

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2013

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12
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 <i>Government Auditing Standards</i>	13-14
Schedule of Findings and Responses	15
Schedule of Prior Audit Findings	16



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Achievement First Bushwick Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Achievement First Bushwick 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 Bushwick 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 Bushwick 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 Bushwick 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 Bushwick Charter School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 31, 2013

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

ASSETS	2013	2012
Cash	\$ 2,301,394	2,627,772
Grants and other receivables	469,008	629,668
Prepaid expenses and other assets	4,366	117,058
Due from related schools	3,856	1,323
Due from Achievement First, Inc.	28,955	-
Due from New York City Department of Education	-	24,085
Property and equipment, net	638,790	426,904
	\$ 3,446,369	\$ 3,826,810
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 196,840	\$ 399,564
Accrued salaries and other payroll related expenses	225,788	244,730
Due to related schools	340,765	516,186
Due to Achievement First, Inc.	-	180,674
Due to New York City Department of Education	21,919	-
	785,312	1,341,154
NET ASSETS		
Unrestricted operating	638,790	526,686
Unrestricted board-designated reserve	2,022,267	1,958,970
	2,661,057	2,485,656
	\$ 3,446,369	\$ 3,826,810

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, 2013

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

	2013	2012
OPERATING REVENUE		
State and local per pupil operating revenue	\$ 12,583,221	\$ 11,336,255
Government grants and contracts	<u>805,477</u>	<u>645,646</u>
	<u>13,388,698</u>	<u>11,981,901</u>
EXPENSES		
Program	11,845,849	10,571,819
Management and general	1,535,133	1,312,667
Fundraising	<u>148,074</u>	<u>134,430</u>
	<u>13,529,056</u>	<u>12,018,916</u>
DEFICIT FROM SCHOOL OPERATIONS	<u>(140,358)</u>	<u>(37,015)</u>
SUPPORT AND OTHER REVENUE		
Contributions, grants, and other income	312,599	20,202
Interest income	<u>3,160</u>	<u>-</u>
	<u>315,759</u>	<u>20,202</u>
CHANGE IN NET ASSETS	175,401	(16,813)
NET ASSETS - BEGINNING OF YEAR	<u>2,485,656</u>	<u>2,502,469</u>
NET ASSETS - END OF YEAR	<u>\$ 2,661,057</u>	<u>\$ 2,485,656</u>

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, 2013

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

	<u>Program</u>	<u>Supporting Activities</u>		<u>Total 2013</u>	<u>Total 2012</u>
		<u>Management and General</u>	<u>Fundraising</u>		
FUNCTIONAL EXPENSES					
Salaries and wages	\$ 6,996,573	\$ 755,251	\$ -	\$ 7,751,824	\$ 6,891,769
Payroll taxes and employee benefits	1,511,938	178,098	-	1,690,036	1,301,608
Accounting	-	83,226	-	83,226	51,292
Legal	5,337	1,334	-	6,671	6,507
After school academic	29,065	-	-	29,065	29,926
Classroom supplies and instructional materials	367,378	-	-	367,378	375,997
Furniture and equipment - non-capitalized	75,805	17,050	-	92,855	100,886
Insurance	52,776	6,222	-	58,998	46,871
Interest and bank service charges	-	898	-	898	1,003
Management and ancillary services fees	1,140,173	192,497	148,074	1,480,744	1,319,039
Office expenses	440,050	62,193	-	502,243	448,014
Parent activities	3,902	-	-	3,902	1,529
Postage and delivery	11,258	2,815	-	14,073	8,954
Printing and photocopying	77,455	19,364	-	96,819	73,513
Professional fees	43,790	128,450	-	172,240	116,019
Rent - building permit	57,761	6,810	-	64,571	29,735
Repairs and maintenance	156,803	18,485	-	175,288	216,193
Special education contracted services	-	-	-	-	14
Staff professional development	84,165	-	-	84,165	69,652
Student field trips and incentive programs	106,880	-	-	106,880	85,719
Student food services	104,034	-	-	104,034	165,765
Student transportation	61,836	-	-	61,836	94,088
Student uniforms	-	-	-	-	376
Technology and infrastructure	256,215	11,729	-	267,944	219,664
Telephone and internet	113,182	13,343	-	126,525	171,372
Depreciation and amortization	149,473	37,368	-	186,841	193,411
	\$ 11,845,849	\$ 1,535,133	\$ 148,074	\$ 13,529,056	\$ 12,018,916

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, 2013
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 175,401	\$ (16,813)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	186,841	193,411
Changes in operating assets and liabilities:		
Grants and other receivables	160,660	(104,838)
Prepaid expenses and other assets	112,692	(83,136)
Due from related schools	(2,533)	3,397
Due from Achievement First, Inc.	(28,955)	-
Due from New York City Department of Education	24,085	(24,085)
Accounts payable and accrued expenses	(202,724)	312,162
Accrued salaries and other payroll related expenses	(18,942)	(2,016)
Due to related schools	(175,421)	512,020
Due to Achievement First, Inc.	(180,674)	(206,100)
Due to New York City Department of Education	21,919	(57,030)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>72,349</u>	<u>526,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(398,727)</u>	<u>(152,241)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(398,727)</u>	<u>(152,241)</u>
NET (DECREASE) INCREASE IN CASH	(326,378)	374,731
CASH - BEGINNING OF YEAR	<u>2,627,772</u>	<u>2,253,041</u>
CASH - END OF YEAR	<u>\$ 2,301,394</u>	<u>\$ 2,627,772</u>

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

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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. 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. In January 2011, the Board of Regents approved a 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 source of income is government funding. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). Today the School serves students from low income households in Brooklyn, New York.

During the year ended June 30, 2013, the School operated classes for students in kindergarten through ninth 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. 60,000 feet of square footage is allocated to the School.

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 ("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 are 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 as such in the statement of activities.

Unrestricted – Net assets that are 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 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 \$2,022,267 and \$1,958,970, respectively.

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Other Receivables

Grants and other receivables represent unconditional promises to give. Grants and other receivables are expected to be collected within one year, are recorded at net realizable value, and amount to \$469,008 and \$629,668 at June 30, 2013 and 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 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. There were no donated services or goods 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. Leasehold 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 BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. 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.

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.

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.

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The School has entered into a verbal agreement with the 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, 2013 and 2012, the School incurred overtime permit fees of \$64,571 and \$29,735, which are included in the accompanying statement of functional expenses.

4. STUDENT MEALS AND TRANSPORTATION

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

5. RELATED PARTY TRANSACTIONS

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

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. During the years ended June 30, 2013 and 2012, 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 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

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. RELATED PARTY TRANSACTIONS (CONTINUED)

School and Achievement First. For the years ended June 30, 2013 and 2012, the School incurred management and ancillary services fees of \$1,480,744 and \$1,319,039, respectively, which is included in the accompanying statement of functional expenses.

At June 30, 2013, \$28,955 was due from Achievement First. At June 30, 2012, \$180,674 was due to Achievement First.

The following amounts were due from related schools and consist of the following at June 30,:

	<u>2013</u>	<u>2012</u>
Achievement First Apollo Charter School	\$ 2,823	\$ 1,323
Achievement First Elm City Charter School	1,033	-
	<u>\$ 3,856</u>	<u>\$ 1,323</u>

The following amounts were due to related schools and consist of the following at June 30,:

	<u>2013</u>	<u>2012</u>
Achievement First Crown Heights Charter School	\$ 328,486	\$ 509,354
Achievement First East New York Charter School	6,892	2,358
Achievement First Brownsville Charter School	2,823	2,375
Achievement First Endeavor Charter School	2,564	2,099
	<u>\$ 340,765</u>	<u>\$ 516,186</u>

6. DUE TO NYC DEPARTMENT OF EDUCATION

The NYCDOE paid the School per-pupil grant funds in six installments, based on estimates from the School. At the end of each 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, respectively, an overpayment totaling \$21,919 and an underpayment totaling \$24,085 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,:

	<u>2013</u>	<u>2012</u>	Estimated Useful Lives
Furniture and fixtures	\$ 272,424	\$ 257,322	5 years
Computers and hardware	595,590	480,249	3 years
Equipment	293,791	265,301	3 years
Software	99,129	99,129	5 years
Instruments	55,242	55,242	5 years
Leasehold improvements	361,278	272,587	15 years
Construction in progress	151,103	-	
	<u>1,828,557</u>	<u>1,429,830</u>	
Less: accumulated depreciation and amortization	<u>(1,189,767)</u>	<u>(1,002,926)</u>	
	<u>\$ 638,790</u>	<u>\$ 426,904</u>	

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$186,841 and \$193,411, respectively.

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2013) and is secured by the School's business assets. During the year ended June 30, 2013, the School did not draw on the line of credit. The line of credit expired on July 29, 2013.

9. COMMITMENTS AND CONTINGENCIES

The School leases office equipment under non-cancelable operating lease agreements expiring June 2015. The future minimum payments are as follows:

June 30,	
2014	\$ 26,342
2015	<u>21,023</u>
	<u>\$ 47,365</u>

10. PENSION 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 years ended June 30, 2013 and 2012, pension expense for the School was \$158,926 and \$178,893 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

Financial instruments that potentially subject the school to concentrations of credit risk consist principally of cash deposits at a major financial institution that, at times, exceeded 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 83% and 88% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2013 and 2012, respectively.

One grantor accounted for approximately 90% and 81% of grants and other receivables at June 30, 2013 and 2012, respectively.

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 Bushwick 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 Bushwick 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
October 31, 2013

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

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 BUSHWICK CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

Section II - 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.