

**MEMPHIS ACADEMY OF HEALTH SCIENCES
MIDDLE SCHOOL**

**AUDIT REPORT
JUNE 30, 2011**

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

TABLE OF CONTENTS

Independent Auditors' Report..... 1

Management's Discussion and Analysis..... 2

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets..... 5

Statement of Activities..... 6

Fund Financial Statements:

Governmental Funds Financial Statements

Balance Sheet..... 7

Reconciliation of the Governmental Funds Balance Sheet..... 8

Statement of Revenues, Expenditures, and Changes in Fund Balances..... 9

**Reconciliation of Revenues, Expenditures, and Changes in Fund Balances
 of Government Funds to the Statement Activities..... 10**

Notes to Financial Statements..... 11

Supplementary Information other than Management's Discussion and Analysis

Budgetary Comparison Schedule

General Fund..... 17

Schedule of Functional Expenses..... 18

Principal Officers..... 19

Schedule of Surety Bonds..... 20

Additional Auditors' Reports

**Independent Auditors' Report on Internal Control Over Financial Reporting and
 Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with Government Auditing Standards..... 21**

INDEPENDENT AUDITORS REPORT

To the Board of Directors
Memphis Academy of Health Sciences
Memphis, TN

We have audited the accompanying financial statements of the governmental activities and each major fund of Memphis Academy of Health Sciences as of and for the year ended June 30, 2011, which collectively comprise Memphis Academy of Health Sciences' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Memphis Academy of Health Sciences' management. Our responsibility is to express opinions 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Memphis Academy of Health Sciences as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also issued our report dated October 22, 2011, in our consideration of Memphis Academy of Health Sciences' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 2 through 4 is not a required part of the basic financial statements but are supplementary information required by principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Memphis Academy of Health Sciences' basic financial statements. The schedule of functional expense, budgetary comparison, principle officers and schedule of surety bond is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.


Memphis, TN
October 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Memphis Academy of Health Sciences 'Middle School's financial performance provides an overall narrative review of the School's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School's performance. As a whole, readers should also review the notes to basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this school's financial statements, notes to financial statements and any accompanying materials.

The purpose of this discussion and analysis is twofold:

- 1) Comply with the Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement NO. 34-Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments issued in June, 1999.
- 2) Give the reader a clear understanding of the financial activities that occurred during the fiscal year.

FINANCIAL HIGHLIGHTS

- Total net assets **decreased** by \$64,713
- Total General Revenues were \$2,476,736
- Total Business-Type revenues were -0-
- Expenses for the School were \$2,541,449

OVERVIEW OF FINANCIAL STATEMENTS

These statements consist of two (2) types of financial statements, namely, Government Wide Financial Statements and Governmental Fund Financial Statements:

Government-Wide Financial Statements-These Financial Statements are designed to provide the reader with an overview of the School's finances, similar to what you would find in a private business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as revenues are received or expenditures are made; therefore, some of the expenses reported might reflect payments we have made during this fiscal year related to projects or activities from a prior fiscal year. Likewise, some of the revenues reported may reflect funding we have secured for activities or projects that we are contemplating for the future.

MANAGEMENT’S DISCUSSION AND ANALYSIS - continued

Governmental Fund Financial Statements- A fund is a grouping of related accounts that are used to maintain control over monies that have been earmarked for specific activities or projects. These Financial Statements do not include any “business” type funds. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. At the present the school has only one (1) fund, namely the General Fund.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a trend indicator of the School’s changing financial position. At June 30, 2011, Memphis Academy of Health Sciences’ Middle School Total Assets exceeded Total Liabilities by \$1,503,846.

Below is a summary and a prior year comparison of the School’s net assets:

| | | | FYE 06/30/2010 | | FYE 06/30/2011 |
|---------------------|--|----|-----------------------|----|-----------------------|
| Total Assets | | \$ | 1,615,389 | \$ | 1,513,952 |
| Total Liabilities | | \$ | 46,830 | \$ | 10,106 |
| Total Net Assets | | | | | |
| (Unrestricted) | | \$ | 1,568,559 | \$ | 1,503,846 |
| | | | | | |
| | | | FYE 06/30/2010 | | FYE 06/30/2011 |
| Total Revenue | | \$ | 2,301,853 | \$ | 2,476,736 |
| Total Expenses | | \$ | 2,317,138 | \$ | 2,541,449 |
| Increase (Decrease) | | | | | |
| in Net Assets | | \$ | (15,285) | \$ | (64,713) |

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Memphis Academy of Health Sciences Middle School experienced a modest **decrease** in operating performance for the fiscal period ending June 30, 2011. However, it is anticipated that the school will continue to maintain adequate future revenue levels that will equal or exceed operating expenditure requirements.

The 2010-11 period represented the school’s Eighth (8) year of operations as a charter school. Once again, it was an extraordinarily progressive year, both academically and operationally. Student achievements continue with their positive trend.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

As a tax-exempted charter school, through the use of innovative teaching methodologies, students continue to maximize their learning potential. As a result, parents continue to be appreciative of their opportunity to exercise "choice" in the selection of MAHS Middle School as their children's school. During the 2010-2011 school year, it appears that teachers continued to experience a greater degree of both personal and professional satisfaction while working at MAHS Middle School. Smaller classes sizes, greater discipline among students, and a rigorous curriculum, has allowed teachers to continue experiencing a high level of personal satisfaction and accomplishment.

Finally, MAHS Middle School status as a tax-exempted charter school has allowed it to reach out into the community and acquire resources both of a financial and in-kind nature to help operate the school and improve education for the students we serve. MAHS Middle School's community partners have continued to be instrumental in helping to improve operational efficiencies, raise funds, tutor and mentor students, and reach out to parents. Overall, the 2010-11 school year was a great success.

BUDGETARY HIGHLIGHTS

The School's fiscal operating budgets are prepared, presented and adopted by Board of Directors prior to each fiscal year. The School endeavors to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming twelve (12) month period. Due to unforeseen events throughout the year, it is necessary for the School to amend its budget from time to time during the fiscal year.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

At the present, MAHS Middle School has no known additional undisclosed material facts, decisions or conditions that would significantly impact this analysis and report.

CONTACT

If there are any questions or comments concerning this report, please contact:
The Principal's Office
Memphis Academy of Health Sciences Middle School
3925 Chelsea Ave. Extended
Memphis, TN 38108
Phone: (901) 382-1441

BASIC FINANCIAL STATEMENTS

MEMPHIS ACADEMY OF HEALTH SCIENCES –MIDDLE SCHOOL

GENERAL GOVERNMENT

STATEMENT OF NET ASSETS

JUNE 30, 2011

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| CASH AND INVESTMENTS | |
| Cash | \$ 151,003 |
| RECEIVABLES (Net of Allowance for uncollectible) | |
| Opration | 1,070 |
| Due from MAHS High School | 9,041 |
| Other | 11,180 |
| Capital Assets: | |
| Land | 35,000 |
| Depreciable assets (net of accumulated depreciation) | <u>1,306,658</u> |
| TOTAL ASSETS | <u>\$ 1,513,952</u> |
| LIABILITIES AND NET ASSETS | |
| Liabilities | |
| Accounts Payable | \$ 7,680 |
| Line of Credit | 707 |
| Accrued Liabilities | <u>1,719</u> |
| Total Liabilities | 10,106 |
| Net Assets: | |
| Investment in capital assets | 1,341,657 |
| Unreserved | <u>162,189</u> |
| Total net assets | <u>1,503,846</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,513,952</u> |

The notes to the financial statements are an integral part of this statement.

MEMPHIS ACADEMY OF HEALTH SCIENCES –MIDDLE SCHOOL

GOVERNMENT FUND

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> | |
|---------------------------------|------------------|-----------------------------|---|--|---------------------|
| | | <u>Charges for services</u> | <u>Operating grants and contributions</u> | <u>Revenue and Changes in Net Assets</u> | |
| | | | <u>Capital grants and contributions</u> | <u>Primary Governmental Activities</u> | |
| Primary Government | | | | | |
| Instruction | \$1,648,250 | \$ - | \$ 1,520,550 | \$ - | (\$127,700) |
| Support Services | 786,882 | - | 818,757 | - | 31,875 |
| Food Service | 36,668 | - | 33,250 | - | (3,418) |
| Capital Projects | 69,649 | - | - | - | (69,649) |
| Total governmental activities | <u>2,541,449</u> | <u>\$ -</u> | <u>\$ 2,372,557</u> | <u>\$ -</u> | <u>(168,892)</u> |
| General revenue: | | | | | |
| Gifts/Contribution | | | | | 38,000 |
| Other Income | | | | | 66,179 |
| Total General Revenues | | | | | <u>\$ 104,179</u> |
| Change in Net Assets | | | | | (64,713) |
| Net Assets at Beginning of Year | | | | | <u>1,568,559</u> |
| Net Assets at End of Year | | | | | <u>\$ 1,503,846</u> |

The notes to the financial statements are an integral part of this statement.

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

BALANCE SHEET- GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

| | <u>General Fund</u> |
|-------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 151,003 |
| Due from MAHS High School | 9,041 |
| Other receivable | 12,250 |
| Total Assets | <u>\$ 172,294</u> |
| | |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts payable | \$ 7,680 |
| Line of Credit | 707 |
| Accrued liabilities | 1,719 |
| Total Liabilities | <u>10,106</u> |
| Fund Balance | |
| Unreserved | <u>162,188</u> |
| Total Liabilities and Fund Balance | <u>\$ 172,294</u> |

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2011

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 162,188

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. These assets consist of:

| | | |
|---------------------------|-----------|-----------|
| Land | 35,000 | |
| Building and improvements | 1,383,843 | |
| Equipment | 282,763 | |
| Accumulated depreciation | (359,948) | 1,341,658 |
| | | <hr/> |

Net Assets of Governmental Activities \$ 1,503,846

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

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

For the Year Ended June 30, 2011

| | <u>General Fund</u> |
|-------------------------------------|--------------------------|
| Revenue: | |
| BEP | \$ 2,339,307 |
| Title 1 | 33,096 |
| Gift and Contribution | 3,000 |
| Activity fees | 46,847 |
| Other revenue | 54,486 |
| | <u>2,476,736</u> |
| Expenditures: | |
| Current | |
| Instructional | 1,648,250 |
| Support Service | 786,882 |
| Food Service | 36,668 |
| | <u>2,471,800</u> |
| Excess Of Revenue Over (Under) | |
| Expenditures | 4,936 |
| Fund Balance, Beginning of Year | <u>177,157</u> |
| Fund Balance, End of Year | <u><u>\$ 182,093</u></u> |

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

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

For the Year Ended June 30, 2011

Net Change in Fund Balance - Total Governmental Funds \$ 4,936

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period

(69,649)

Change in Net Assets of Governmental Activities

\$ (64,713)

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Memphis Academy of Health Sciences (Middle School) was established to equip students with the necessary skills to be competitive in the 21st Century. Our students will demonstrate the ability to read, write, speak, and calculate with clarity and precision. Successful transition to high school will be primary goal for all. The Academy's structured yet caring environment will help to instill in the students a desire to participate passionately and responsibly in their own learning and growth, their families, and the life of their communities.

Fiscal Year End

Memphis Academy of Health Sciences has a fiscal year end of June 30.

B. Government-wide financial statements

The government-wide financial statements (i.e. the statements of net assets and the statement of activities) report information on all of the activities of the primary government. Government activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the year ended June 30, 2011 Memphis Academy of Health Sciences did not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct revenues include 1) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, liabilities, and net assets

Memphis Academy of Health Sciences considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

(Continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets, which include property, plant and equipments are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the school as assets with an initial, individual cost of more than \$500 and an estimated useful life of three years. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

The cost of normal maintenance and repairs that do no add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is included as part of the capitalized value of the assets constructed. The total interest incurred during the current fiscal year was \$0. Of this amount, none was included as part of the cost of capital assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives.

| | |
|-----------------------|-----------|
| Building | 40 years |
| Furniture & Equipment | 5 years |
| Technology Hardware | 3-5 years |

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-term obligations

In the government-wide financial statement long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Net assets

Designation of unrestricted net asset represents tentative management plans that are subject to change

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

(Continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet include a reconciliation between fund balance-total governmental fund and net assets – governmental activities as reported in the government-wide statement of net assets. Capital assets in the government activities are not financial resources and therefore not reported in the fund

| | |
|-------------------|--------------------|
| Fixed Assets, Net | <u>\$1,341,658</u> |
|-------------------|--------------------|

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and change in fund balance and the government-wide statements of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$62,075 difference are as follows:

| | |
|----------------------|-----------------|
| Depreciation expense | <u>\$62,075</u> |
|----------------------|-----------------|

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

(Continued)

III. FIXED ASSETS – GOVERNMENTAL FUND

At June 30, 2011, the cost of fixed assets and related accumulated depreciation consisted of the following:

| | FIXED ASSETS | | | Ending Balance |
|-------------------------|----------------------|------------------|-------------|---------------------|
| | Beginning Balance | Additions | Deletions | |
| Land | \$ 35,000 | \$ - | \$ - | \$ 35,000 |
| Building | 450,250 | - | - | 450,250 |
| Building Improvements | 933,593 | - | - | 933,593 |
| Furniture and Equipment | 142,787 | - | - | 142,787 |
| Technology Equipment | 127,624 | 12,352 | - | 139,976 |
| Total Fixed Assets | <u>\$ 1,689,254</u> | <u>\$ 12,352</u> | <u>\$ -</u> | <u>\$ 1,701,606</u> |

| ACCUMULATED DEPRECIATION | | | | |
|---------------------------------|---------------------|------------------|-------------|---------------------|
| Building | \$ 52,721 | \$ 12,136 | \$ - | \$ 64,857 |
| Building Improvements | 94,512 | 23,604 | - | 118,116 |
| Furniture and Equipment | 63,048 | 9,501 | - | 72,549 |
| Technology Equipment | 87,592 | 16,834 | - | 104,426 |
| Total Accumulated Depreciation | <u>\$ 297,873</u> | <u>\$ 62,075</u> | <u>\$ -</u> | <u>\$ 359,948</u> |
| Net Fixed Assets | <u>\$ 1,391,381</u> | | | <u>\$ 1,341,658</u> |

MEMPHIS ACADEMY OF HEALTH SCIENCES – MIDDLE SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

(Continued)

IV. DETAILED NOTES OF ALL FUNDS

A. Concentration of Credit Risk

MAHS maintains several bank accounts with Bank of America. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. For the year ended June 30, 2011, the school did not have any accounts that exceeded the FDIC limits.

V. RELATED PARTY TRANSACTION

A. MUSIC INSTRUCTOR

Brandon Biles the son of one of the teacher's was hired to assist with the choir for the middle school and received a total of \$660 in compensation for the current year.

B. COMPUTER MAINTENANCE

Terrance Osby, the husband of one of the teacher was hired to maintain the computer system for the high school and received a total of \$15,582 in compensation for the current year.

SUPPLEMENTARY INFORMATION

MEMPHIS ACADEMY OF HEALTH SCIENCES

**GENERAL FUND
BUDGETARY COMPARISON
June 30, 2011**

| | <u>Budgeted Amount</u> | | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|------------------------|------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| Basic Education Program (BEP) | \$ 2,239,443 | \$ 2,239,443 | \$ 2,339,307 | \$ 99,864 |
| Contribution and Gifts | 50,000 | 50,000 | 38,000 | (12,000) |
| Title I Grant and Federal Grant | 152,350 | 152,350 | 33,096 | (119,254) |
| Other Income | 141,950 | 141,950 | 66,333 | (75,617) |
| TOTAL REVENUES | <u>2,583,743</u> | <u>2,583,743</u> | <u>2,476,736</u> | <u>(107,007)</u> |
| <u>EXPENDITURES</u> | | | | |
| Instruction | 1,759,017 | 1,759,017 | 1,648,251 | 110,766 |
| Support Services | 758,478 | 758,478 | 786,882 | (28,404) |
| Food Service | 51,848 | 51,848 | 36,668 | 15,180 |
| Capital Outlay | 14,400 | 14,400 | 69,649 | (55,249) |
| TOTAL EXPENDITURES | <u>2,583,743</u> | <u>2,583,743</u> | <u>2,541,449</u> | <u>42,294</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | (64,713) | (64,713) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | <u>\$ -</u> | <u>\$ -</u> | (64,713) | <u>(64,713)</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>1,568,559</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 1,503,846</u> | |

MEMPHIS ACADEMY OF HEALTH SCIENCES

SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2011

| | <u>Instruction</u> | <u>Support Services</u> | <u>Food Service</u> | <u>Capital Outlay</u> | <u>Total</u> |
|---------------------------|---------------------|-----------------------------|-------------------------|---------------------------|---------------------|
| Payroll | \$ 1,093,862 | \$ 254,223 | \$ 22,615 | \$ - | \$ 1,370,700 |
| Payroll Taxes | 108,468 | 26,614 | 2,000 | - | 137,082 |
| State Retirement | 227,050 | 11,584 | - | - | 238,633 |
| Medical Insurance | 21,263 | 9,551 | - | - | 30,815 |
| Other Fringe Benefits | 5,877 | 51,518 | - | - | 57,395 |
| Contracted Services | - | 15,625 | - | - | 15,625 |
| Material and Supplies | 41,325 | 68,302 | - | - | 109,627 |
| Professional Services | - | 5,995 | - | 6,175 | 12,170 |
| Dues & Membership | - | - | - | - | - |
| Postage | - | 2,410 | - | - | 2,410 |
| Travel | - | 61,464 | - | - | 61,464 |
| Repair & Maintenance | 27,580 | 230,819 | - | - | 258,399 |
| Equipment | 2,073 | - | - | - | 2,073 |
| Other Contracted Services | - | 27,750 | - | - | 27,750 |
| Utilities | - | 14,136 | - | - | 14,136 |
| Interest | - | - | - | 1,398 | 1,398 |
| Food | - | - | 12,053 | - | 12,053 |
| Transportation | - | 4,260 | - | - | 4,260 |
| Student Body Enrichment | 120,752 | - | - | - | 120,752 |
| Depreciation | - | - | - | 62,075 | 62,075 |
| Other Charges | - | 2,631 | - | - | 2,631 |
| | <u>\$ 1,648,250</u> | <u>\$ 786,882</u> | <u>\$ 36,668</u> | <u>\$ 69,648</u> | <u>\$ 2,541,448</u> |

MEMPHIS ACADEMY OF HEALTH SCIENCES

PRINCIPAL OFFICIALS

| <u>Name and Position</u> | <u>Title</u> | <u>Years of Service</u> |
|--------------------------|-------------------------|-------------------------|
| Curtis Weathers | Executive Director | 8 |
| Beth Stayton | Director of Instruction | 8 |
| Tonya Biles | Principle | 2 |
| Jacqueline C. Osby | Business Manager | 8 |
| Joyce Derrick | President | 8 |
| Bernal Smith | Treasurer | 8 |
| Dr. Todd Brooks | Board Member | 6 |
| Shirley Jackson | Secretary | 5 |
| Jack Blair | Board Member | 5 |
| Bob Bennett | Board Member | 5 |
| Mott Ford | Board Member | 5 |
| Robert Spence | Board Member | 5 |
| Steve Good | Board Member | 5 |
| Johnny Lamberson | Board Member | 5 |
| Dolan Bozeman | Board Member | 5 |
| Dwayne Heard | Board Member | 5 |

MEMPHIS ACADEMY OF HEALTH SCIENCES

**SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
For The Year Ended June 30, 2011**

| <u>Name and Position</u> | <u>Surety Company</u> | <u>Amount</u> |
|---|-------------------------|---------------|
| Curtis Weather Executive Director | Page, Chaffin & Riggins | \$500,000 |
| Beth Stayton Director of Instruction | Page, Chaffin & Riggins | \$500,000 |
| Jacqueline C. Osby Business Manager | Page, Chaffin & Riggins | \$500,000 |
| Joyce Derrick Board President | Page, Chaffin & Riggins | \$500,000 |

**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
Memphis Academy of Health Sciences
Memphis, TN

We have audited the financial statements of the governmental activities and each major fund, of Memphis Academy of Health Sciences (MAHS), as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements and have issued our report thereon dated October 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MAHS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MAHS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MAHS's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MAHS's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of MAHS's financial statements that is more than inconsequential will not be prevented or detected by MAHS's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by MAHS's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control

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(Continued)**

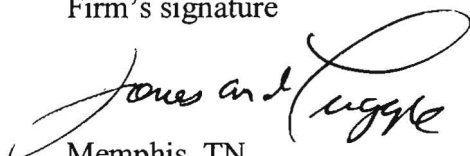
that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, the Memphis City School Board and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Firm's signature

A handwritten signature in black ink, appearing to read "Jones and Luggie", written in a cursive style.

Memphis, TN
October 22, 2011