

**ACHIEVEMENT FIRST BUSHWICK  
CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**(With Comparative Totals for June 30, 2010)**

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Achievement First Bushwick Charter School

We have audited the accompanying statement of financial position of Achievement First Bushwick Charter School (the "School") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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. The prior year summarized comparative information has been derived from the School's 2010 financial statements and, in our report dated October 27, 2010, we expressed an unqualified opinion on those financial statements.

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 Bushwick Charter School as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 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 28, 2011

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

**June 30, 2011**

**(With Comparative Totals for June 30, 2010)**

	2011	2010
<b>Assets:</b>		
Cash	\$ 2,253,041	\$ 1,485,603
Grant and other receivables	635,911	349,012
Prepaid expenses and other assets	33,922	11,450
Due from related schools	4,720	61,566
Property and equipment, net	468,074	556,502
<b>Total Assets</b>	<b>\$ 3,395,668</b>	<b>\$ 2,464,133</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 87,402	\$ 283,163
Accrued salaries and other payroll related expenses	246,746	456,193
Due to related schools	4,166	7,929
Due to Achievement First, Inc.	386,774	158,513
Due to New York City Department of Education	57,030	11,397
Total Liabilities	782,118	917,195
<b>Net assets:</b>		
Unrestricted - Operating	468,074	556,502
Board-designated reserve	2,145,476	990,436
Total Net Assets	2,613,550	1,546,938
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,395,668</b>	<b>\$ 2,464,133</b>

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

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2011**

**(With Comparative Totals for June 30, 2010)**

	2011	2010
Operating revenue:		
State and local per pupil operating revenue	\$ 10,072,523	\$ 8,154,520
Government grants and contracts	1,120,806	871,464
Student meal fees	-	212
Total operating revenue	11,193,329	9,026,196
Expenses:		
Program services	9,047,007	7,964,869
Management and general	1,152,496	880,324
Fundraising	74,775	65,236
Total operating expenses	10,274,278	8,910,429
Surplus from school operations	919,051	115,767
Support and other income:		
Contributions and other grants	1,000	22,344
Interest and other income	71,295	58,115
In-kind revenue	75,266	52,139
Total support and other income	147,561	132,598
Change in net assets	1,066,612	248,365
Net assets – beginning of year	1,546,938	1,298,573
<b>Net assets – end of year</b>	<b>\$ 2,613,550</b>	<b>\$ 1,546,938</b>

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

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2011  
(With Comparative Totals for June 30, 2010)**

	Program Services	Management and General	Fundraising	Total 2011	Total 2010
Salaries and Wages	\$ 5,375,481	\$ 504,177	\$ -	\$ 5,879,658	\$ 4,988,524
Payroll taxes and employee benefits	1,053,027	92,614	-	1,145,641	987,192
Accounting	-	29,332	-	29,332	16,855
Legal	5,080	1,270	-	6,350	66,273
After school academic	17,457	-	-	17,457	34,446
Classroom supplies and instructional materials	361,085	-	-	361,085	499,616
Furniture and equipment - non-capitalized	45,130	70,717	-	115,847	117,419
Insurance	24,533	2,301	-	26,834	27,019
Interest and bank service charges	-	344	-	344	399
Management fees and ancillary services fee	940,674	205,837	74,775	1,221,286	652,362
Offices expense	217,425	82,046	-	299,471	200,253
Parent activities	1,751	-	-	1,751	8,710
Postage and delivery	7,750	1,937	-	9,687	9,090
Printing and photocopying	35,093	8,774	-	43,867	33,866
Professional fees	84,496	42,016	-	126,512	184,325
Rent - building permit	42,310	3,968	-	46,278	71,620
Repairs and maintenance	45,586	4,277	-	49,863	135,993
Special education contracted services	65	-	-	65	-
Staff professional development	68,555	-	-	68,555	127,615
Student field trips and incentive programs	78,969	-	-	78,969	73,413
Student food services	145,082	-	-	145,082	129,019
Student transportation	-	-	-	-	67,228
Student uniforms	5,904	-	-	5,904	6,441
Technology and infrastructure	77,500	2,956	-	80,456	45,303
Telephone and internet	188,581	17,687	-	206,268	167,819
In-kind expense	72,373	2,892	-	75,265	52,139
Depreciation and amortization	153,100	38,274	-	191,374	204,949
Bad debt expense	-	41,077	-	41,077	2,541
<b>Total expenses</b>	<b>\$ 9,047,007</b>	<b>\$ 1,152,496</b>	<b>\$ 74,775</b>	<b>\$ 10,274,278</b>	<b>\$ 8,910,429</b>

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

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

**For the Year Ended June 30, 2011**

**(With Comparative Totals for June 30, 2010)**

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 1,066,612	\$ 248,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	191,374	204,949
Bad debt expense	41,077	2,541
Changes in operating assets and liabilities:		
Grant and other receivables	(286,899)	(72,768)
Prepaid expenses and other assets	(22,472)	16,622
Due from related schools	15,769	(61,566)
Accounts payable and accrued expenses	(195,761)	116,329
Accrued salaries and other payroll related expenses	(209,447)	165,052
Due to related schools	(3,763)	6,575
Due to Achievement First, Inc.	228,261	158,513
Due to New York City Department of Education	45,633	8,025
<b>Net cash provided by operating activities</b>	<b>870,384</b>	<b>792,637</b>
Cash flows from investing activities:		
Purchase of property and equipment	(102,946)	(397,158)
<b>Net cash used in investing activities</b>	<b>(102,946)</b>	<b>(397,158)</b>
Net increase in cash	767,438	395,479
Cash - beginning of year	1,485,603	1,090,124
<b>Cash - end of year</b>	<b>\$ 2,253,041</b>	<b>\$ 1,485,603</b>

**Supplementary Disclosure of Cash Flow Information:**

Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

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

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2011

### 1. NATURE OF THE ORGANIZATION:

Achievement First Bushwick 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 June 27, 2006, 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. In January 2011, the Board of Regents approved a conditional three-year charter renewal for the School.

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.

In fiscal year 2011, the School operated classes for students in kindergarten through eighth grades.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### 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.

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 BUSHWICK 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, 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 the current fiscal year's current liabilities and reducing that difference by any assets whose use is contractually limited. The reserve for the years ended June 30, 2011 and 2010 are \$2,145,476 and \$990,436, respectively

### Cash

Cash consists of one checking account and one savings 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 \$635,911 and \$349,012 as of June 30, 2011 and June 30, 2010, respectively. 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 grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

The carrying value of 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 and 2010.

### 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 fiscal years ended June 30, 2011 and 2010.

### Planned Maintenance

Costs related to planned major maintenance are expensed as incurred.

# ACHIEVEMENT FIRST BUSHWICK 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 in the form of textbooks and pro-bono legal 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 \$14,464 and donated textbooks totaling \$60,802 for the fiscal year ended June 30, 2011.

### Advertising

The School expenses advertising costs as incurred. The School had no advertising costs for the fiscal years ended June 30, 2011 and 2010.

### Functional Allocation of Expenses

Expenses that can directly be identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications 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 28, 2011 which is the date the financial statements were available to be issued.

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2011

### Comparative Financial Information

The June 30, 2011 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, 2010 are presented. As a result, the June 30, 2010 comparative information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such June 30, 2010 information should be read in conjunction with the School's financial statements for the year ended June 30, 2010, 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.

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. With few exceptions, the School is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for fiscal years before 2008.

### 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:**

The School has entered into a verbal agreement with the New York City Department of Education ("NYCDOE") for dedicated and shared space at I.S. 383, a New York City public school located at 1300 Greene Street, Brooklyn, New York. This agreement commenced on July 1, 2007 at a cost of \$1 per year. In accordance with industry standards, this amount has not been recorded. In addition, the School entered into a second agreement with the NYCDOE for dedicated and shared space at P.S. 137, a New York City public school located at 125 Covert Street, Brooklyn, New York. The School will be responsible for any overtime-related costs for services provided beyond the regular opening hours. For the years ended June 30, 2011 and 2010, the School incurred overtime permit fees of \$46,278 and \$71,620, which are included in the accompanying statement of functional expenses.

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2011

**4. STUDENT MEALS & 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. This agreement was subsequently amended in August 2006, March 2009, and November 2010.

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 initial term of this Agreement is for 5 years ending on June 30, 2015. In fiscal year ended 2010, the School paid a service fee equivalent to 8% of per-pupil revenues. The Agreement was also modified to incorporate additional services provided to the School by Achievement First. These services included 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 fiscal years ended June 30, 2011 and June 30, 2010, the School incurred management and ancillary service fees of \$1,221,286 and \$652,362, respectively, which is included in the accompanying statement of functional expenses.

For the fiscal years ended June 30, 2011 and June 30, 2010, the amounts due to Achievement First, Inc. were \$386,774 and \$158,513, 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 at:

June 30,	2011	2010
Achievement First Endeavor Charter School	\$ 1,791	\$ -
Achievement First Brownsville Charter School	2,375	-
Achievement First East New York Charter School	-	7,929
Total due to other schools	\$ 4,166	7,929

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2011

The following amounts were due from other schools and consist of the following at:

June 30,	2011	2010
Achievement First Hartford Charter School	\$ 900	\$ -
Amistad Charter School	2,400	-
Achievement First East New York Charter School	674	-
Achievement First Apollo Charter School	746	520
Achievement First Crown Heights Charter School	-	183
Achievement First Endeavor Charter School	-	20,507
Achievement First Brownsville Charter School	-	40,356
<b>Total due from other schools</b>	<b>\$ 4,720</b>	<b>\$ 61,566</b>

- 6. DUE TO NEW YORK CITY 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 \$57,030 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	2010	Estimated Useful Lives
Furniture and fixtures	\$ 251,920	\$ 251,920	5 years
Computers and hardware	425,815	381,820	3 years
Equipment	172,896	132,969	3 years
Software	99,129	97,125	5 years
Instruments	55,242	55,242	5 years
Leasehold improvements	272,587	255,567	5 years
	1,277,589	1,174,643	
Less: accumulated depreciation and amortization	(809,515)	(618,141)	
	<b>\$ 468,074</b>	<b>\$ 556,502</b>	

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 was \$191,374 and \$204,949, respectively.

**8. LINE OF CREDIT:**

The School has a revolving line of credit agreement with a financial institution where it can borrow up to \$50,000. The line of credit carries an interest rate at the bank's prime rate plus one percent (4.25% as of June 30, 2011) and is secured by the School's business assets. During the year ended June 30, 2011, the School did not draw on the line of credit. The line of credit expires April 30, 2012, but is expected to be renewed on an annual basis.

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2011

**9. COMMITMENTS  
AND  
CONTINGENCIES:**

The School leases telecommunications equipment and copiers under non-cancelable operating leases. Future minimum lease payments are as follows:

June 30,	
2012	\$ 28,290
2013	28,290
2014	26,342
2015	21,023
Total	\$ 103,945

- 10. RETIREMENT PLAN:** Effective September 1, 2006, 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 of service with the School. For the fiscal years ended June 30, 2011 and June 30, 2010, pension expense for the School is \$150,724 and \$126,943 respectively, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

**11. 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.

**12. 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, may exceed the Federal Deposit Insurance Corporation (FDIC) of \$250,000.
- B. The School received approximately 90% of its total revenue from per pupil funding from the NYCDOE.
- C. Approximately 93% of the School's grant and other receivables consist of one major grantor.

**13. SUBSEQUENT  
EVENTS:**

In August 2011, the State University of New York Charter Schools Institute ("CSI") issued a letter to the School that indicated that the School had substantially met the condition of renewal and that the School's short-term charter renewal was no longer conditional. On September 21, 2011 the Board of Regents approved the renewal of the provisional charter through July 31, 2014.

**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 Bushwick Charter School

We have audited the financial statements of Achievement First Bushwick Charter School (the "School") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses; 2011-01 and 2011-02.

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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency; 2011-03.

## 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 one instance 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 28, 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 28, 2011



ACHIEVEMENT FIRST BUSHWICK 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 BUSHWICK CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND RESPONSES

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 certain provisions of laws, regulations, contracts, and grant agreements. According to the University of the State of New York resolution governing the charter renewal of the School from August 1, 2011 through July 31, 2014, the School is required to ensure that all employees are properly fingerprinted for the fiscal year ending June 30, 2011.

Context: In the sample of 45 personnel files, 11 employees had no fingerprint clearance confirmations on file.

Cause: Ineffective management monitoring of policies and procedures.

Effect: The School is not in compliance with local laws and could have its charter revoked.

Recommendations: The School should ensure, prior to hiring of employees, that all employees are fingerprinted and clearance confirmations are properly maintained on file.

- **Findings: 2011-02**

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 payroll related expenses and interbank transfers.

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.

# ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2011

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### Section II - Financial Statement Findings

- **Findings: 2011-03**

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

Context: Unrecorded revenue and receivable as of the year end.

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 BUSHWICK CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND RESPONSES June 30, 2011

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

- **Findings: 2011-01 (Fingerprinting clearance confirmations)**

We agree with this finding that forms were missing from files; however, we believe in many instances this was not due to a lack of staff being cleared but staff misunderstanding of the need to place clearance forms in files. Additionally, as most staff were cleared timely, the NYS Department of Education would have notified the School if any staff member were to commit a crime preventing them from continuing as an employee.

Planned Corrective Action:

We will reinforce the procedures with School staff responsible for maintaining personnel records. We will also conduct more rigorous audits of personnel records; such an audit is being conducted the week of October 24, 2011, and particular emphasis is being placed on compliance with fingerprint clearance confirmation and documentation.

- **Findings: 2011-02 (Bank reconciliation)**

Management agrees with the finding that bank reconciliations were not performed timely and that payroll-related expenses and interbank transfers 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 2011-03 (Unrecorded revenue and receivable)**

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

Planned Corrective Action:

As with the response to Findings 2011-02, the Finance Team at Achievement First, Inc. will institute practices to ensure revenue is recorded as it is received or pledged. The team has also been restructured in the summer of 2011 and a senior staff member has been tasked with overseeing revenue and grants management. Another staff member will work to ensure proper recording and coding of grants. The team has also instituted monthly revenue reconciliations 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 BUSHWICK CHARTER SCHOOL**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2011**

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**Section II - Financial Statement Findings**

**Finding No. 2010-01**

**Condition:**

Supervisory review of the School's records and documentation to ensure compliance with the School's written policies and procedures.

**Current Status:**

The finding has yet to be corrected.