

**ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL**

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FINANCIAL STATEMENTS

JUNE 30, 2013

## ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Achievement First Brownsville Charter School

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Achievement First Brownsville Charter School (the "School"), which comprise the statements 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 Brownsville 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 Brownsville 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 Brownsville 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 Brownsville Charter School's internal control over financial reporting and compliance.

**MBAF CPAs, LLC**

New York, NY  
October 31, 2013

**ACHIEVEMENT FIRST BROWNSVILLE 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	\$ 719,820	\$ 926,917
Grants and other receivables	283,133	304,236
Prepaid expenses and other assets	80,986	24,088
Due from related schools	6,143	7,226
Due from New York City Department of Education	2,651	-
Property and equipment, net	313,769	230,161
	<b>\$ 1,406,502</b>	<b>\$ 1,492,628</b>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 76,718	\$ 50,811
Accrued salaries and other payroll related expenses	162,825	133,433
Due to related schools	10,404	5,778
Due to New York City Department of Education	-	2,259
Due to Achievement First, Inc.	210,097	350,917
	460,044	543,198
NET ASSETS		
Unrestricted		
Operating	313,769	57,477
Board-designated reserve	632,689	891,953
	946,458	949,430
	<b>\$ 1,406,502</b>	<b>\$ 1,492,628</b>

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

**ACHIEVEMENT FIRST BROWNSVILLE 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>
OPERATING INCOME		
State and local per pupil operating revenue	\$ 7,155,977	\$ 5,492,627
Government grants and contracts	708,423	317,834
	<u>7,864,400</u>	<u>5,810,461</u>
EXPENSES		
Program services	6,761,149	5,215,010
Management and general	1,074,041	610,903
Fundraising	88,508	63,654
	<u>7,923,698</u>	<u>5,889,567</u>
DEFICIT FROM SCHOOL OPERATIONS	<u>(59,298)</u>	<u>(79,106)</u>
SUPPORT AND OTHER REVENUE		
Foundation grants	50,000	-
Interest and other income	6,326	17,051
	<u>56,326</u>	<u>17,051</u>
CHANGE IN NET ASSETS	(2,972)	(62,055)
NET ASSETS - BEGINNING OF YEAR	<u>949,430</u>	<u>1,011,485</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 946,458</u></b>	<b><u>\$ 949,430</u></b>

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

**ACHIEVEMENT FIRST BROWNSVILLE 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 Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2013</u>	<u>2012</u>
FUNCTIONAL EXPENSES					
Salaries and wages	\$ 3,899,047	\$ 514,379	\$ -	\$ 4,413,426	\$ 3,370,585
Payroll taxes and employee benefits	928,422	92,980	-	1,021,402	664,874
Accounting	-	58,807	-	58,807	42,851
Legal	-	-	-	-	1,760
Professional fees	70,656	186,795	-	257,451	117,810
Classroom supplies and instructional materials	252,282	-	-	252,282	225,558
Furniture and equipment - non-capitalized	53,903	13,017	-	66,920	80,637
Insurance	26,930	2,697	-	29,627	21,192
Interest and bank service charges	-	1,527	-	1,527	815
Management and ancillary services fees	681,512	115,060	88,508	885,080	634,120
Office expense	184,222	31,856	-	216,078	170,595
Parent activities	5,249	-	-	5,249	1,533
Postage and delivery	4,822	1,205	-	6,027	2,414
Printing and photocopying	45,625	11,406	-	57,031	49,929
Rent - building permit fees	4,684	469	-	5,153	-
Repairs and maintenance	62,780	6,287	-	69,067	15,899
After school academic	15,833	-	-	15,833	14,000
Special education contracted services	8,153	817	-	8,970	4,322
Staff professional development	81,961	-	-	81,961	115,573
Student field trips and incentive programs	37,305	-	-	37,305	18,413
Student food services	46,722	-	-	46,722	40,990
Student transportation	12,876	-	-	12,876	22,500
Student uniforms	2,252	-	-	2,252	1,131
Technology and infrastructure	137,538	2,743	-	140,281	86,178
Telephone and internet	104,085	10,424	-	114,509	66,979
Depreciation and amortization	94,290	23,572	-	117,862	109,595
Bad debt expense	-	-	-	-	9,314
	<u>\$ 6,761,149</u>	<u>\$ 1,074,041</u>	<u>\$ 88,508</u>	<u>\$ 7,923,698</u>	<u>\$ 5,889,567</u>

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

**ACHIEVEMENT FIRST BROWNSVILLE 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	\$ (2,972)	\$ (62,055)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	117,862	109,595
Bad debt expense	-	9,314
Changes in operating assets and liabilities:		
Grants and other receivables	21,103	(25,658)
Prepaid expenses and other assets	(56,898)	(1,599)
Due from related schools	1,083	5,778
Due from New York City Department of Education	(2,651)	75,114
Accounts payable and accrued expenses	25,907	(2,330)
Accrued salaries and other payroll related expenses	29,392	16,003
Due to related parties	4,626	-
Due to New York City Department of Education	(2,259)	2,259
Due to Achievement First, Inc.	(140,820)	14,858
	<hr/>	<hr/>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(5,627)	141,279
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(201,470)	(114,040)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(201,470)	(114,040)
NET (DECREASE) INCREASE IN CASH	(207,097)	27,239
CASH - BEGINNING OF YEAR	926,917	899,678
	<hr/>	<hr/>
CASH - END OF YEAR	<b>\$ 719,820</b>	<b>\$ 926,917</b>

**Supplementary Disclosure of Cash Flow Information:**

Cash paid during the year for:

Interest	\$ -	\$ 17,050
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The accompanying notes are an integral part of these financial statements.



# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### 1. NATURE OF THE ORGANIZATION

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Achievement First Brownsville 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 January 15, 2008, the Board of Regents of the University of the State of New York granted the School a charter valid for a term of five years and renewable upon expiration. On January 22, 2013, the Board of Regents renewed the charter through June 30, 2018. Today the School serves students from low income households in Brooklyn, New York. The School is currently in the process of undergoing their charter renewal.

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("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.

During the year ended June 30, 2013, the School added the fifth grade. As of June 30, 2013, the School operated classes for students in kindergarten to fifth grades. 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 60,000 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. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

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

During the year ended June 30, 2009, 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 current liabilities and reducing that difference by any assets whose use is contractually limited. The reserve at June 30, 2013 and 2012 was \$632,689 and \$891,953, respectively.

## **ACHIEVEMENT FIRST BROWNSVILLE 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 \$283,133 and \$304,236 at June 30, 2013 and June 30, 2012, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary as of June 30, 2013 and 2012. Such estimate is based on management's assessments of the creditworthiness of its grantors, 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 would be reflected as deferred revenue 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 receives contributed goods and services which are recorded as contributions in-kind, at their fair value, provided they meet the criteria for recognition. There were no donated services or goods received for the years ending 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 depreciated over the estimated useful lives of the assets. 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.

#### **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.

## **ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL**

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

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##### **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.

##### **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.

##### **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."

##### **Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### **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 Brooklyn Collegiate School, a facility located at 2021 Bergen Street, Brooklyn, New York. The Agreement commenced on July 1, 2008 at a cost of \$1 per year. The fair value of the rent has not been included in the accompanying financial statements as the premises are temporary in nature, the Agreement is non-binding, is excess shared space whereby a fair value cannot be determined, and is industry practice.

## ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### **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 (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.

Pursuant to the terms of the Agreement, the School pays a service fee equivalent to 10% of all public revenues received by the School during the school 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. The Agreement expires on June 30, 2015. The Agreement also incorporates additional services provided to the School by Achievement First. These services include bookkeeping, facilities acquisition and management, special education delivery support, data analysis management support, and tutoring program support. The School is 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 service fees of \$885,080 and \$634,120, respectively, which is included in the accompanying statement of functional expenses.

For the years ended June 30, 2013 and 2012, the amounts due to Achievement First, Inc. were \$210,097 and \$350,917, respectively.

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>Due To Other Schools</u>	<u>2013</u>	<u>2012</u>
AF Bridgeport	\$ 2,148	\$ -
AF Crown Heights	1,972	-
AF East New York	6,284	5,778
	<u>\$ 10,404</u>	<u>\$ 5,778</u>

<u>Due From Other Schools</u>	<u>2013</u>	<u>2012</u>
AF Apollo	\$ 299	\$ 1,830
AF Bushwick	2,823	2,375
AF Endeavor	3,021	3,021
	<u>\$ 6,143</u>	<u>\$ 7,226</u>

#### **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 a cumulative underpayment totaling \$2,651 had not been made. An adjustment for this amount will be reflected in the succeeding year's fourth payment.

## ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### 7. PROPERTY AND EQUIPMENT

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

	2013	2012	Estimated Useful Lives
Furniture and fixtures	\$ 285,921	\$ 212,585	5 years
Computers and servers	301,482	284,006	3 years
Software	29,644	29,644	5 years
Facility improvements	<u>223,236</u>	<u>112,577</u>	5-15 years
	840,283	638,812	
Less: accumulated depreciation and amortization	<u>(526,514)</u>	<u>(408,651)</u>	
	<b><u>\$ 313,769</u></b>	<b><u>\$ 230,161</u></b>	

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$117,862 and \$109,595, respectively.

#### 8. LINE OF CREDIT

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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 September 27, 2013. 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 no outstanding balance on the line of credit 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 2016. The future minimum payments are as follows:

<u>June 30,</u>	
2014	\$ 5,855
2015	5,855
2016	<u>1,464</u>
<b>Total</b>	<b><u>\$13,174</u></b>

#### 10. PENSION PLAN

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Effective September 1, 2009, 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 contributions. 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's contribution does not become vested until its third year, when it becomes fully vested. For the years ended June 30, 2013 and 2012, pension expense for the School was \$102,052 and \$76,370, respectively, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

## **ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL**

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### **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.

#### **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 limit 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 92% 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 one major grantor at June 30, 2013 and 2012.

The School's accounts payable consist of one major vendor at June 30, 2013 and 2012.



**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 Brownsville Charter School

We have audited, in accordance with the 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, the financial statements of Achievement First Brownsville 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, and have issued our report thereon dated October 31, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 the internal control was for the limited purpose described in the first paragraph of this section 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 over financial reporting 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

## **Purpose of this Report**

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 BROWNSVILLE CHARTER SCHOOL**

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SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013

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

None Reported

**Section II - Financial Statement Findings**

None Reported

**ACHIEVEMENT FIRST BROWNSVILLE 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.