



ACHIEVEMENT ACADEMY CHARTER SCHOOL

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

June 30, 2009 and 2008

ACHIEVEMENT ACADEMY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Achievement Academy Charter School
Albany, New York

We have audited the accompanying statements of financial position of Achievement Academy Charter School as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Achievement Academy Charter School's management. Our responsibility is to express an opinion 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Academy Charter School as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2009, on our consideration of Achievement Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract 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 read in conjunction with this report in considering the results of our audit.

Bollam Sheedy Torani & Co. LLP

Albany, New York
October 27, 2009

ACHIEVEMENT ACADEMY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION June 30,

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 118,589	\$ 92,575
Accounts receivable	7,892	8,190
Due from school districts	19,978	48,480
Grants receivable	12,162	9,365
Due from New York State	19,199	6,140
Prepaid expenses	3,279	17,800
Total current assets	<u>181,099</u>	<u>182,550</u>
PROPERTY, EQUIPMENT, AND TEXTBOOKS		
Equipment	248,353	198,718
Textbooks	48,626	48,626
Leasehold improvements	19,868	19,868
	<u>316,847</u>	<u>267,212</u>
Less accumulated depreciation	178,823	124,915
Property, equipment, and textbooks, net	<u>138,024</u>	<u>142,297</u>
Total assets	<u>\$ 319,123</u>	<u>\$ 324,847</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable	\$ 33,584	\$ -
Accounts payable	159,852	33,764
Accrued expenses	107,923	77,190
Deferred revenue	-	412
Total current liabilities	<u>301,359</u>	<u>111,366</u>
LONG-TERM LIABILITIES		
Note payable	<u>111,416</u>	<u>-</u>
Total liabilities	412,775	111,366
COMMITMENTS AND CONTINGENCIES		
NET ASSETS, unrestricted	<u>(93,652)</u>	<u>213,481</u>
Total liabilities and net assets	<u>\$ 319,123</u>	<u>\$ 324,847</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

STATEMENTS OF ACTIVITIES Years Ended June 30,

	<u>2009</u>	<u>2008</u>
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue and support		
Public school districts		
Resident student enrollment	\$ 2,018,248	\$ 1,239,449
Students with disabilities	88,501	116,671
Grants		
Federal	227,804	134,639
State	2,949	21,951
Other	-	128,695
Other	19,413	19,012
Donated services	22,500	22,500
Total revenue and support	2,379,415	1,682,917
Expenses		
Program services		
Regular education	1,438,613	965,750
Special education	120,107	128,863
Other programs	352,067	154,094
	1,910,787	1,248,707
Management and general	775,761	634,050
Total expenses	2,686,548	1,882,757
CHANGE IN NET ASSETS	(307,133)	(199,840)
NET ASSETS, beginning of year	213,481	413,321
NET ASSETS, end of year	\$ (93,652)	\$ 213,481

The accompanying Notes to Financial Statements are an integral part of these statements.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

STATEMENTS OF CASH FLOWS Years Ended June 30,

	<u>2009</u>	<u>2008</u>
CASH FLOWS (PROVIDED) USED BY OPERATING ACTIVITIES		
Change in net assets	\$ (307,133)	\$ (199,840)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	53,908	58,085
Bad debt expense	328	7,588
(Increase) decrease in		
Accounts receivable	(30)	(7,278)
Due from school districts	28,502	64,124
Grants receivable	(2,797)	127,047
Due from New York State	(13,059)	14,722
Prepaid expenses	14,521	(4,455)
Increase (decrease) in		
Accounts payable	126,088	4,476
Accrued expenses	30,733	(25,790)
Deferred revenue	(412)	412
	<u>(69,351)</u>	<u>39,091</u>
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of equipment and textbooks	<u>(49,635)</u>	<u>(55,787)</u>
 CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from note payable	<u>145,000</u>	<u>-</u>
 Net increase (decrease) in cash	26,014	(16,696)
 CASH, beginning of year	<u>92,575</u>	<u>109,271</u>
 CASH, end of year	<u>\$ 118,589</u>	<u>\$ 92,575</u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 882</u>	<u>\$ -</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *Organization*

Achievement Academy Charter School (“AACS”) was organized to operate a charter school pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York (“State University”). A provisional charter, valid for a term of five years, was granted to AACS by the State University in December 2004. During the year ending June 30, 2010, a renewal application of AACS’s provisional charter will be submitted to the State University.

AACS provides a broad and rigorous college preparatory education, including instruction on reading, writing, traditional mathematics, science, visual and performing arts, American and world history, technology, and physical education. Students benefit from a longer school day and school year, providing them with an equivalent of two years of academic instruction over each of their elementary years.

AACS opened in September 2005. During the year ended June 30, 2009, AACS had enrollment of approximately 175 students serving the 5th through 8th grades.

2. *Accounting Method*

The accompanying financial statements were prepared on the accrual basis in accordance with the AICPA Accounting and Auditing Guide *Not-for-Profit Organizations*.

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts. Accordingly, actual results could differ from these estimates.

3. *Fair Value Measurements*

GAAP requires disclosure of an estimate of fair value of certain financial instruments. AACS’s significant financial instruments are cash, accounts receivables, and liabilities. For these financial instruments, carrying values approximate fair value. The note payable carrying amount approximates fair value because AACS could obtain similar loans at the same terms.

4. *Cash*

AACS’s cash consists of cash on hand and demand deposits. AACS considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

AACS’s cash must be deposited in FDIC-insured commercial banks or trust companies located within New York State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

5. *Receivables*

Accounts receivable, due from school districts, grants receivable, and amounts due from New York State (“receivables”) are carried at original invoice amount based on a review of all outstanding amounts on a monthly basis. Management reviews doubtful accounts by regularly evaluating individual receivables. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. AACS considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was necessary at June 30, 2009 and 2008. Bad debt expense was \$328 and \$7,588 for the years ended June 30, 2009 and 2008, respectively.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

5. *Receivables* - Continued

A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. No interest is charged on receivables that are outstanding for more than 30 days.

6. *Prepaid Expenses*

Prepaid expenses consist of purchases and/or payments on items for the benefit of a future period.

7. *Property, Equipment, and Textbooks, Net*

Property, equipment, and textbooks are stated at cost, net of accumulated depreciation. Maintenance and repairs are charged to operations when incurred. When property, equipment, and textbooks are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved and any gain or loss is included in operations. Depreciation is provided for in amounts to relate the cost of depreciable assets to expenses over their estimated useful lives on a straight-line method. The estimated lives used in determining depreciation are as follows:

	<u>Years</u>
Equipment	3-10
Textbooks	3
Leasehold improvements	7

8. *Tax Status*

AACS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. AACS has been classified as a publicly-supported organization that is not a private foundation under Section 509(a) of the Code.

During the year ended June 30, 2009, AACS adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The adoption of FIN 48 did not have a material impact on the financial statements of AACS.

AACS uses SFAS No. 5, *Accounting for Contingencies*, as an approach for evaluating uncertain tax positions.

9. *Revenue Recognition*

A substantial portion of AACS's revenue and related receivables are derived from its arrangements with several school districts, which reimburse AACS based on per capita enrollment. These revenues are recognized ratably over the related school year during which they are earned.

Revenue from other governmental sources generally represents various entitlements and are recognized as earned as allowable expenditures are incurred.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support (including operating grants) is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There were no temporarily or permanently restricted net assets as of June 30, 2009 and 2008.

11. Donated Services

Donated services are recognized at fair value because the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amount reflected in the accompanying financial statements as donated services offset the like amounts in expenses. Donated services totaled \$22,500 for each of the years ended June 30, 2009 and 2008.

12. Advertising

Advertising costs are used to promote its programs among the audiences AACCS serves, and are expensed as incurred. Advertising expense was \$49,080 and \$9,738 for the years ended June 30, 2009 and 2008, respectively.

13. Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of AACCS.

14. Subsequent Events

During the year ended June 30, 2009, AACCS adopted SFAS No. 165, *Subsequent Events*, and has evaluated subsequent events through October 27, 2009, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2009, have been incorporated into these financial statements.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE B - PROPERTY, EQUIPMENT, AND TEXTBOOKS, NET

A summary of AACCS's property, equipment, and textbooks, net, is as follows:

	June 30,	
	<u>2009</u>	<u>2008</u>
Equipment	\$ 248,353	\$ 198,718
Textbooks	48,626	48,626
Leasehold improvements	19,868	19,868
	<u>316,847</u>	<u>267,212</u>
Less accumulated depreciation	<u>(178,823)</u>	<u>(124,915)</u>
Property, equipment, and textbooks, net	<u>\$ 138,024</u>	<u>\$ 142,297</u>

Depreciation expense was \$53,908 and \$58,085 for the years ended June 30, 2009 and 2008, respectively.

NOTE C - GRANTS

A summary of grant support that represents the portion of the grants utilized for operations and to acquire property, equipment, and textbooks is as follows:

	Grant Receipts Expended June 30,	
	<u>2009</u>	<u>2008</u>
Federal and State Grants		
New York Department of Education		
Title I A & D	\$ 125,473	\$ 68,173
Title II A	8,920	10,082
Title II D	683	1,500
Title IV	2,355	-
Title V	760	-
Child Nutrition program	92,562	57,081
State University of New York Stimulus Fund Grants	-	19,754
Private Foundation Grant	-	128,695
	<u> </u>	<u> </u>
Total grant support and revenue	<u>\$ 230,753</u>	<u>\$ 285,285</u>

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE D - NOTE PAYABLE

AACS has an unsecured note payable in the amount of \$145,000 at June 30, 2009, due to a private foundation. The note bears interest at a fixed rate of 5.00% and is due June 30, 2013.

A summary of AACS's future annual minimum payments due under the terms of this loan is as follows:

For the year ending June 30, 2010	\$ 33,584
2011	35,302
2012	37,108
2013	<u>39,006</u>
	<u>\$ 145,000</u>

NOTE E - RETIREMENT PLAN

AACS has a 403(b) tax-deferred annuity plan for all employees. AACS will provide contributions to employees with at least one year of service. AACS's contribution is 2% of the eligible employees' salaries. AACS contributed to the Plan \$7,504 and \$4,192 for the years ended June 30, 2009 and 2008, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Operating Lease

AACS has an operating lease agreement with the Brighter Choice Foundation, for the use of educational facilities, that expires on June 30, 2013. Monthly lease payments are \$30,417. Rent expense was \$350,710 and \$195,299 for the years ended June 30, 2009 and 2008, respectively.

A summary of AACS's future annual minimum rent payments due under the terms of its operating lease (assuming no co-tenants after the year ended June 30, 2008) is as follows:

For the year ending June 30, 2010	\$ 365,004
2011	365,004
2012	365,004
2013	<u>365,004</u>
	<u>\$ 1,460,016</u>

AACS leases office equipment under a noncancellable operating lease that expires in August 2013. Monthly lease payments are \$465. Rent expense was \$4,932 and \$-0- for the years ended June 30, 2009 and 2008, respectively.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE F - COMMITMENTS AND CONTINGENCIES - Continued

A summary of AACCS's future annual minimum rent payments due under the term of its operating lease is as follows:

For the year ending June 30, 2010	\$ 5,580
2011	5,580
2012	5,580
2013	5,580
2014	<u>930</u>
	<u>\$23,250</u>

2. *Uninsured Cash*

AACS maintains cash balances in one financial institution located in New York. The balances at the financial institution are insured, up to certain limits, by the Federal Deposit Insurance Corporation (FDIC). At times, AACCS has bank deposits in excess of the amounts insured by the FDIC. However, at June 30, 2009, AACCS had no uninsured cash balances.

3. *Other Contingencies*

AACS is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various services. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

4. *Significant Concentration and Uncertainty*

AACS receives a substantial portion of its funding from school districts where AACCS students reside. One school district constituted 76% and 72% of total revenue and support for the years ended June 30, 2009 and 2008, respectively. No other funding source accounted for more than 10% of AACCS's total revenue and support for the years ended June 30, 2009 and 2008. Approximately \$4,300 and \$52,000 was due from this funding source at June 30, 2009 and 2008, respectively.

NOTE G - MANAGEMENT'S PLAN

AACS's expenses exceeded its revenues and support for the year ended June 30, 2009. Management attributes this to an increase in the operating facilities costs and payroll obligations due to a 47% increase in space rented that was required to accommodate increased enrollment and the charter-mandated addition of an eighth grade. Enrollment increased approximately 47% during the year, but the enrollment increase was below the initial budget enrollment figures for the year ended June 30, 2009.

Management has greatly expanded its comprehensive marketing campaign, which commenced during 2008 and 2009, with the sole intention of increasing student enrollment for the year ending June 30, 2010. Preliminary enrollment figures for the year ending June 30, 2010, have increased 24%. As most of the facility expenses are expected to remain the same or increase by 5% and payroll increases are nominal, management believes the anticipated additional revenue will be enough to support operations for the year ending June 30, 2010.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
Achievement Academy Charter School
Albany, New York

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of Achievement Academy Charter School as of and for the year ended June 30, 2009, which are presented in the preceding section of this report. The 2009 supplemental information listed in the Contents of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The prior year summarized comparative information has been derived from Achievement Academy Charter School's June 30, 2008, financial statements and, in our report dated October 28, 2008, we expressed an unqualified opinion on those financial statements.

Bollam Sheedy Torani & Co. LLP

Albany, New York
October 27, 2009

ACHIEVEMENT ACADEMY CHARTER SCHOOL

FUNCTIONAL EXPENSES Year Ended June 30, 2009 (with comparative totals for 2008)

	Program Services			Management and General	2009 Totals	2008 Totals
	Regular Education	Special Education	Other Programs			
Personnel service	\$ 792,552	\$ 96,388	\$ -	\$ 384,123	\$ 1,273,063	\$ 946,219
Fringe benefits	135,291	16,454	-	65,571	217,316	182,900
Accounting	-	-	-	41,230	41,230	38,608
Bad debt	-	-	-	328	328	7,588
Board expenses	-	-	-	1,900	1,900	933
Consultants	-	-	-	42,325	42,325	44,634
Depreciation	40,233	650	5,662	7,363	53,908	58,085
Food program	-	-	96,101	-	96,101	62,183
Interest	-	-	-	885	885	-
Instructional supplies	31,638	-	3,717	-	35,355	30,579
Insurance	12,192	197	1,716	7,372	21,477	18,918
Lease						
Equipment	-	-	-	4,932	4,932	-
Facilities	261,742	4,231	36,836	47,901	350,710	195,299
Legal	-	-	-	2,846	2,846	5,141
Office expense	-	-	-	67,359	67,359	46,425
Public relations	-	-	-	49,080	49,080	9,738
Repairs and maintenance	96,210	1,555	13,540	17,607	128,912	81,770
Small equipment	-	-	-	1,759	1,759	661
Staff development	-	-	-	4,977	4,977	2,795
Student services	29,674	-	-	-	29,674	28,826
Telephone	-	-	-	14,464	14,464	13,553
Transportation	-	-	188,995	-	188,995	56,951
Travel	-	-	-	252	252	363
Utilities	39,080	632	5,500	7,151	52,363	41,820
Miscellaneous	-	-	-	6,336	6,336	8,770
	<u>\$ 1,438,613</u>	<u>\$ 120,107</u>	<u>\$ 352,067</u>	<u>\$ 775,761</u>	<u>\$ 2,686,548</u>	<u>\$ 1,882,757</u>

See Independent Auditor's Report on Supplemental Information.

**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***

Board of Trustees
Achievement Academy Charter School
Albany, New York

We have audited the financial statements of Achievement Academy Charter School (AACCS) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 27, 2009. 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 AACCS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AACCS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AACCS'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 the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of AACCS's financial statements that is more than inconsequential will not be prevented or detected by AACCS'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 the entity'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 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 AACCS'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*.

We noted a certain matter that we reported to management of AACCS in a separate letter dated October 27, 2009.

This report is intended solely for the information and use of, the Board of Trustees, management, federal awarding agencies, and the New York State Education Department and is not intended to be and should not be used by anyone other than those specified parties.

Bollam Sheedy Torani & Co. LLP

Albany, New York
October 27, 2009

ACHIEVEMENT ACADEMY CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements? Yes No

Section II - Financial Statement Findings

None reported.