

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

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FINANCIAL STATEMENTS

JUNE 30, 2013

## ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Achievement First Apollo Charter School

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Achievement First Apollo Charter School (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited Achievement First Apollo Charter School's 2012 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated November 12, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of Achievement First Apollo 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* in considering Achievement First Apollo Charter School's internal control over financial reporting and compliance.

**MBAF CPAs, LLC**

New York, NY  
October 31, 2013

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2012)

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
Cash	\$ -	\$ 113,152
Grants and other receivables	348,205	161,746
Prepaid expenses and other assets	28,444	58,286
Property and equipment, net	473,542	329,141
Due from other schools	240,000	200,000
	<b><u>\$ 1,090,191</u></b>	<b><u>\$ 862,325</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	169,827	209,165
Accrued salaries and other payroll related expenses	78,412	59,644
Due to Achievement First, Inc.	273,579	232,633
Due to other schools	4,949	4,898
Due to NYC Department of Education	2,583	5,140
Line of credit payable	200,000	200,000
	<b><u>729,350</u></b>	<b><u>711,480</u></b>
<b>NET ASSETS</b>		
Unrestricted	<b><u>360,841</u></b>	<b><u>150,845</u></b>
	<b><u>\$ 1,090,191</u></b>	<b><u>\$ 862,325</u></b>

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

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	<b>2013</b>	<b>2012</b>
<b>OPERATING INCOME</b>		
State and local per pupil operating revenue	\$ 4,674,127	\$ 3,340,553
Government grants and contracts	519,947	317,540
	<u>5,194,074</u>	<u>3,658,093</u>
<b>EXPENSES</b>		
Program	4,208,741	3,224,523
Management and general	730,773	564,744
Fundraising	55,739	41,005
	<u>4,995,253</u>	<u>3,830,272</u>
<b>SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS</b>	<u>198,821</u>	<u>(172,179)</u>
<b>SUPPORT AND OTHER REVENUE</b>		
Contributions, grants and other income	11,175	124,893
<b>CHANGE IN NET ASSETS</b>	209,996	(47,286)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>150,845</u>	<u>198,131</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 360,841</u>	<u>\$ 150,845</u>

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

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2013</u>	<u>2012</u>
<b>FUNCTIONAL EXPENSES</b>					
Salaries and wages	\$ 2,462,827	\$ 311,111	\$ -	\$ 2,773,938	\$ 2,225,484
Payroll taxes and employee benefits	515,652	70,316	-	585,968	395,219
Accounting	-	39,507	-	39,507	29,806
Legal	1,720	430	-	2,150	3,861
Professional fees	7,672	113,565	-	121,237	46,867
Classroom supplies and instructional materials	151,044	-	-	151,044	122,910
Furniture and equipment - non-capitalized	121,735	29,149	-	150,884	48,500
Insurance	14,821	2,021	-	16,842	13,131
Interest and bank service charges	-	9,362	-	9,362	8,848
Management and ancillary services fees	429,189	72,460	55,739	557,388	410,047
Office expense	113,008	45,165	-	158,173	109,338
Parent activities	326	-	-	326	6,422
Postage and delivery	2,362	590	-	2,952	3,137
Printing and photocopying	37,941	9,485	-	47,426	22,039
Repairs and maintenance	8,524	1,162	-	9,686	38,249
After school academic	5,913	-	-	5,913	-
Special education contracted services	11,935	1,627	-	13,562	2,950
Staff professional development	30,223	-	-	30,223	32,313
Student field trips and incentive programs	9,163	-	-	9,163	4,505
Student food services	52,829	-	-	52,829	39,382
Student transportation	33,831	-	-	33,831	22,097
Student uniforms	460	-	-	460	928
Technology and infrastructure	89,520	2,353	-	91,873	69,715
Telephone and internet	39,972	5,451	-	45,423	65,600
Depreciation and amortization	68,074	17,019	-	85,093	42,182
Write off of erate	-	-	-	-	66,742
	<b><u>\$ 4,208,741</u></b>	<b><u>\$ 730,773</u></b>	<b><u>\$ 55,739</u></b>	<b><u>\$ 4,995,253</u></b>	<b><u>\$ 3,830,272</u></b>

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

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 209,996	\$ (47,286)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	85,093	42,182
Write off of erate	-	66,742
Changes in operating assets and liabilities:		
Grants and other receivables	(186,459)	126,594
Prepaid expenses and other assets	29,842	20,960
Due from other schools	(40,000)	(200,000)
Accounts payable and accrued expenses	(39,338)	9,581
Accrued salaries and other payroll related expenses	18,768	10,071
Due to Achievement First, Inc.	40,946	70,492
Due to other schools	51	577
Due to NYC Department of Education	(2,557)	(9,368)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<b><u>116,342</u></b>	<b><u>90,545</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(229,494)</u>	<u>(120,956)</u>
NET CASH USED IN INVESTING ACTIVITIES	<b><u>(229,494)</u></b>	<b><u>(120,956)</u></b>
NET DECREASE IN CASH	(113,152)	(30,411)
CASH - BEGINNING OF YEAR	<u>113,152</u>	<u>143,563</u>
<b>CASH - END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 113,152</u></b>

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



# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### 1. NATURE OF THE ORGANIZATION

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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. On March 6, 2013 the charter was extended and expires on July 15, 2015. Today the School serves students from low income households in Brooklyn, New York.

The School, as determined by the Internal Revenue Service, is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and under the corresponding provisions of the New York State tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2013, the School operated classes for students in kindergarten through third grade. The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, or school safety. Approximately 20,000 feet of square footage is allocated to the School.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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#### Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the 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.

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

## **ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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#### **Grants and Other Receivables**

Grants and other receivables represent unconditional promises to give. Grants and other receivables that are expected to be collected within one year are recorded at net realizable value, and amount to \$348,205 and \$161,746 at June 30, 2013 and 2012, respectively. The School has determined that no allowance for uncollectible accounts for grant and other receivables is necessary as of June 30, 2013 and 2012, respectively. 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.

#### **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.

The School receives a substantial portion of its support and revenue from the New York City Department of Education ("NYCDOE"). If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

#### **Donated Goods and Services**

The School occasionally receives contributed goods and services. Such goods and services are only recorded as in-kind contributions at their fair value, provided it meets the criteria for recognition. Such criteria includes contributions of services that (i) create or enhance non-financial assets or those that require specialized skills, (ii) are provided by individuals possessing those skills, and (iii) would typically need to be purchased if not provided by donation, and are recorded at their fair value in the period received. The School did not receive any donated goods or services for the years ended June 30, 2013 and 2012.

#### **Premises Provided by Government Authorities**

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

#### **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. Facility improvements are amortized over the life of the asset. 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.

## ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### Impairment

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 years ended June 30, 2013 and 2012.

#### Advertising

The School expenses advertising costs as incurred. The School had no advertising costs for either of the years ended June 30, 2013 and 2012.

#### 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 U.S. GAAP 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.

#### New Accounting Pronouncement

In April 2013, the Financial Accounting Standards Board issued Accounting Standards Update 2013-06, *Services Received from Personnel of an Affiliate*. The amendment provides guidance when not-for-profit entities recognize and measure services received from personnel of an affiliate. An affiliate is defined as a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity. The amendment is effective prospectively for fiscal years beginning after June 15, 2014, with early adoption permitted. The School has not determined if this new pronouncement will have a material effect on its financial statements.

#### Subsequent Events

The School has evaluated events through October 31, 2013, which is the date the financial statements were available to be issued.

#### Comparative Financial Information

The June 30, 2013 financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2012 are presented. As a result, the June 30, 2012 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2012 information should be read in conjunction with the School's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

## ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### 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.

The School files informational returns in the federal jurisdiction. With few exceptions, the School is no longer subject to federal tax examination by tax authorities for fiscal years before 2010.

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.

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."

#### 3. AGREEMENT FOR SCHOOL FACILITY

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The School has entered into a verbal agreement ("the Agreement") with the 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. The School incurred no overtime permit fees for the years ended June 30, 2013 and 2012.

#### 4. STUDENT MEALS AND TRANSPORTATION

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The NYCDOE provides free lunches and transportation directly to a majority of the School's students.

#### 5. RELATED PARTY TRANSACTIONS

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The School entered into an "Academic and Business Services" Agreement with Achievement First, Inc. ("Achievement First"), a not-for-profit organization dedicated to helping start and run charter schools. This Agreement provides management, fundraising, and other administrative support services to the School.

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 years ending June 30, 2013 and 2012, the School incurred management and ancillary services fees of \$557,388 and \$410,047, respectively, which is included in the accompanying statement of functional expenses. At June 30, 2013 and 2012, the amount due to Achievement First, Inc. was \$273,579 and \$232,633, respectively.

For the years ended June 30, 2013 and 2012, Achievement First contributed \$0 and \$130,000, respectively, to the School.

## ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### 5. RELATED PARTY TRANSACTIONS (CONTINUED)

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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:

	<u>2013</u>	<u>2012</u>
Achievement First East New York Charter School	\$ 1,386	\$ 1,386
Achievement First Bushwick Charter School	2,823	1,323
Achievement First Brownsville Charter School	299	1,830
Achievement First Endeavor Charter School	359	359
Achievement First Crown Heights Charter School	82	-
	<u>\$ 4,949</u>	<u>\$ 4,898</u>

During the years ended June 30, 2013 and 2012, the School was granted federal funding which was erroneously deposited into Achievement First Crown Heights Charter School's bank account by the government funding authority instead of the School's bank account. This amount can be found on the accompanying statement of financial position as due from other schools totaling \$240,000 and \$200,000 as of June 30, 2013 and 2012, respectively.

#### 6. DUE TO NYC DEPARTMENT OF EDUCATION

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The NYCDOE paid the School per-pupil grant funds in six installments, based on estimates from the School. At the end of each 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, 2013 and 2012, an overpayment totaling \$2,583 and \$5,140, respectively, had been made. An adjustment for this amount will be reflected in the succeeding year's fourth payment.

#### 7. PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Computer hardware and software	\$ 44,373	\$ 36,149	3-5 years
Office equipment	96,323	79,716	5 years
Furniture and fixtures	31,259	20,993	8 years
Facility improvements	451,845	257,448	5-15 years
	623,800	394,306	
Less: accumulated depreciation and amortization	<u>(150,258)</u>	<u>(65,165)</u>	
	<u>\$ 473,542</u>	<u>\$ 329,141</u>	

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$85,093 and \$42,182, respectively.

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**8. LINE OF CREDIT PAYABLE**

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The School entered into an agreement with a bank whereby it is permitted to borrow up to \$200,000 under a secured line of credit. The agreement expired on April 30, 2013 and the School was notified that the line of credit would end on November 26, 2013 and all outstanding principal and accrued interest will be due at that time. The School is working to extend the line of credit. Interest is payable on any outstanding balance at the bank's prime rate plus one percent (4.25% as of June 30, 2013). There was an outstanding balance on the line of credit of \$200,000 at June 30, 2013 and 2012.

**9. COMMITMENTS AND CONTINGENCIES**

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The School leases office equipment under non-cancelable operating lease agreements expiring August 2013, September 2014, and May 2016. The future minimum payments are as follows:

<u>June 30,</u>	
2014	\$ 19,177
2015	17,616
2016	<u>16,148</u>
	<u>\$ 52,942</u>

**10. PENSION PLAN**

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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 years ended June 30, 2013 and 2012, pension expense was \$49,402 and \$46,658, respectively, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

**11. RISK MANAGEMENT**

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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 help 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.

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**12. CONCENTRATIONS**

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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 insured limits of \$250,000. The School limits its credit risk by selecting financial institutions considered to be highly credit worthy.

The School received approximately 90% and 82% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2013 and 2012, respectively.

The School's grants and other receivables consist of two major grantors at June 30, 2013.

Two vendors accounted for approximately 64% of accounts payable at June 30, 2013.

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

To the Board of Trustees  
Achievement First Apollo Charter School

We have audited the financial statements of Achievement First Apollo Charter School (the “School”) as of and for the year ended June 30, 2013, and have issued our report thereon dated October 31, 2013. 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 of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule findings and responses as item; 2013-01.

We noted certain matters that we reported to management of the School in a separate letter dated October 31, 2013.

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 CPAs, LLC**

New York, NY  
October 31, 2013

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

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SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013

**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

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SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013

### **Section II - Financial Statement Findings**

- **Findings: 2013-01**

Criteria and condition: SUNY - CSI requires that an escrow be set aside by the end of the 3<sup>rd</sup> fiscal year.

Context: The School has not established an escrow as of the end of the 3<sup>rd</sup> fiscal year.

Cause: An oversight on the part of management.

Effect: The School did not have the required reserve available to address any unanticipated hardship, as required by their authorizer.

Recommendations: We recommend that the School set up an escrow to be in compliance with their authorizer.

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**

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SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013

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

**Finding: 2013-01**

*Criteria and condition:* SUNY - CSI requires that an escrow be set aside by the end of the 3<sup>rd</sup> fiscal year.

*Planned corrective action:* The requisite paper work to open this account has been signed by the appropriate people on the Apollo Board of Directors and this account has subsequently been opened and funded in full.

## ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

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### SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2013

#### **Section III - Financial Statement Findings**

##### **Finding No. 2012-01**

###### **Condition:**

The School must be in compliance with internal policies and procedures regarding bank account review and reconciliation, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile and review bank statements on a timely basis and properly record transactions.

###### **Current Status:**

The performance has improved.

##### **Findings: 2012-02**

###### **Condition:**

The School must be in compliance with internal policies and procedures regarding monthly accounting close, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile and review the statement of revenue and expenses on a timely basis and properly record transactions.

###### **Current Status:**

The performance has improved.

##### **Findings: 2012-03**

###### **Condition:**

The School must be in compliance with internal policies and procedures regarding quarterly reconciliation of payroll to accounting records, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile their payroll accounts quarterly to their IRS Form 941's submissions.

###### **Current Status:**

The performance has improved.

##### **Findings: 2012-04**

###### **Condition:**

Several adjustments as well as all year end reconciliations were required to be performed to correct the books and records of the School.

###### **Current Status:**

The performance has improved.