

**THE SABIS INTERNATIONAL
CHARTER SCHOOL**

FINANCIAL STATEMENTS

for the years ended June 30, 2016 and 2015

THE SABIS INTERNATIONAL CHARTER SCHOOL

years ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The SABIS International Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of The SABIS International Charter School, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the School'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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of The SABIS International Charter School, as of June 30, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance 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 management's discussion and analysis on pages 4 through 7 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 of the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Requirement by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2016, on our consideration of The SABIS International Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 The SABIS International Charter School's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, GASB Statement 65, requires that all bond issuance costs are expensed, including costs of bonds issued in prior years. Our opinion is not modified with respect to that matter.



Springfield, Massachusetts
October 24, 2016

THE SABIS INTERNATIONAL CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

The following discussion and analysis of The SABIS International Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the School's financial statements, which begin on page 8.

The School as a Whole

The School received its initial charter on July 1, 1995 to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Board of Elementary and Secondary Education. The School's charter was most recently renewed for an additional five years issued May 4, 2015. During fiscal year 2016 and 2015, the School operated kindergarten through grade twelve and the enrollment was comprised of 1,568 and 1,571 students, respectively. At capacity, the School will serve kindergarten through grade twelve and enrollment will be approximately 1,574 students.

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with Governmental Accounting Standards Board No. 34 - *Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), the School is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the School issues a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Net Position* and a *Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements and other information which provide additional information that is essential to a full understanding of the information provided in the basic financial statements and the schedule of federal expenditures, which identifies all of the School's federal funding.

Financial Statements

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School, as of the end of the fiscal year. The *Statement of Net Position* is a point-in-time financial statement. The purpose of the *Statement of Net Position* is to present a fiscal snapshot of the School to the readers of the financial statements. Assets are resources with present service capacity that the School presently controls. Liabilities are present obligations to sacrifice resources that the School has little or no discretion to avoid. A deferred outflow of resources is consumption of net assets by the School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the School that is applicable to a future reporting period. Net position represents the difference between all other elements in a statement of financial position and is displayed in three components – *net investment in capital assets, restricted* (distinguishing between major categories or restrictions); and *unrestricted*.

THE SABIS INTERNATIONAL CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2016 and 2015

Financial Statements – continued

The *Net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Over time, readers of financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

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

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

Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the School's financial statements.

THE SABIS INTERNATIONAL CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2016 and 2015

Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Expenditures of Federal Awards can be found on page 22 of this report.

Financial Highlights

The following financial highlights are for the fiscal year 2016 and 2015:

The School held total assets of \$44,266,811 and \$39,394,859 at June 30, 2016 and 2015, respectively, of which \$26,986,954 and \$26,794,149 were net capital assets, respectively and the majority of remaining assets consisted of cash, bond issue costs, and debt service reserve fund.

The School held total liabilities of \$38,713,048 and \$33,610,160 at June 30, 2016 and 2015, respectively. In fiscal years 2016 and 2015, there were current and non-current liabilities. In 2016, the School held \$3,173,876 in current liabilities and \$35,539,172 in non-current liabilities. In 2015, the School held \$2,218,844 in current liabilities and \$31,391,316 in non-current liabilities.

Total net position for the School was \$5,553,763 and \$5,784,699 at June 30, 2016 and 2015, respectively, of which \$10,256,590 and \$6,735,477 were unrestricted and \$(4,702,827) and \$(950,778) were for investments in capital assets, respectively. As of June 30, 2016, the Board of Trustees has designated \$226,800 of unrestricted net position for future capital assets.

The School earned total revenues of \$19,185,370 and \$18,861,227, (excluding on-behalf pension and in-kind revenues), for the years ended June 30, 2016 and 2015, respectively.

The School had total expenses of \$19,416,306 and \$18,333,135, (excluding on-behalf pension and in-kind expenses) for the years ended June 30, 2016 and 2015, respectively.

The School incurred a net (loss) of \$(230,936) and earned net income of \$528,092 for the years ended June 30, 2016 and 2015, respectively.

Budgetary Highlights

For the fiscal year ended June 30, 2016, the School incurred \$20,635,244 in actual expenditures (inclusive of capitalized purchases and excluding on-behalf pension and in-kind expenses) compared to budgeted expenditures of \$20,368,597.

THE SABIS INTERNATIONAL CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2016 and 2015

School's Financial Activities

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per pupil. The School received \$17,883,704 in per pupil funding in fiscal year 2016, versus \$17,509,278 in per pupil funding in fiscal year 2015. This represents 93.2% and 92.8% of the School's revenue for the years ended June 30, 2016 and 2015, respectively. In addition, the School received various federal and Commonwealth of Massachusetts grants, which totaled \$1,172,724 and \$1,119,030 for fiscal years 2016 and 2015, respectively.

Contacting the School's Financial Management

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

THE SABIS INTERNATIONAL CHARTER SCHOOL

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u> (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 9,699,391	\$ 8,902,024
Grants receivable.....	143,580	98,534
Restricted cash - escrow.....		59,566
Miscellaneous receivables.....		25,150
Prepaid expenses.....		5,499
Total current assets.....	<u>9,842,971</u>	<u>9,090,773</u>
Noncurrent Assets		
Capital assets, net.....	26,986,954	26,794,149
Debt service reserve fund - restricted.....		2,909,930
Restricted cash - bond repair and replacement fund		600,007
Total noncurrent assets.....	<u>26,986,954</u>	<u>30,304,086</u>
Deferred Outflows of Resources		
Deferred loss on refunding.....	<u>7,436,886</u>	
Total Deferred Outflows of Resources.....	<u>7,436,886</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	<u>\$ 44,266,811</u>	<u>\$ 39,394,859</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable.....	\$ 134,169	\$ 129,527
Accrued expenses.....	557,938	487,703
Due to related party.....	240,730	
Accrued compensation.....	1,355,175	1,078,827
Bonds payable, current portion.....	885,864	499,405
Deferred revenue.....		23,382
Total current liabilities.....	3,173,876	2,218,844
Bonds payable, net of current portion.....	<u>35,539,172</u>	<u>31,391,316</u>
Total liabilities.....	<u>38,713,048</u>	<u>33,610,160</u>
Net Position		
Investment in capital assets, net of related debt.....	(4,702,827)	(950,778)
Unrestricted.....	<u>10,256,590</u>	<u>6,735,477</u>
Total net position.....	<u>5,553,763</u>	<u>5,784,699</u>
TOTAL LIABILITIES AND NET POSITION.....	<u>\$ 44,266,811</u>	<u>\$ 39,394,859</u>

See notes to financial statements.

THE SABIS INTERNATIONAL CHARTER SCHOOL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

for the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u> <u>(As restated)</u>
Operating revenues		
Student tuition.....	\$ 17,883,704	\$ 17,509,278
Federal and state grants.....	1,172,724	1,119,030
Educational fees.....	90,632	91,819
On-behalf pension.....	1,698,790	1,138,507
In-kind meals.....	618,509	411,256
In-kind transportation.....	2,028,312	1,897,421
Other income.....	<u>127</u>	<u>497</u>
Total operating revenues.....	<u>23,492,798</u>	<u>22,167,808</u>
Operating expenses		
Salaries	8,362,942	8,038,103
Payroll taxes.....	264,476	251,583
Fringe benefits.....	1,025,067	985,639
Classroom and other supplies.....	1,015,939	904,694
Office supplies, postage and expense.....	150,114	136,352
Advertising.....	11,394	11,713
Board of trustees expense.....	28,501	32,652
Professional services.....	73,914	52,332
Travel.....	1,447	1,500
Depreciation and amortization.....	1,026,133	1,014,583
Telephone.....	25,011	26,932
Repairs, maintenance, and supplies.....	571,993	536,753
Occupancy costs.....	361,592	332,643
Insurance.....	69,347	67,748
Grant programs.....	1,187,808	1,116,592
Extra curricular activities.....	178,249	145,767
After school program.....	2,377	1,854
Computer expense.....	207,839	172,178
Instructional management fee.....	2,197,000	1,993,000
Staff development	27,728	19,070
Student testing.....	12,070	11,899
Payroll service charge.....	58,205	43,053
Bank fees.....	560	320
On-behalf pension.....	1,698,790	1,138,507
In-kind expense.....	<u>2,646,821</u>	<u>2,308,677</u>
Total operating expenses.....	<u>21,205,317</u>	<u>19,344,144</u>
Operating income.....	2,287,481	2,823,664
Nonoperating revenue (expense)		
Interest income.....	38,183	140,603
Bond issue costs.....	(610,011)	
Interest expense.....	<u>(1,946,589)</u>	<u>(2,436,175)</u>
Total nonoperating expense.....	<u>(2,518,417)</u>	<u>(2,295,572)</u>
Change in net position.....	<u>(230,936)</u>	<u>528,092</u>
Net position, beginning of year, as previously reported.....		6,351,622
Change in accounting principle.....		<u>(1,095,015)</u>
Net position, beginning of year, as restated.....	<u>5,784,699</u>	<u>5,256,607</u>
Net position, end of year.....	<u>\$ 5,553,763</u>	<u>\$ 5,784,699</u>

See notes to financial statements.

THE SABIS INTERNATIONAL CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2016 and June 30, 2015

	<u>2016</u>	<u>2015</u> <u>(As restated)</u>
Cash flows from operating activities:		
Receipts from student tuition.....	\$ 17,883,704	\$ 21,934,163
Receipts from federal and state grants.....	1,104,296	1,114,757
Receipts from educational fees.....	90,632	91,819
Receipts from other income.....	127	497
Payments to employees.....	(8,058,913)	(8,010,651)
Payments to vendors and suppliers.....	<u>(7,226,843)</u>	<u>(6,937,543)</u>
Net cash provided by operating activities.....	<u>3,793,003</u>	<u>8,193,042</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets.....	(1,218,938)	(213,323)
Payments on bonds payable.....	(705,000)	(450,000)
Interest paid on capital debt.....	(1,680,146)	(2,436,175)
Loss on defeasance.....	(29,784)	
Bond issuance costs.....	<u>(59,524)</u>	
Net cash used in capital and related financing activities.....	<u>(3,693,392)</u>	<u>(3,099,498)</u>
Cash flows from investing activities:		
Interest on cash and cash equivalents.....	<u>38,183</u>	<u>140,603</u>
Net cash provided by investing activities.....	<u>38,183</u>	<u>140,603</u>
Increase in cash and cash equivalents.....	137,794	5,234,147
Cash and cash equivalents, beginning of year.....	<u>9,561,597</u>	<u>4,327,450</u>
Cash and cash equivalents, end of year.....	<u>\$ 9,699,391</u>	<u>\$ 9,561,597</u>
Reconciliation of the change in net position to net cash provided by operating activities:		
Adjustments to reconcile the income from operations to net cash provided by operating activities:		
Income from operations.....	\$ 2,287,481	\$ 2,823,664
Depreciation and amortization.....	1,026,133	1,014,583
Bond premium.....	(74,787)	(19,405)
(Increase) decrease in operating assets		
Grants receivable.....	(45,046)	1,764
Tuition receivable.....		4,424,885
Miscellaneous receivable.....	25,150	14,431
Prepaid expenses.....	5,499	(5,499)
Increase (decrease) in operating liabilities		
Accounts payable.....	4,642	(125,971)
Accrued expenses.....	587,313	70,627
Deferred revenue.....	<u>(23,382)</u>	<u>(6,037)</u>
Net cash provided by operating activities.....	<u>\$ 3,793,003</u>	<u>\$ 8,193,042</u>
Reconciliation of total cash and cash equivalents		
Current assets:		
Cash and cash equivalents.....	\$ 9,699,391	\$ 8,902,024
Restricted cash - escrow.....		59,566
Noncurrent assets:		
Restricted cash - bond repair and replacement fund.....		<u>600,007</u>
Total cash and cash equivalents.....	<u>\$ 9,699,391</u>	<u>\$ 9,561,597</u>

See notes to financial statements.

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

The SABIS International Charter School (the “School”) was established on July 1, 1995 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The School’s charter is awarded in five year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE). The School’s charter was most recently renewed in 2015 and expires June 30, 2020.

The School has one location in Springfield, Massachusetts and offers children in the city of Springfield in grades kindergarten through twelve, a public supported academic education. During fiscal years 2016 and 2015, the School served 1,574 students for each year.

The School’s mission is a college preparatory school that provides top-quality education on a non-selective basis to children of different races, religions, nationalities and backgrounds. It teaches these children to perform to the best of their ability, to achieve academic excellence in a global context, and prepares graduates to attend colleges and universities. The School develops and strengthens students’ ethical, moral and civic values thus molding men and women with the knowledge, skills, and social judgment they will need to face the challenges of the times. The School believes those students with a Sabis® education, especially in a multicultural setting, will be able to provide leadership throughout the world.

2. Summary of Significant Accounting Policies

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

Financial Statement Presentation

The School, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, - *Basic Financial Statement - and Management’s Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund. The School’s financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows.

Basis of Accounting

The accrual basis of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively.

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

Basis of Accounting, continued

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the School has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position and the Statement of Cash Flows, the School considers all short term investments with an original maturity of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at year-end will be immaterial.

Capital Assets

Furniture and equipment are recorded at cost, if purchased, or at fair market value at the date of donation. Capital assets purchased with a cost or value equal to or greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 5 years for computers, 7 years for furniture, fixtures and equipment, 5-15 years for building improvements, and 40 years for buildings and building additions. Depreciation expense of \$1,026,133 and \$1,014,583 was recorded for the years ended June 30, 2016 and 2015, respectively.

Deferred Revenue

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

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

Operating Revenue and Expenses

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include tuition and Federal and Commonwealth of Massachusetts grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tax Status

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

Use of Estimates

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

3. Deposits with Financial Institutions

The School maintains its cash balances in one financial institution. The balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk.

As required by GASB No. 40, Deposits and Investment Risk Disclosures, the following represents a summary of deposits as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
FDIC insured deposits	\$ 250,000	\$ 250,000
Uninsured deposits	<u>9,697,174</u>	<u>9,221,423</u>
	<u>\$ 9,947,174</u>	<u>\$ 9,471,423</u>

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

4. Capital Assets

Changes in capital assets during fiscal year 2016 are as follows:

	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Balance</u> <u>6/30/2016</u>
Equipment	\$ 546,806	\$ 28,924		\$ 575,730
Computers and software	1,443,494	87,591		1,531,085
Vehicles	68,456			68,456
Furniture and fixtures	714,369	2,672		717,041
Building	24,500,000			24,500,000
Building improvements	5,522,277	158,897	\$ 943,719	6,624,893
Land	1,000,000			1,000,000
Construction in progress	<u>282,072</u>	<u>940,854</u>	<u>(943,719)</u>	<u>279,207</u>
Total capital assets	<u>34,077,474</u>	<u>1,218,938</u>		<u>35,296,412</u>
 Less accumulated depreciation:				
Equipment	(474,523)	(25,921)		(500,444)
Computers and software	(1,113,204)	(121,710)		(1,234,914)
Vehicles	(47,165)	(6,083)		(53,248)
Furniture and fixtures	(650,094)	(24,440)		(674,534)
Building	(4,376,529)	(729,421)		(5,105,950)
Building improvements	<u>(621,810)</u>	<u>(118,558)</u>		<u>(740,368)</u>
Total accumulated depreciation	<u>(7,283,325)</u>	<u>(1,026,133)</u>		<u>(8,309,458)</u>
Net capital assets	<u>\$ 26,794,149</u>	<u>\$ 192,805</u>	<u>\$</u>	<u>\$ 26,986,954</u>

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

Capital Assets, Continued

Changes in capital assets during fiscal year 2015 are as follows:

	Balance <u>6/30/2014</u>	<u>Additions</u>	Balance <u>6/30/2015</u>
Equipment	\$ 532,961	\$ 13,845	\$ 546,806
Computers and software	1,333,723	109,771	1,443,494
Vehicles	68,456		68,456
Furniture and fixtures	703,873	10,496	714,369
Building	24,500,000		24,500,000
Building improvements	5,452,066	70,211	5,522,277
Land	1,000,000		1,000,000
Construction in progress	<u>273,072</u>	<u>9,000</u>	<u>282,072</u>
Total capital assets	<u>33,864,151</u>	<u>213,323</u>	<u>34,077,474</u>
Less accumulated depreciation:			
Equipment	(442,463)	(32,060)	(474,523)
Computers and software	(996,286)	(116,918)	(1,113,204)
Vehicles	(41,082)	(6,083)	(47,165)
Furniture and fixtures	(611,583)	(38,511)	(650,094)
Building	(3,647,108)	(729,421)	(4,376,529)
Building improvements	<u>(530,220)</u>	<u>(91,590)</u>	<u>(621,810)</u>
Total accumulated depreciation	<u>(6,268,742)</u>	<u>(1,014,583)</u>	<u>(7,283,325)</u>
Net capital assets	<u>\$ 27,595,409</u>	<u>\$ (801,260)</u>	<u>\$ 26,794,149</u>

5. Line of Credit

The School has a line of credit with a local bank. According to the agreement, the School may borrow up to \$1,000,000 at any time. Any outstanding principal is due on demand. Interest is charged at the bank's base rate minus 0.25% (3.5% as of June 30, 2016 and 3.25% as of June 30, 2015). The line of credit has a second priority blanket security interest in the assets of the School behind Wells Fargo Bank, N.A., as trustee under the MDFA Tax-Exempt Bonds. The line is subject to annual renewal. There was no outstanding balance at June 30, 2016 or 2015

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

6. Bonds Payable

On August 13, 2015, the School borrowed \$34,935,000 in Series A Tax Exempt Revenue Bonds with an average interest rate of 4.5% to advance refund \$31,425,000 of outstanding 2009 Series bonds with an average interest rate of 6.0625%. The net proceeds of \$36,781,589 million (after payment of \$300,000 in underwriting fees, plus insurance and other issuance costs totaling \$250,488) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2009 Series bonds. As a result, the 2009 Series bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position. The outstanding principal of the defeased bonds is \$30,945,000 at June 30, 2016.

The advance refunding reduced total debt service payments over the next 24 years by nearly \$4,817,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$3,791,000.

Bonds payable consist of the following for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Series A Tax Exempt Revenue Bonds, issued August 13, 2015 and maturing April 10, 2040, subject to sinking fund redemption as noted below. Principal is paid annually and interest is payable on a semiannual basis. Interest is payable at various rates according to the maturity schedule, (4.00% - 5.00%). The bonds are secured by the building and land located at 160 Joan Street, Springfield, MA.	\$ 36,425,036	
Series A Tax Exempt Revenue Bonds, issued June 30, 2009 and maturing April 10, 2039. Principal and interest were payable on a quarterly basis. Interest was payable at various rates according to the maturity schedule, (4.125% - 8.00%). The bonds were secured by the building and land located at 160 Joan Street, Springfield, MA.		\$ 31,890,721
Less current portion	<u>885,864</u>	<u>499,405</u>
	<u>\$ 35,539,172</u>	<u>\$ 31,391,316</u>

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

Bonds Payable, Continued

The annual debt service requirements to maturity, including principal and interest, are as follows:

Years ended <u>June 30,</u>	Principal and Sinking Fund <u>Installments</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 885,864	\$ 1,683,550	\$ 2,569,414
2018	915,864	1,651,550	2,567,414
2019	950,864	1,618,350	2,569,214
2020	985,864	1,583,750	2,569,614
2021	1,020,864	1,547,750	2,568,614
2022-2026	5,864,320	6,988,000	12,852,320
2027-2031	7,359,320	5,487,000	12,846,320
2032-2036	9,274,320	3,572,500	12,846,820
2037-2040	<u>9,167,756</u>	<u>1,128,000</u>	<u>10,295,756</u>
	<u>\$ 36,425,036</u>	<u>\$ 25,260,450</u>	<u>\$ 61,685,486</u>

The School is required to maintain a historical debt service coverage ratio of at least 1.10 measured annually. The School is also required to maintain a days cash on hand of at least 75 days. The School was in compliance with these covenants at June 30, 2016.

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

Bonds Payable, Continued

The covenants are calculated as follows:

<u>Historical Debt Service Coverage Ratio</u>	<u>6/30/2016</u>
Net income available for debt service.....	\$ 3,351,767
Debt service requirements.....	2,385,146
	1.41

Calculation of net income available for debt service:

= Gross revenues - operating expenses

Gross revenues:

Total Revenues.....	<u>19,185,370</u>
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Operating expenses:

Total expenses	18,806,325
Less: Depreciation and amortization.....	(1,026,133)
Less: Debt service on long term indebtness.....	<u>(1,946,589)</u>
	<u>15,833,603</u>

Net Income Available for Debt Service.....	<u><u>\$ 3,351,767</u></u>
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<u>Days Cash on Hand</u>	<u>6/30/2016</u>
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Total unrestricted cash and cash equivalents on June 30, 2016.....	\$ 9,699,391
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Divided by total operating expenses for the year ended June 30, 2016.....	<u>17,513,749</u>
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0.55

Multiplied by 365	<u>365</u>
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Days cash on hand June 30, 2016.....	<u><u>201</u></u>
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THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

7. Donated Food Service and Transportation

For the years ended June 30, 2016 and 2015, the School received \$2,646,821 and \$2,308,677, respectively, in donated food services and transportation from the Springfield School District.

8. Retirement Plan

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

The MTRS retirement plan, under GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, is required by statute to determine the net pension liability for all participants. The net pension liability for the retirement plan at the June 30, 2015 measurement date was determined by an actuarial valuation prepared as of January 1, 2015 rolled forward to June 30, 2015. The school's share of MTRS net pension liability is \$20,944,562

9. On-behalf Payments

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the School is required to recognize its proportional share of pension revenue and expenses, as reported by MTRS, as on-behalf payments in their financial statements. As of June 30, 2016, the School recognized \$1,698,790 of on-behalf revenues and expenses, (2015 – \$1,138,507).

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

10. Management Contract

The School has a management agreement with Springfield Education Management LLC (SEM), a related party, to manage the teaching, accounting and business administration functions of the School. The management agreement states that SEM shall receive a fixed fee of \$2,197,000 for license and management fees. This fixed fee can be increased if student enrollment exceeds 1,574 students. This agreement ends June 30, 2020.

The School purchases a majority of their text books from SABIS Educational Systems (SES), a related party.

The School paid SEM & SES the following:

	<u>2016</u>	<u>2015</u>
Instructional management fee	\$ 2,197,000	\$ 1,993,000
Text books and other	<u>766,499</u>	<u>655,655</u>
	<u>\$ 2,963,499</u>	<u>\$ 2,648,655</u>

As of June 30, 2016, the amount due to SEM was \$240,730 (\$360 - 2015).

11. Concentration of Revenue

DESE provided 99% of the funding to the School for the years ended June 30, 2016 and 2015 through a per pupil reimbursement and Federal and Commonwealth of Massachusetts grants.

12. Supplementary Cash Flow Information

Supplemental cash flow information is as follows

	<u>2016</u>	<u>2015</u>
Cash paid during the year for:		
Interest	\$ 1,680,146	\$2,436,175
<i>Supplemental Disclosures of Non-Cash Activities:</i>		
Bond proceeds from refunding	39,991,519	

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Continued

13. Board Designated Net Position

As of June 30, 2016, the Board of Trustees has designated \$1,507,026 of unrestricted net position for future capital assets.

14. Change in Accounting Principle

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, requires that all bond issuance costs are expensed. This includes the costs of bonds issued in prior years. Accordingly, the School's net position as of July 1, 2014 was restated by \$1,095,015 and the amortization of bond costs in fiscal year 2015 of \$43,801, was eliminated.

15. Subsequent Events

The School has evaluated subsequent events through October 24, 2016, the date the financial statements were available to be issued.

16. Reclassification

Certain 2015 amounts have been reclassified to conform with the 2016 presentation.

THE SABIS INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
Pass-through from Massachusetts Department of Education:			
Title I - Grants to Local Educational Agencies.....	84.010	305-043586-2015-0441	\$ 158,753
	84.010	305-073297-2016-0441	<u>596,452</u>
			<u>755,205</u>
Special Education - Grants to States.....	84.027	240-325-6-0441	<u>345,786</u>
Title IIA - Improving Teacher Quality State Grants.....	84.367	140-043587-2015-0441	49,023
	84.367	140-086671-2016-0441	<u>22,710</u>
			<u>71,733</u>
Total U.S. Department of Education.....			<u>1,172,724</u>
U.S. Department of Agriculture:			
Pass-through from the City of Springfield Massachusetts			
Child Nutrition Cluster			
National School Lunch Program - Commodities.....	10.555		428,878
School Breakfast Program - Commodities.....	10.553		<u>189,631</u>
Total Child Nutrition Cluster.....			<u>618,509</u>
Total U.S. Department of Agriculture.....			<u>618,509</u>
Total Expenditures of Federal Awards.....			<u>\$ 1,791,233</u>

THE SABIS INTERNATIONAL CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The SABIS International Charter School under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The SABIS International Charter School, it is not intended to and does not present the financial position, changes in net position, or cash flows of The SABIS International Charter School.

2. Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The SABIS International Charter School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Trustees of
The SABIS International Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of The SABIS International Charter School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The SABIS International Charter School's basic financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moriarty Primack, P.C.

Springfield, Massachusetts
October 24, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of
The SABIS International Charter School

Report on Compliance for Each Major Federal Program

We have audited The SABIS International Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The SABIS International Charter School's major federal programs for the year ended June 30, 2016. The SABIS International Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The SABIS International Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The SABIS International Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The SABIS International Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, The SABIS International Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of The SABIS International Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The SABIS International Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The SABIS International Charter School's internal control over compliance.

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

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

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

Moriarty Primack, P.C.

Springfield, Massachusetts
October 24, 2016

THE SABIS INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2016

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of The SABIS International Charter School were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of The SABIS International Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.
5. The auditor's report on compliance for major federal award programs for The SABIS International Charter School expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as major program was Title I 84.010.
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. The SABIS International Charter School was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of The SABIS International Charter School or its designated committee or individual, have voted to accept the representations of management and the expression of the opinions made by Moriarty & Primack, P.C. as embodied in the financial statements, supplemental schedules and independent auditors' reports for the year ended June 30, 2016 and 2015.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the Commonwealth of Massachusetts Charter School Audit Guide for the period ended June 30, 2016 and 2015.

Board President or Treasurer or Other Designated Person

10-24-16

Date