

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**PERIOD FROM MAY 20, 2008  
(DATE OF INCEPTION)  
JUNE 30, 2011**

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**  
**TABLE OF CONTENTS**  
**June 30, 2011**

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	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12
<b>Federal Reports on Compliance and Internal Control:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14
Schedule of Findings and Responses	15-17
Schedule of Prior Audit Findings	18

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Achievement First Apollo Charter School

We have audited the accompanying statement of financial position of Achievement First Apollo Charter School (the "School") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the period from May 20, 2008 (date of inception) through June 30, 2011. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement First Apollo Charter School as of June 30, 2011 and the changes in its net assets and its cash flows for the period from May 20, 2008 (date of inception) through June 30, 2011, 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, 2011 on our consideration of the 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 on 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.

*MBAF-ERE CPAs, LLC*

New York, NY  
October 27, 2011

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

June 30,	2011
<b>Assets:</b>	
Cash	\$ 143,563
Grant and other receivables	355,082
Prepaid expenses and other assets	79,246
Property and equipment, net	155,867
<b>Total Assets</b>	<b>\$ 733,758</b>
<b>Liabilities and Net Assets:</b>	
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ 105,084
Accrued salaries and other payroll related expenses	49,573
Due to Achievement First, Inc.	162,141
Due to other schools	4,321
Due to New York City Department of Education	14,508
Line of credit payable	200,000
<b>Total Liabilities</b>	<b>535,627</b>
<b>Net Assets:</b>	
Board-designated reserve	7,131
Temporarily restricted	191,000
<b>Total Net Assets</b>	<b>198,131</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 733,758</b>

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

Period from May 20, 2008 (date of inception) to June 30, 2011	Unrestricted	Temporarily Restricted	Total
<b>Operating revenue:</b>			
State and local per pupil operating revenue	\$ 2,385,364	\$ -	\$ 2,385,364
Government grants and contracts	533,065	-	533,065
<b>Total operating revenue</b>	<b>2,918,429</b>	<b>-</b>	<b>2,918,429</b>
<b>Expenses:</b>			
Program services	2,604,602	-	2,604,602
Management and general	363,505	-	363,505
Fundraising	17,479	-	17,479
<b>Total operating expenses</b>	<b>2,985,586</b>	<b>-</b>	<b>2,985,586</b>
Loss from school operations	(67,157)	-	(67,157)
<b>Support and other income:</b>			
Contributions and other grants	50,000	191,000	241,000
Other income	300	-	300
In-kind contributions	23,988	-	23,988
<b>Total support and other income</b>	<b>74,288</b>	<b>191,000</b>	<b>265,288</b>
Change in net assets	7,131	191,000	198,131
Net assets – beginning of period	-	-	-
<b>Net assets – end of period</b>	<b>\$ 7,131</b>	<b>\$ 191,000</b>	<b>\$ 198,131</b>

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES

Period from May 20, 2008 (date of inception) to June 30, 2011

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,333,475	\$ 174,105	-	\$ 1,507,580
Payroll taxes and benefits received	254,149	30,975	-	285,124
Accounting	-	28,402	-	28,402
Professional fees	34,514	14,440	-	48,954
Classroom supplies and instructional materials	252,261	-	-	252,261
Furniture and equipment - non-capitalized	62,646	28,813	-	91,459
Insurance	6,070	779	-	6,849
Interest and bank service charges	-	7,519	-	7,519
Management fees	256,480	38,958	17,479	312,917
Office expense	87,679	19,110	-	106,789
Parent activities	3,029	-	-	3,029
Postage and delivery	1,487	372	-	1,859
Printing and photocopying	10,972	2,743	-	13,715
Rent - building permit	1,771	227	-	1,998
Repairs and maintenance	22,716	2,912	-	25,628
After school academic	24,900	-	-	24,900
Special education contracted services	550	71	-	621
Staff professional development	35,600	-	-	35,600
Student field trips and incentive programs	4,781	-	-	4,781
Student food services	27,702	-	-	27,702
Student transportation	4,681	-	-	4,681
Student uniforms	696	-	-	696
Technology and infrastructure	81,854	276	-	82,130
Telephone and internet	56,215	7,206	-	63,421
Depreciation and amortization	18,386	4,597	-	22,983
In-kind expense	21,988	2,000	-	23,988
<b>Total expenses</b>	<b>\$ 2,604,602</b>	<b>\$ 363,505</b>	<b>\$ 17,479</b>	<b>\$ 2,985,586</b>

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

Period from May 20, 2008 (date of inception) to June 30, 2011	2011
Cash flows from operating activities:	
Change in net assets	\$ 198,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	22,983
Changes in operating assets and liabilities:	
Grant and other receivables	(355,082)
Prepaid expenses and other assets	(79,246)
Accounts payable and accrued expenses	86,834
Accrued salaries and other payroll related expenses	49,573
Due to Achievement First, Inc.	162,141
Due to other schools	4,321
Due to New York City Department of Education	14,508
<b>Net cash provided by operating activities</b>	<b>104,163</b>
Cash flows from investing activities:	
Purchase of property and equipment	(160,600)
<b>Net cash used in investing activities</b>	<b>(160,600)</b>
Cash flows from financing activities:	
Line of credit proceeds	200,000
<b>Net cash provided by financing activities</b>	<b>200,000</b>
Net increase in cash	143,563
<b>Cash - beginning of period</b>	<b>-</b>
<b>Cash - end of period</b>	<b>\$ 143,563</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>	
Cash paid during the period for:	
Interest	\$ 7,372
Income taxes	\$ -
<b>Non-Cash Investing Transactions:</b>	
Capital expenditure included in accounts payable	\$ 18,250

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

### 1. NATURE OF THE ORGANIZATION:

Achievement First Apollo Charter School (the "School") was incorporated to focus on strengthening the academic and character skills needed for all students to excel in top-tier colleges, to achieve success in a competitive world, and to serve as the next generation of leaders in their communities. On May 20, 2008, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The School is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and under the corresponding provisions of the New York State tax laws. The School's primary sources of income are per pupil and other government funding. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). Today the School serves students from low income households in Brooklyn, New York.

During the period May 20, 2008 to July 1, 2010, the school was dormant and had no expense activities. Any school-related start-up activities were being handled directly by Achievement First, Inc. ("Achievement First"), a related party.

In fiscal year 2011, the School operated classes for students in kindergarten and first grade.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting.

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

**Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

**Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.



# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

During the fiscal year ended June 30, 2011, the Board of Trustees enacted a Board Designated Reserve Policy in which unrestricted net assets are set aside to be used only with the approval of the Board. The reserve is calculated by netting the current fiscal year's current assets against the current fiscal year's current liabilities and reducing that difference by any assets whose use is contractually limited. The reserve for the year ended June 30, 2011 is \$7,131.

### Cash

For the purpose of presentation in the statement of cash flows, cash consists of one checking account.

### Grant and Other Receivables

Grant and other receivables represent unconditional promises to give. Grant and other receivables that are expected to be collected within one year and recorded at net realizable value are \$355,082 for the period ended June 30, 2011. The School has determined that no allowance for uncollectible accounts for grant and other receivables is necessary as of June 30, 2011. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

The carrying value of the grant and other receivables approximates fair value. Management reviews those receivables due in more than one year for impairment and none was determined as of June 30, 2011.

### Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. The School has established a \$1,000 threshold above which assets are capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the period ended June 30, 2011.

### Planned Maintenance

Costs related to planned major maintenance are expensed as incurred.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### Revenue Recognition

Revenue from the state and local government resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

### Donated Goods and Services

The School receives contributed goods and services that are an integral part of its operations. Such goods and services are only recorded as contributions in-kind, at their fair value, provided they meet the criteria for recognition. Included in in-kind contributions are donated services totaling \$10,000 and donated textbooks totaling \$13,988.

### Advertising

The School expenses advertising costs as incurred. The School had no advertising costs for the period ended June 30, 2011.

### Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses have been allocated by function among program and supporting service classifications using bases determined by management based upon benefits received.

### Estimates

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

### Subsequent Events

The School has evaluated events through October 27, 2011 which is the date the financial statements were available to be issued.

### Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

The School files informational returns in the United States federal and New York State jurisdictions. The School is subject to U.S. federal, state, or local income tax examinations by tax authorities for the fiscal year ended 2011 and for the period ended 2010.

- 3. AGREEMENT FOR SCHOOL FACILITY:** The School has entered into a verbal agreement ("the Agreement") with the New York City Department of Education ("NYCDOE") for dedicated and shared space at P.S. 89, a New York City public school located at 350 Linwood Street, Brooklyn, New York. The Agreement commenced on July 1, 2011 at a cost of \$1 per year. In accordance with industry standards, the amount has not been recorded. The School will be responsible for any overtime-related costs for services provided beyond the regular opening hours. For the period ended June 30, 2011, the School incurred overtime permit fees of \$1,998 which is included in the accompanying statement of functional expenses.
- 4. STUDENT MEALS AND TRANSPORTATION:** The NYCDOE provides free lunches and transportation directly to a majority of the School's students.
- 5. RELATED PARTY TRANSACTIONS:** The School entered into an "Academic and Business Services" Agreement (the "Agreement") with Achievement First, Inc. (Achievement First), a not-for-profit organization dedicated to helping start and run charter schools. This Agreement provides management and other administrative support services to the School. The Agreement was subsequently amended in November 2010.

Pursuant to the terms of the Agreement, the School shall pay a service fee equivalent to 10% of all public revenues received by the School during the year. Public revenues include all sources of revenue from a public source, but specifically exclude in-kind contributions such as student transportation and food services, start-up funding, funding for student meals, and funding for competitive public grants. Services provided included bookkeeping, facilities acquisition and management, special education delivery support, data analysis management support, and tutoring program support. The School is also to pay Achievement First an Ancillary Services Fee that is mutually negotiated by the School and Achievement First. For the period ending June 30, 2011 the School incurred management and ancillary services fees of \$312,917, which is included in the accompanying statement of functional expenses.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

For the period ended June 30, 2011, the amount due to Achievement First, Inc. was \$162,141.

Throughout the school year the School may share staff with another school and occasionally purchase equipment from another school. These costs are included on the statement of financial position and consist of the following:

Achievement First East New York Charter School	\$	1,386
Achievement First Bushwick Charter School		746
Achievement First Brownsville Charter School		1,830
Achievement First Endeavor Charter School		359
Due to other schools	\$	4,321

**6. DUE TO NYC DEPARTMENT OF EDUCATION:**

The NYCDOE paid the School per-pupil grant funds in six installments, based on estimates from the School. At the end of the fiscal year the NYCDOE reconciles the total amount paid against the full-time-equivalent enrollment for the year and determines if an overpayment or underpayment has been made. As of June 30, 2011, an overpayment totaling \$14,508 had been made. An adjustment for this amount will be reflected in the succeeding year's fourth payment.

**7. PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following as of June 30, 2011:

		Estimated Useful Lives
Computer hardware and software	\$ 19,934	3 years
Office equipment	65,008	3 years
Leasehold improvements	93,908	5 years
	178,850	
Less: accumulated depreciation and amortization	(22,983)	
	\$ 155,867	

Depreciation and amortization expense for the period ended June 30, 2011 was \$22,983.

**8. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are purpose or time restricted and consist of the following at June 30, 2011:

Time restricted:	
Year ending June 30, 2012	\$ 191,000
	\$ 191,000

**9. LINE OF CREDIT:**

The School entered into an agreement with a bank whereby it is permitted to borrow

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

up to \$200,000 under a secured line of credit. The agreement expires April 30, 2012, but is expected to be renewed on an annual basis. Interest is payable on any outstanding balance at the bank's prime rate plus one percent (4.25%) as of June 30, 2011. There was an outstanding balance on the line of credit of \$200,000 at June 30, 2011.

### 10. COMMITMENTS AND CONTINGENCIES:

The School leases office equipment under non-cancelable operating lease agreements expiring August 2013 and 2014. The future minimum payments are as follows:

June 30,		
2012	\$	9,368
2013		9,368
2014		1,561
Total	\$	20,297

### 11. PENSION PLAN:

Effective June 1, 2010, the School adopted a 403(b) profit sharing plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan either the first day of the Plan year or the first day of the seventh month of the Plan year. Those employees who have completed at least 1 full year of service are also eligible for employer contribution. The Plan provides for the School to contribute up to 4% of an employee's salary, up to a maximum match of \$2,500 per year per employee. The School contribution does not become vested until the employee's third year when it becomes fully vested. For the period ended June 30, 2011, pension expense for the School is \$31,143, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

### 12. RISK MANAGEMENT:

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to protect itself from such risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

### 13. CONCENTRATIONS:

- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceed the Federal Deposit Insurance Corporation (FDIC). The FDIC has temporarily increased the limit to \$250,000 through December 31, 2012.
- B. The School received approximately 82% of its total revenue from per pupil funding from NYCDOE.
- C. The School's grant and other receivables consist of five major grantors.

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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D. The School's accounts payable consist of four major vendors.

**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  
Achievement First Apollo Charter School

We have audited the financial statements of Achievement First Apollo Charter School (the "School") as of and for the period ended June 30, 2011, and have issued our report thereon dated October 27, 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 the School'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 the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness; 2011-01.

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. We consider the following deficiencies described in the accompanying schedule of findings and responses to be a significant deficiency; 2011-02.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-01.

We noted certain matters that we reported to management of the School in a separate letter dated October 27, 2011.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

*MBAF-ERE CPAs, LLC*

New York, NY  
October 27, 2011



**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2011**

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**Section I – Summary of Auditor’s results**

***Financial Statements***

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

Material weakness (es) identified?

√ yes \_\_\_ no

Significant deficiency (ies) identified that are not considered to be material weaknesses?

√ yes \_\_\_ none noted

Noncompliance material to financial statements noted?

√ yes \_\_\_ no

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND REPONSES

June 30, 2011

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### Section II - Financial Statement Findings

- **Findings: 2011-01**

Criteria and condition: The School must be in compliance with internal policies and procedures. Management is required to reconcile and review bank statements on a timely basis and properly record transactions.

Context: The year-end bank reconciliation included significant reconciling items consisting of revenue and payroll related expenses. The revenue portion was earned before year end and not properly recorded.

Cause: Ineffective management monitoring of policies and procedures.

Effect: The School is not in compliance with internal policies and procedures and its financial statements could be misleading or incorrect.

Recommendations: We recommend for the School to carefully review all reconciling items on the bank reconciliation to ensure that all reconciling items are being recorded timely in compliance with accounting principles generally accepted in the United States of America.

- **Findings: 2011-02**

Criteria and condition: The School must be in compliance with internal policies and procedures. Management is required to reconcile and review revenues received for the fiscal year ending June 30, 2011.

Context: Unrecorded revenue as of the year end that was included as a reconciling item on the year end bank reconciliation.

Cause: Ineffective management monitoring of policies and procedures.

Effect: The School could improperly record revenue.

Recommendations: We recommend for the School to perform a reconciliation on a monthly basis to determine revenues earned are timely and properly recorded.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND REPOSES

June 30, 2011

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### Views of responsible officials and planned corrective action:

- **Findings: 2011-01 (Bank reconciliations}**

Management agrees with the finding that bank reconciliations were not performed timely and that revenue and payroll-related expenses were included in reconciliation items.

Planned Corrective Action:

The Finance Team at Achievement First Inc., which is responsible for conducting monthly closings and bank reconciliations for the School, will consistently follow a monthly closing calendar which includes performing bank reconciliations no later than 10 days after the bank statement closing date. Additionally, the team will redesign its internal processes to ensure that they always meet this deadline. Finally, a quarterly internal audit will be conducted to ensure that all processes are being completed correctly and on a timely basis. The findings of these internal audits will be conveyed to senior management.

- **Findings: 2011-02 (Unrecorded revenue)**

Management agrees with this finding that unrecorded revenue as of year-end was included as a reconciling item on the bank reconciliation.

Planned Corrective Action:

As with the response to Finding 2011-01, the Finance Team at Achievement First will institute practices to ensure revenue is recorded as it is received or pledged. The team was restructured in the summer of 2011 and a senior staff member has been tasked with overseeing revenue and grants management which will provide more specific oversight of this area. Another staff member will work to ensure proper recording and coding of grants. The team has also instituted monthly revenue reconciliations in the summer of 2011 with the team responsible for fundraising for the school; this reconciliation will help ensure that revenue is being recorded in the accounting system correctly.

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**June 30, 2011**

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**Section II - Financial Statement Findings**

**There were no prior audit findings.**