CHARMS COLLABORATIVE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in balances -governmental funds \$(220,370)

Amounts reported for governmental activities in the Statement of Activities are
different because:

The change in accrued post-employment retirement benefits used in governmental
activities are not current financial expenses and therefore are not reported in this
fund financial statement, but are reported in the governmental activities of the
Statement of Net Position.

(136,571)

Changes in net position of governmental activities

\$(356,941)

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(1) NATURE OF ORGANIZATION AND REPORTING ENTITY

(a) Organization

CHARMS Collaborative (the Collaborative) is a six-district, public education collaborative established under Massachusetts General Law Chapter 40, Section 4E. It is a public entity under the jurisdiction of its member district school committees, whose appointees comprise its board of directors. The public school districts include Canton, Holbrook, Avon, Milton, Sharon and Stoughton. The Collaborative's primary purpose is to conduct educational programs and/or services, which meet the various special needs of children for whom its member school committees are responsible. The Collaborative also provides clinical services as requested by its member districts. Non-member school districts may contract for program and clinical services as capacity allows. The Collaborative is supported through tuitions and fees for clinical services from contracting municipalities. Provision of services is primarily confined to the Southeastern Massachusetts region.

(b) Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Governmental Accounting Standard Board, the accompanying financial statements present the CHARMS Collaborative and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify any component units requiring inclusion in the accompanying financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Collaborative's basic financial statements include both government-wide and fund financial statements. Within the fund financial statements, separate statements are provided for governmental funds and fiduciary funds. The latter are excluded from the government-wide financial statements.

The government-wide financial statements report information on all activities of the Collaborative on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations. The Collaborative's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use. The Collaborative first utilizes restricted resources to finance qualifying activities.

Fund financial statements present governmental funds on a measurement basis focusing on sources, uses and balance of current financial resources on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The general fund is the Collaborative's primary operating fund. It accounts for all financial resources of the Collaborative. Fund balances within the general fund are classified using a hierarchy based primarily on the extent to which a government is bound to constraints on the specific purposes for which amounts in those funds can be spent.

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation (Continued)

Following are the governmental fund classifications available to the Collaborative:

Non-spendable – includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

Restricted – amounts subject to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or due to constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned – amounts that are intended to be used for specific purposes but are not considered restricted or committed.

Unassigned – is the residual classification for the general fund. It represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

(b) Cash and Cash Equivalents

At June 30, 2015 cash and cash equivalents consist of monies held in checking, savings and short-term certificate of deposit accounts.

(c) Accounts Receivable and Revenue

Accounts receivable consist of amounts due from municipalities for program services. As such, no allowance for doubtful accounts is deemed necessary.

Student services revenue consists of charges to districts for tuition, therapy and transportation services. Intergovernmental revenue consists of payments made to retired Collaborative employees by the Commonwealth of Massachusetts "on behalf" of the Collaborative. These payments are recorded as revenue and expenditures in the financial statements.

(d) Allocation of Costs

Directly identifiable costs are charged to student services or general and administrative functions as applicable. Costs related to more than one function are allocated based on criteria intended to associate the cost with whichever function benefits.

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Use of Estimates

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

(f) Fair Value of Financial Instruments

The Collaborative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The Collaborative estimates that the fair value of all financial instruments at June 30, 2015 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

(g) Budgetary Control

The Board of Directors annually approves a budget based upon estimated enrollments for the year. Changes during the year based on actual numbers due to either enrollment fluctuations or unanticipated expenditures are presented to the Board for review through financial reports presenting budgeted to actual amounts.

The statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual – Budgetary Basis presents a comparison of budgetary data to actual results. The General Fund uses the same basis of accounting for both budgetary and actual amounts.

(3) CAPITAL ASSETS

Capital assets consist of vehicles used for transportation of students.

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles	\$ -	\$ -	\$ -	\$ -
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fully depreciated assets were written of the books during the year ended June 30, 2014. Depreciation expense totaled \$0 for the fiscal year.

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(4) NET POSITION/ FUND BALANCE

On May 16, 1995, the Board voted to reserve a portion of the fund balance in an amount equivalent at that time to two of the Collaborative weekly payrolls. This was done for stabilization purposes for the Collaborative and totaled \$160,000 at June 30, 2015. This amount is included in the unrestricted category on the government-wide financial statements and in the "assigned" category on the governmental fund financial statements.

(5) RETIREMENT BENEFIT PLAN

The majority of employees of the Collaborative are covered by either the Massachusetts Teachers' Retirement System (MTRS), or the Massachusetts State Employees' Retirement System (MSERS) depending on their employment position.

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The Collaborative's contribution rate was 5.6% of MSERS wages as of June 30, 2015 and totaled \$32,659 for the fiscal year then ended. This contribution is calculated per MGL 32, & 28(4)(c) as a reimbursement to the Massachusetts State Retirement Board (the Board) for its share of any retirement allowance or pension amounts paid by the Board during the preceding calendar year which were based on service to the Collaborative as determined by the plan actuary. Legally, the Collaborative is responsible for contributing the annual normal cost of its employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and is not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaborative. The Commonwealth as a nonemployer contributor is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As such the Commonwealth contributes to the Massachusetts State Employees' Retirement System on behalf of the Collaborative. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Contributions made by the Commonwealth "on behalf" of the Collaborative totaled \$39,496. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

The following information was attributed to Charms from allocation schedules prepared by The Commonwealth of Massachusetts State Retirement Board and audited by KPMG,LLP:

Net pension liability 6/30/14	\$1,005,709
Proportionate share of plan pension expense	\$74,455
Net amortization of deferred amounts from change in proportion	\$(2,938)
Total employer pension expense	\$71,517

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(5) RETIREMENT BENEFIT PLAN (Continued)

The Commonwealth of Massachusetts contributes to the Massachusetts Teachers Retirement System (MTRS) on behalf of the Collaborative. The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Pension support provided to the Collaborative totaled \$251,516. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

The following information was attributed to Charms from allocation schedules prepared by The Commonwealth of Massachusetts Teachers' Retirement Board and audited by KPMG,LLP:

Proportionate share of the net pension liability at 6/30/14	\$3,620,242
Commonwealth pension support provided	\$213,479
Total employer pension expense and revenue for Commonwealth support	\$251,516

All employees working 50% or more of a standard workweek are covered by and must participate in one of the systems referred to above depending on their type of position. Under the plans, benefits vest after 10 years of full-time employment. An employee with 20 years of service, or 10 years of service and having attained age 55, may receive retirement benefits.

Based on state statute, covered employees of the Collaborative contribute an amount ranging from 5% to 11% (depending on date of employment) of their gross earnings to the systems. The Commonwealth is required to make actuarially determined contributions that maintain the financial integrity of the retirement system.

Employees of the Collaborative that are not covered under either the MSERS or the MTRS are covered under a retirement plan established by the Collaborative in accordance with the Omnibus Budget Reconciliation Act of 1990 (OBRA). Covered employees of the Collaborative contribute 7.5% of their gross earnings to the plan. The Collaborative does not contribute to the plan.

(6) COMMITMENTS

(a) Operating Leases

The Collaborative leases classroom and administrative space from various member and non-member districts under tenant-at-will leases. Rent expense for these spaces totaled \$160,097 for the year ending June 30, 2015. The Collaborative Business Office moved locations in June 2015 and signed a five year lease for administrative space.

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(6) COMMITMENTS (Continued)

(a) Operating Leases (Continued)

The Collaborative also leases vans and equipment under various operating leases which require monthly aggregate payments of approximately \$1,700 and expire at various dates through December, 2016. Future minimum lease payments under these leases are as follows for the years ending June 30:

	Administrative Office	Vans and Copiers
2016	\$ 24,744	\$18,256
2017	24,868	7,190
2018	25,615	-
2019	26,381	-
2020	<u>22,530</u>	<u>-</u>
Total	<u>\$124,138</u>	<u>\$25,446</u>

(b) Employment Contracts

On July 1, 2014, the Collaborative entered into a contract with the Executive Director, expiring on June 30, 2017.

(7) ACCRUED SICK PAY BENEFITS

The Collaborative allows employees to accrue sick pay benefits at a rate of 1.50 days per month. Sick leave is cumulative from year to year to a limit of 100 days. The sick pay benefits cannot be quantified because employees cannot receive payment of their benefits for any reason other than illness. Employees who leave the Collaborative because of resignation, termination or retirement, cannot collect an accrued sick pay benefit.

(8) CONCENTRATIONS

Massachusetts General Law, Chapter 44, Sections 54 and 55 places certain limitations on the nature of deposits and investments available to the Collaborative. The law authorizes investments in FDIC insured banks and national banks, subject to certain limitations. In addition, it authorizes investments in obligations of the U.S. Treasury, agencies, instrumentalities, certificates of deposit, repurchase agreements, money market accounts, and the State Treasurer's Investment Pool.

The Collaborative maintains its funds at two financial institutions. Balances in these accounts may, at times, exceed federally insured limits. The Collaborative has not experienced any losses in such accounts. Management believes the Collaborative is not exposed to any significant credit risk related to cash. The amount of uninsured cash was \$768,975 at June 30, 2015.

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(9) POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The Collaborative maintains a health care plan that provides medical and prescription drug benefits to all active employees and their eligible dependents and to retirees who are not Medicare eligible, as well as a separate plan for retirees and their spouses who have reached the age of 65 and are enrolled in Medicare. Employees who a) retire from active employment and receive a retirement allowance; b) were employed by Charms for a minimum of ten years and worked an average FTE of .5; and c) participated in a Collaborative-offered health plan for a minimum of one year immediately prior to retirement, are eligible to participate in a Collaborative-offered health plan as a retiree. Retirees' spouses are also eligible to participate.

Funding Policy

The current funding policy is to pay health insurance premiums as they occur. This arrangement does not qualify as Other Post-Employment Benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting.

For fiscal year ending June 30, 2015, the Collaborative contributed \$76,673 to retiree health benefits.

Funded Status and Funding Progress

As of June 30, 2015, the plan was not funded. The Collaborative's estimated actuarial accrued liability for benefits was \$862,775 and the actuarial value of assets is none.

(10) LITIGATION AND CLAIMS

The Collaborative has litigation arising from the normal course of business. In management's opinion, the outcome of any such litigation will not materially affect the Collaborative financial condition.

(11) SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through December 18, 2015, which is the date the financial statements were available to be issued.

CHARMS COLLABORATIVE

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

CHARMS COLLABORATIVE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GENERAL FUND - BUDGET AND ACTUAL - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts Budgetary Basis	Variance with Final Budget – Positive (Negative)
REVENUES:			
Direct service and administrative	\$3,062,209	\$2,612,163	\$(450,046)
Interest income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,062,209</u>	<u>2,612,163</u>	<u>(450,046)</u>
EXPENDITURES:			
Administrative expenses	932,596	566,616	365,980
Program expenses	2,062,473	2,402,488	(340,015)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,995,069</u>	<u>2,969,104</u>	<u>25,965</u>
Revenue over (under) expenditures	<u>67,140</u>	<u>(356,941)</u>	<u>(424,081)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>397,677</u>	<u>397,677</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 464,817</u>	<u>\$ 40,736</u>	<u>\$(424,081)</u>

The accompanying notes are an integral part of these financial statements.

CHARMS COLLABORATIVE

SUPPLEMENTARY INFORMATION
JUNE 30, 2015

CHARMS COLLABORATIVEDISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012
OF THE MASSACHUSETTS GENERAL LAWS

FOR THE YEAR ENDED JUNE 30, 2015

Transactions between the Collaborative and any related for-profit or non-profit organization:

None

Transaction or contracts related to the purchase, sale, rental or lease of real property:

Contracts for the lease of classroom space from member and non-member schools and school Collaboratives at the following locations are:

School/ Collaborative	Lease Term	FY 2015 expense
Canton	Annual	\$108,000
Avon	Annual	10,613
Sharon	Annual	12,000
Stoughton	Annual	<u>29,484</u>
Total		<u>\$160,097</u>

The amounts expended on administration and overhead:

Administration and overhead \$566,616

Any accounts held by the Collaborative that may be spent at the discretion of another person or entity:

None

The amounts expended on services for individual age 22 and older:

None

The names, duties, and total compensation of the five most highly compensated employees:

See listing on the following pages.

CHARMS COLLABORATIVE

SCHEDULE OF MOST HIGHLY COMPENSATED EMPLOYEES

FOR THE YEAR ENDED JUNE 30, 2015

Name & Title	Primary Duties	Compensation
Rosalie O'Connell, Executive Director	Performs oversight of the Collaborative. Carries out policies and procedures as set forth by the CHARMS Board of Directors and DESE mandates. Responsible for day to day operations including: student referrals, program reviews, and evaluations. Responsible for staff hiring and evaluations and professional development. Reports to the Board of Directors.	\$119,465
Patricia Denham, Speech Therapist	Direct speech/language service delivery. Performs consultations and evaluations. Attends team meetings. Assists with community partnerships. Works 12 months per year.	\$81,629
Peter Anastapoulos, Teacher	Direct educational/vocational services. Works 12 months per year.	\$80,258
Gregory Goetz, Teacher	Direct educational services. Works 12 months per year.	\$79,957
Christina Pyne, Counselor	School Adjustment Counselor. Direct counseling services. Consultation with staff and parents. Works 12 months per year.	\$78,704

CHARMS COLLABORATIVE

AUDITORS' REPORT PURSUANT TO GOVERNMENT

AUDITING STANDARDS

FOR THE YEAR ENDED JUNE 30, 2015



Business Advisors
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
CHARMS Collaborative
Stoughton, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CHARMS Collaborative (a quasi-governmental organization), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CHARMS Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CHARMS Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of CHARMS Collaborative's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Franklin, Massachusetts
December 18, 2015