



ACHIEVEMENT ACADEMY CHARTER SCHOOL

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

June 30, 2010 and 2009

ACHIEVEMENT ACADEMY CHARTER SCHOOL

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

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, 2010 and 2009, 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, 2010 and 2009, 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 20, 2010, 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, 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 read in conjunction with this report in considering the results of our audit.

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, 2010, which are presented in the preceding section of this report. The 2010 supplemental information listed on page 11 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, 2009, financial statements and, in our report dated October 27, 2009, we expressed an unqualified opinion on those financial statements.

Bollam Sheedy Torani & Co LLP

Albany, New York
October 20, 2010

ACHIEVEMENT ACADEMY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 66,354	\$ 118,589
Accounts receivable	631	7,892
Due from school districts	3,054	19,978
Grants receivable	17,454	12,162
Due from New York State	28,861	19,199
Prepaid expenses	-	3,279
Total current assets	116,354	181,099
PROPERTY, EQUIPMENT, AND TEXTBOOKS		
	103,541	138,024
Total assets	\$ 219,895	\$ 319,123
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current installment of loans payable	\$ 68,886	\$ 33,584
Accounts payable	166,705	159,852
Accrued expenses	102,726	107,923
Total current liabilities	338,317	301,359
LONG-TERM LIABILITIES		
Loans payable, less current installments	76,114	111,416
Total liabilities	414,431	412,775
COMMITMENTS AND CONTINGENCIES		
NET ASSETS, unrestricted	(194,536)	(93,652)
Total liabilities and net assets	\$ 219,895	\$ 319,123

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

ACHIEVEMENT ACADEMY CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2010	2009
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue and support		
Public school districts		
Resident student enrollment	\$ 2,582,496	\$ 2,018,247
Students with disabilities	57,222	88,502
Grants		
Federal	311,663	227,804
State	4,023	2,949
Other	11,106	19,413
Donated services	22,500	22,500
Total revenue and support	2,989,010	2,379,415
Expenses		
Program services		
Regular education	1,623,539	1,438,613
Special education	142,690	120,107
Other programs	472,936	352,067
	2,239,165	1,910,787
Management and general	850,729	775,761
Total expenses	3,089,894	2,686,548
CHANGE IN NET ASSETS	(100,884)	(307,133)
NET ASSETS, beginning of year	(93,652)	213,481
NET ASSETS, end of year	\$ (194,536)	\$ (93,652)

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,	
	2010	2009
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (100,884)	\$ (307,133)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	55,904	53,908
Loss on disposal of equipment	1,506	-
Bad debt expense	3,254	328
(Increase) decrease in		
Accounts receivable	4,007	(30)
Due from school districts	16,924	28,502
Grants receivable	(5,292)	(2,797)
Due from New York State	(9,662)	(13,059)
Prepaid expenses	3,279	14,521
Increase (decrease) in		
Accounts payable	6,853	126,088
Accrued expenses	(5,197)	30,733
Deferred revenue	-	(412)
	(29,308)	(69,351)
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of equipment and textbooks	(22,927)	(49,635)
 CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from loans payable	-	145,000
 Net increase (decrease) in cash	(52,235)	26,014
 CASH, beginning of year	118,589	92,575
 CASH, end of year	\$ 66,354	\$ 118,589
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ -	\$ 882

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

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

a. Organization

Achievement Academy Charter School (“AACCS”) 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 AACCS by the State University in December 2004. During January 2010, State University issued a three-year renewal of AACCS’s charter.

AACCS 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.

AACCS opened in September 2005. During the year ended June 30, 2010, AACCS had enrollment of approximately 217 students serving the 5th through 8th grades.

b. Accounting Method

The accompanying financial statements were prepared on the accrual basis.

On June 30, 2010, AACCS adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is an aggregation of previously issued authoritative accounting principles generally accepted in the United States of America (GAAP) in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates.

In preparing the financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts. Accordingly, actual results could differ from these estimates.

c. Fair Value Measurements

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an “exit” price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

d. Cash

AACCS’s cash consists of cash on hand and demand deposits.

e. 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. AACCS considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was necessary at June 30, 2010 and 2009. Bad debt expense was \$3,254 and \$328 for the years ended June 30, 2010 and 2009, respectively.

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.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - Continued

f. 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

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset.

g. 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.

Management evaluated AACS's tax positions, including that AACS is exempt from taxes and not subject to income taxes on unrelated business income, and concluded that AACS had taken no tax positions that required adjustment in its financial statements.

Forms 990 filed by AACS are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by AACS are no longer subject to examination for the fiscal years ended June 30, 2006, and prior.

h. 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.

i. 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, 2010 and 2009.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - Continued

j. 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, 2010 and 2009.

k. Advertising

Advertising costs are used to promote its programs among the audiences AACS serves, and are expensed as incurred. Advertising expense was \$7,745 and \$49,080 for the years ended June 30, 2010 and 2009, respectively.

l. 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 AACS.

m. Subsequent Events

In preparing the financial statements and notes thereto, AACS has considered subsequent events through October 20, 2010, the date the financial statements were issued.

NOTE 2 - PROPERTY, EQUIPMENT, AND TEXTBOOKS, NET

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

	June 30,	
	2010	2009
Equipment	\$ 261,941	\$ 248,353
Textbooks	54,446	48,626
Leasehold improvements	19,868	19,868
	<u>336,255</u>	<u>316,847</u>
Less accumulated depreciation	<u>(232,714)</u>	<u>(178,823)</u>
Property, equipment, and textbooks, net	<u>\$ 103,541</u>	<u>\$ 138,024</u>

ACHIEVEMENT ACADEMY CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009**

NOTE 3 - LOANS PAYABLE

AACS has unsecured loans payable in the amount of \$145,000 at June 30, 2010, due to a private foundation. The monthly principal payments will range from \$1,000 to \$12,886 for the year ending June 30, 2011. For the year ending June 30, 2012, and 2013, the monthly principal payments will be \$3,092 and \$3,250, respectively. The note bears interest at a fixed rate of 5.00% and is due June 30, 2013. Accrued interest was \$6,036 at June 30, 2010, and is recorded in accrued expenses in these financial statements.

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

For the year ending June 30,	2011	\$ 68,886
	2012	37,108
	2013	<u>39,006</u>
		<u><u>\$145,000</u></u>

NOTE 4 - 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,	
	2010	2009
Federal and State Grants		
New York Department of Education		
Title I A & D	\$ 111,000	\$ 125,473
Title II A	9,500	8,920
Title II D	1,033	683
Title IV	-	2,355
Title V	-	760
Child Nutrition program	135,653	92,562
Title 1 ARRA	53,000	-
Laura Bush Foundation Grant	<u>5,500</u>	<u>-</u>
Total grant support and revenue	<u><u>\$ 315,686</u></u>	<u><u>\$ 230,753</u></u>

NOTE 5 - 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 \$5,738 and \$7,504 to the Plan for the years ended June 30, 2010 and 2009, respectively.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 6 - COMMITMENTS AND CONTINGENCIES

a. Operating Lease

AACS has an operating lease agreement with a private foundation, for the use of educational facilities, that expires on June 30, 2013. Monthly lease payments are \$30,417. Lease expense was \$365,004 and \$350,710 for the years ended June 30, 2010 and 2009, respectively.

A summary of AACS's future annual minimum lease payments due under the terms of its operating lease is as follows:

For the year ending June 30,	2011	\$ 365,004
	2012	365,004
	2013	365,004
	2014	<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. Lease expense was \$4,522 and \$4,932 for the years ended June 30, 2010 and 2009, respectively.

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

For the year ending June 30,	2011	\$ 5,580
	2012	5,580
	2013	5,580
	2014	<u>930</u>
		<u>\$ 17,670</u>

b. 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, AACS has bank deposits in excess of the amounts insured by the FDIC.

c. 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.

d. Significant Concentration and Uncertainty

AACS receives a substantial portion of its funding from school districts where AACS students reside. Two school districts constituted 77% of total revenue and support for the year ended June 30, 2010, and one school district constituted 76% of total revenue and support for the year ended June 30, 2009. No other funding source accounted for more than 10% of AACS's total revenue and support for the years ended June 30, 2010 and 2009. Approximately \$1,600 and \$4,300 was due from these funding sources at June 30, 2010 and 2009, respectively.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 7 - MANAGEMENT'S PLAN

AACS's expenses exceeded its revenues and support and also resulted in a cumulative net deficit for the year ended June 30, 2010. Management attributes this to the result of the initial enrollment estimate of 250 being higher than the actual billable enrollment during the 2010 school year of 217. AACS did increase enrollment to the extent they were required to hire additional instructional staff. The additional salaries caused an increase in expenses at a rate lower than the increase in revenues.

Management has begun a comprehensive review of all contracts to ensure the efficient service. AACS has already changed vendors in key categories such as transportation, maintenance, and technology support. Management has also reviewed AACS's marketing agenda and created a targeted plan to ensure a higher enrollment for the 2010-2011 school year, which an emphasis on maintaining that enrollment for the entire school year. Enrollment figures for the year ending June 30, 2011, have increased to 250 students, or 15%. As most of the facility expenses are expected to remain the same, with the exception of discretionary administrative bonuses, management believes the anticipated additional revenue will be enough to support operations for the year ending June 30, 2011. In addition, management has projected profits of approximately \$19,000 for the year ending June 30, 2011.

ACHIEVEMENT ACADEMY CHARTER SCHOOL

FUNCTIONAL EXPENSES

**Year Ended June 30, 2010
(comparative totals for 2009)**

	Program Services			Management and General	2010 Totals	2009 Totals
	Regular Education	Special Education	Other Programs			
Personnel service	\$ 883,557	\$ 114,007	\$ -	\$ 427,528	\$ 1,425,092	\$ 1,273,063
Fringe benefits	174,435	22,508	-	84,404	281,347	217,316
Accounting	-	-	-	49,114	49,114	41,230
Bad debt	-	-	-	3,254	3,254	328
Board expenses	-	-	-	32,153	32,153	1,900
Consultants	-	-	-	32,146	32,146	42,325
Depreciation	41,928	559	6,149	7,268	55,904	53,908
Food program	-	-	132,250	-	132,250	96,101
Interest	-	-	-	6,036	6,036	885
Instructional supplies	86,067	-	10,637	-	96,704	35,355
Insurance	12,009	211	1,686	7,163	21,069	21,477
Lease						
Equipment	-	-	-	4,522	4,522	4,932
Facilities	273,753	3,650	40,150	47,451	365,004	350,710
Legal	-	-	-	477	477	2,846
Loss on disposal of asset	-	-	-	1,507	1,507	-
Office expense	-	-	-	89,585	89,585	67,359
Public relations	-	-	-	7,744	7,744	49,080
Repairs and maintenance	100,680	1,342	14,766	17,451	134,239	128,912
Small equipment	-	-	-	-	-	1,759
Staff development	-	-	-	695	695	4,977
Student services	20,127	-	-	-	20,127	29,674
Telephone	-	-	-	16,390	16,390	14,464
Transportation	-	-	262,754	-	262,754	188,995
Travel	-	-	-	400	400	252
Utilities	30,983	413	4,544	5,370	41,310	52,363
Miscellaneous	-	-	-	10,071	10,071	6,336
	<u>\$ 1,623,539</u>	<u>\$ 142,690</u>	<u>\$ 472,936</u>	<u>\$ 850,729</u>	<u>\$ 3,089,894</u>	<u>\$ 2,686,548</u>

**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 (AACS) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. 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 AACS'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 AACS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AACS's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant 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.

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 AACS'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, 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 20, 2010

ACHIEVEMENT ACADEMY CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

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

Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Findings

None reported.