

Achievement First Brownsville Charter School

**Financial Statements,
Federal Awards in Accordance
with OMB Circular A-133
and Independent Auditor's Reports**

June 30, 2015

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, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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 from 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 entity'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 entity'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, 2015, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Achievement First Brownsville Charter School's 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the schedules of activities and functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 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 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.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut
October 28, 2015

Achievement First Brownsville Charter School

**Statement of Financial Position
June 30, 2015
(With Comparative Totals for 2014)**

	2015	2014
<u>Assets</u>		
Cash	\$ 540,290	\$ 318,477
Restricted cash	75,000	75,000
Grants and other receivables	95,110	624,432
Prepaid expenses and other assets	11,238	16,950
Due from related party	148,923	33,401
Due from other schools	6,498	1,940
Due from NYC Department of Education	-	26,820
Property and equipment, net	607,128	264,505
Total assets	\$ 1,484,187	\$ 1,361,525
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 193,139	\$ 66,765
Accrued salaries and other payroll related expenses	263,091	174,005
Due to other schools	89,669	95,270
Due to NYC Department of Education	35,113	-
Loan payable	200,917	-
Total liabilities	781,929	336,040
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	481,211	339,505
Board designated	221,047	685,980
Total net assets	702,258	1,025,485
Total liabilities and net assets	\$ 1,484,187	\$ 1,361,525

See Notes to Financial Statements.

Achievement First Brownsville Charter School
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Operating revenue:		
State and local per pupil operating revenue	\$ 12,297,584	\$ 8,185,837
Federal, state and local grants	968,865	767,730
Special education revenue	<u>1,322,760</u>	<u>735,318</u>
Total operating revenue	<u>14,589,209</u>	<u>9,688,885</u>
Expenses:		
Program services	12,815,861	7,995,032
General and administrative	1,793,949	1,369,010
Fundraising	<u>326,509</u>	<u>249,286</u>
Total expenses	<u>14,936,319</u>	<u>9,613,328</u>
Surplus (deficit) on school operations from government funding	<u>(347,110)</u>	<u>75,557</u>
Support and other revenue:		
Contributions	-	3,000
Interest income and other income	<u>23,883</u>	<u>470</u>
Total support and other revenue	<u>23,883</u>	<u>3,470</u>
Change in net assets	(323,227)	79,027
Net assets, beginning of year	<u>1,025,485</u>	<u>946,458</u>
Net assets, end of year	<u>\$ 702,258</u>	<u>\$ 1,025,485</u>

See Notes to Financial Statements.

Achievement First Brownsville Charter School

Statement of Functional Expenses Year Ended June 30, 2015 (With Comparative Totals for 2014)

	Program Services			General and Administrative	Fundraising	2015 Total	2014 Total
	Regular Education	Special Education	Total Program Services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,207,732	\$ -	\$ 1,207,732	\$ 1,066,286
Instructional personnel	6,422,705	887,599	7,310,304	-	-	7,310,304	4,554,412
Total personnel services costs	6,422,705	887,599	7,310,304	1,207,732	-	8,518,036	5,620,698
Fringe benefits and payroll taxes	1,046,353	143,360	1,189,713	196,552	-	1,386,265	924,527
Retirement	118,149	16,188	134,337	22,194	-	156,531	98,229
Management company fees	1,076,866	147,541	1,224,407	81,627	326,509	1,632,543	1,246,432
Legal services	-	-	-	7,791	-	7,791	359
Accounting/audit services	-	-	-	27,430	-	27,430	33,824
Other purchased/ professional/ consulting services	-	2,711	2,711	12,559	-	15,270	19,277
Repairs and maintenance	72,030	9,869	81,899	13,531	-	95,430	50,689
Insurance	32,694	4,479	37,173	6,141	-	43,314	34,121
Utilities	22,345	3,061	25,406	4,197	-	29,603	16,090
Supplies/materials	989,795	135,612	1,125,407	-	-	1,125,407	347,530
Equipment/furnishings	183,015	25,075	208,090	34,379	-	242,469	171,839
Staff development	181,795	24,909	206,704	12,564	-	219,268	162,421
Marketing/recruitment	26,942	3,691	30,633	-	-	30,633	30,610
Technology	443,907	60,820	504,727	31,032	-	535,759	297,518
Food service	93,174	12,766	105,940	-	-	105,940	53,707
Student services	109,980	15,068	125,048	-	-	125,048	110,787
Office expense	245,358	33,616	278,974	88,986	-	367,960	210,760
Depreciation and amortization	118,033	16,172	134,205	33,551	-	167,756	106,810
Other	58,320	7,991	66,311	13,683	-	79,994	61,999
Parental activities	20,995	2,877	23,872	-	-	23,872	15,101
Total expenses	<u>\$ 11,262,456</u>	<u>\$ 1,553,405</u>	<u>\$ 12,815,861</u>	<u>\$ 1,793,949</u>	<u>\$ 326,509</u>	<u>\$ 14,936,319</u>	<u>\$ 9,613,328</u>

See Notes to Financial Statements.

Achievement First Brownsville Charter School

**Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for 2014)**

	2015	2014
Operating activities:		
Change in net assets	\$ (323,227)	\$ 79,027
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	167,756	106,810
Accrued interest	917	-
Changes in operating assets and liabilities:		
Grants and other receivables	529,322	(341,299)
Prepaid expenses and other assets	5,712	64,036
Due from related party	(115,522)	(33,401)
Due from other schools	(4,558)	4,203
Due from NYC Department of Education	26,820	(24,169)
Accounts payable and accrued expenses	126,374	(9,953)
Accrued salaries and other payroll related expenses	89,086	11,180
Due to NYC Department of Education	35,113	-
Due to related party	-	(210,097)
Due to other schools	(5,601)	84,866
Net cash provided by (used in) operating activities	532,192	(268,797)
Investing activities:		
Purchase of property and equipment	(510,379)	(57,546)
Financing activities:		
Proceeds from long-term debt	200,000	-
Net increase (decrease) in cash	221,813	(326,343)
Cash - beginning of year	318,477	644,820
Cash - end of year	\$ 540,290	\$ 318,477

See Notes to Financial Statements.

Achievement First Brownsville Charter School

Notes to Financial Statements June 30, 2015

Note 1 - Nature of operations

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 October 29, 2012 the Board of Trustees of the State of New York amended the charter agreement with Achievement First Brownsville Charter School to operate an additional school, Achievement First North Brooklyn Prep Charter School. 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 exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and under the corresponding provision 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.

As of June 30, 2015, the School operated classes for students in grades K-6. 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.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

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 in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

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

Achievement First Brownsville Charter School

Notes to Financial Statements June 30, 2015

During the fiscal year ended June 30, 2009, the Board of Trustees (the "Board") enacted a Board Designated Reserve Policy (the "Reserve") 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 the current year's current liabilities and reducing that difference by any assets whose use is contractually limited. The Reserve at June 30, 2015 was \$221,047.

Statement of cash flows

For purposes of reporting cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2015.

Restricted cash

The School designated \$75,000 as restricted cash, which is held aside for contingency purposes as required by the New York City Department of Education (NYCDOE). At June 30, 2015, a separate escrow account had not been established for this reserve.

Grants and other receivables

Grants receivable represent unconditional promises to give. Grants receivable that are expected to be collected within one year, and recorded at net realizable value, are \$95,110 at June 30, 2015. The School has determined that no allowance for uncollectible accounts for grants receivable is necessary as of June 30, 2015. Such estimate is based on management's assessments of the creditworthiness of its donors, the aging of its receivables as well as current economic conditions and historical information.

Revenue recognition

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. Receivables are recognized to the extent costs have been incurred, but not reimbursed.

Revenue from the state and local governments 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.

Achievement First Brownsville Charter School

Notes to Financial Statements June 30, 2015

Contributions are recognized by the School when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor, but whose restrictions are met in the same period, are reported as increases to unrestricted net assets. All other donor-restricted contributions are reported as increases to temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

Donated goods and services

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

Contributed services received from Board Members and volunteers are not recorded in the financial statements since these services do not meet the criteria for recognition as contributed services.

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. 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.

Depreciation and amortization are provided on a straight-line basis over the lesser of useful lives or lease term as follows:

Furniture and fixtures	5 - 8 years
Leasehold improvements	5 years
Computers and hardware	3 - 5 years
Software	3 - 5 years
Equipment	5 - 7 years

Achievement First Brownsville Charter School

Notes to Financial Statements June 30, 2015

Long-lived assets

The School recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There was no impairment loss recognized for the year ended June 30, 2015.

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 by function have been allocated among program and supporting service classifications using bases determined by management to be reasonable.

Income taxes

The School is classified by the IRS as exempt from income tax under Section 501(a) of the IRC as a public education academy described in Section 501(c)(3).

The School has no unrecognized tax benefits at June 30, 2015. The School's Federal income tax returns prior to fiscal year 2011 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the School would recognize interest and penalties associated with tax matters as part of general and administrative expenses in the statement of activities and changes in net assets and include accrued interest and penalties in accrued expenses in the statement of financial position. The School did not recognize any interest or penalties associated with tax matters for the year ended June 30, 2015.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such 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 information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Achievement First Brownsville Charter School

**Notes to Financial Statements
June 30, 2015**

Concentrations of credit risk

The School maintains cash and cash equivalent balances in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. From time to time, the School's balances may exceed these limits. At June 30, 2015, the School's uninsured bank balances totaled \$534,278. The School limits its credit risk by selecting financial institutions considered to be highly creditworthy.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

Management has reviewed subsequent events through October 28, 2015, which is the date the financial statements were approved and available for issuance.

Note 3 - Concentrations

The School received approximately 84% of its operating revenue, which is subject to specific requirements, from per pupil funding from the NYCDOE during the year ended June 30, 2015.

The School's grants and other receivables consist of one major grantor at June 30, 2015.

The School's accounts payable consist of one major vendor at June 30, 2015.

Note 4 - Agreement for school facility

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.

Note 5 - Property and equipment

The following is a summary of property and equipment at June 30, 2015:

Furniture	\$ 92,565
Equipment	329,600
Computers and servers	376,107
Software	31,883
Facility improvements	<u>578,052</u>
	1,408,207
Less accumulated depreciation	<u>801,079</u>
	<u><u>\$ 607,128</u></u>

Depreciation and amortization expense was \$167,756 for the year ended June 30, 2015.

Achievement First Brownsville Charter School

Notes to Financial Statements June 30, 2015

Note 6 - Related party transactions

The School entered into an Academic and Business Services Agreement (the "Agreement") with Achievement First, Inc. ("AF"), 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 is renewed automatically each year ending on the expiration of the Charter Contract, which expires on June 30, 2018. The Agreement also incorporates additional services provided to the School by AF. 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 AF an ancillary services fee that is mutually negotiated by the School and AF. For the year ended June 30, 2015, the School incurred management and ancillary service fees of \$1,632,543, which is included in the accompanying statement of functional expenses.

At June 30, 2015, the amount due from AF was \$148,923.

Note 7 - Due to/from other schools

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 as of June 30, 2015:

Achievement First Apollo Charter School	\$	42
Achievement First Aspire Charter School		(1,056)
Achievement First Bushwick Charter School		(88,358)
Achievement First Crown Heights Charter School		1,964
Achievement First East New York Charter School		2,121
Achievement First Endeavor Charter School		2,371
Achievement First Providence Charter School		<u>(255)</u>
	\$	<u>(83,171)</u>

Note 8 - Loan payable

Loan payable to AF in the amount of \$200,000 accrues interest at 1% per annum. No payments are required until maturity on June 30, 2019. Accrued interest at June 30, 2015 was \$917. Interest expense for the year ended June 30, 2015 was \$917.

Achievement First Brownsville Charter School

**Notes to Financial Statements
June 30, 2015**

Note 9 - 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 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, 2015, a cumulative overpayment totaling \$35,113 had been made. An adjustment for this amount will be reflected in the succeeding year's third payment.

Note 10 - Operating leases

The School leases office equipment under various non-cancelable operating lease agreements expiring through June 2019. The future minimum payments are approximately as follows:

<u>June 30,</u>	
2016	\$ 125,000
2017	115,000
2018	115,000
2019	<u>80,000</u>
Total	<u>\$ 435,000</u>

The lease expense for the year ended June 30, 2015 was \$91,758.

Note 11 - Pension plan

The School has 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 upon employment. 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 contribution is not vested until the employee's third year, when they become fully vested. For the year ended June 30, 2015, pension expense for the School was approximately \$156,000, which is included in retirement in the accompanying statement of functional expenses.

Note 12 - Risk management

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

Achievement First Brownsville Charter School

**Supplemental Schedule of Activities by Charter
Year Ended June 30, 2015**

	<u>Brownsville Schools</u>	<u>North Brooklyn Preparatory</u>	<u>Total</u>
Operating revenue:			
State and local per pupil operating revenue	\$ 9,837,012	\$ 2,460,572	\$ 12,297,584
Federal, state and local grants	595,238	373,627	968,865
Special education revenue	972,385	350,375	1,322,760
	<u>11,404,635</u>	<u>3,184,574</u>	<u>14,589,209</u>
Expenses:			
Program services	10,129,993	2,685,868	12,815,861
General and administrative	1,390,457	403,492	1,793,949
Fundraising	253,382	73,127	326,509
	<u>11,773,832</u>	<u>3,162,487</u>	<u>14,936,319</u>
Surplus (deficit) on school operations from government funding	<u>(369,197)</u>	<u>22,087</u>	<u>(347,110)</u>
Support and other revenue:			
Interest income and other income	16,019	7,864	23,883
	<u>16,019</u>	<u>7,864</u>	<u>23,883</u>
Change in net assets	<u>\$ (353,178)</u>	<u>\$ 29,951</u>	<u>\$ (323,227)</u>

Achievement First Brownsville Charter School

**Supplemental Schedule of Functional Expenses - Brownsville Schools
Year Ended June 30, 2015**

	Program Services			General and Administrative	Fundraising	2015 Total
	Regular Education	Special Education	Total Program Services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 942,155	\$ -	\$ 942,155
Instructional personnel	5,216,432	714,699	5,931,131	-	-	5,931,131
	<u>5,216,432</u>	<u>714,699</u>	<u>5,931,131</u>	<u>942,155</u>	<u>-</u>	<u>6,873,286</u>
Total personnel services costs	5,216,432	714,699	5,931,131	942,155	-	6,873,286
Fringe benefits and payroll taxes	858,968	117,687	976,655	155,525	-	1,132,180
Retirement	92,972	12,739	105,711	16,682	-	122,393
Management company fees	835,682	114,497	950,179	63,345	253,382	1,266,906
Legal services	-	-	-	5,291	-	5,291
Accounting/audit services	-	-	-	18,287	-	18,287
Other purchased/ professional/ consulting services	-	703	703	8,373	-	9,076
Repairs and maintenance	72,030	9,869	81,899	13,531	-	95,430
Insurance	25,800	3,535	29,335	4,632	-	33,967
Utilities	17,094	2,341	19,435	3,047	-	22,482
Supplies/materials	680,675	93,260	773,935	-	-	773,935
Equipment/furnishings	98,276	13,465	111,741	15,826	-	127,567
Staff development	159,984	21,920	181,904	10,753	-	192,657
Marketing/recruitment	18,851	2,582	21,433	-	-	21,433
Technology	322,846	44,233	367,079	19,350	-	386,429
Food service	84,278	11,547	95,825	-	-	95,825
Student services	102,197	14,002	116,199	-	-	116,199
Office expense	196,294	26,894	223,188	69,874	-	293,062
Depreciation and amortization	64,686	8,863	73,549	33,551	-	107,100
Other	44,035	6,034	50,069	10,235	-	60,304
Parental activities	17,610	2,413	20,023	-	-	20,023
	<u>8,908,710</u>	<u>1,221,283</u>	<u>10,129,993</u>	<u>1,390,457</u>	<u>253,382</u>	<u>11,773,832</u>
Total expenses	<u>\$ 8,908,710</u>	<u>\$ 1,221,283</u>	<u>\$ 10,129,993</u>	<u>\$ 1,390,457</u>	<u>\$ 253,382</u>	<u>\$ 11,773,832</u>

Achievement First Brownsville Charter School

Supplemental Schedule of Functional Expenses - North Brooklyn Preparatory Year Ended June 30, 2015

	Program Services			General and Administrative	Fundraising	2015 Total
	Regular Education	Special Education	Total Program Services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 265,577	\$ -	\$ 265,577
Instructional personnel	1,206,273	172,900	1,379,173	-	-	1,379,173
	<u>1,206,273</u>	<u>172,900</u>	<u>1,379,173</u>	<u>265,577</u>	<u>-</u>	<u>1,644,750</u>
Total personnel services costs	1,206,273	172,900	1,379,173	265,577	-	1,644,750
Fringe benefits and payroll taxes	187,385	25,673	213,058	41,027	-	254,085
Retirement	25,177	3,449	28,626	5,512	-	34,138
Management company fees	241,184	33,044	274,228	18,282	73,127	365,637
Legal services	-	-	-	2,500	-	2,500
Accounting/audit services	-	-	-	9,143	-	9,143
Other purchased/ professional/ consulting services	-	2,008	2,008	4,186	-	6,194
Insurance	6,894	944	7,838	1,509	-	9,347
Utilities	5,251	720	5,971	1,150	-	7,121
Supplies/materials	309,120	42,352	351,472	-	-	351,472
Equipment/furnishings	84,739	11,610	96,349	18,553	-	114,902
Staff development	21,811	2,989	24,800	1,811	-	26,611
Marketing/recruitment	8,091	1,109	9,200	-	-	9,200
Technology	121,061	16,587	137,648	11,682	-	149,330
Food service	8,896	1,219	10,115	-	-	10,115
Student services	7,783	1,066	8,849	-	-	8,849
Office expense	49,064	6,722	55,786	19,112	-	74,898
Depreciation and amortization	53,347	7,309	60,656	-	-	60,656
Other	14,285	1,957	16,242	3,448	-	19,690
Parental activities	3,385	464	3,849	-	-	3,849
	<u>\$ 2,353,746</u>	<u>\$ 332,122</u>	<u>\$ 2,685,868</u>	<u>\$ 403,492</u>	<u>\$ 73,127</u>	<u>\$ 3,162,487</u>
Total expenses	<u>\$ 2,353,746</u>	<u>\$ 332,122</u>	<u>\$ 2,685,868</u>	<u>\$ 403,492</u>	<u>\$ 73,127</u>	<u>\$ 3,162,487</u>

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 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, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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 28, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Achievement First Brownsville Charter 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 Achievement First Brownsville Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Achievement First Brownsville Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 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 Achievement First Brownsville Charter School's financial statements are free from 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 Achievement First Brownsville Charter School in a separate letter dated October 28, 2015.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut
October 28, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Trustees
Achievement First Brownsville Charter School

Report on Compliance for Each Major Federal Program

We have audited Achievement First Brownsville Charter School's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Achievement First Brownsville Charter School's major Federal programs for the year ended June 30, 2015. Achievement First Brownsville Charter School's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Achievement First Brownsville Charter School's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Achievement First Brownsville Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Achievement First Brownsville Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Achievement First Brownsville Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Achievement First Brownsville Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Achievement First Brownsville Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Achievement First Brownsville Charter School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut
October 28, 2015

Achievement First Brownsville Charter School

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal Grantor / Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through ID Number	Federal Expenditures
U.S. Department of Education:			
Passed through New York State Education Department:			
Title I Grants to Local Educational Agencies (LEAs)	84.010	0021-14-4375	\$ 398,406
Improving Teacher Quality State Grants	84.367	0147-14-4375	25,987
Special Education - Grants to States (IDEA, Part B)	84.027		67,658
Passed through Achievement First, Inc.:			
Charter Schools	84.282		408,321
Teacher Incentive Fund - ARRA	84.374A		<u>39,906</u>
Total U.S. Department of Education			<u>940,278</u>
Total Expenditures of Federal Awards			<u><u>\$ 940,278</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Achievement First Brownsville Charter School

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2015**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Achievement First Brownsville Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of significant accounting policies

The accounting policies of Achievement First Brownsville Charter School conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit agencies.

Achievement First Brownsville Charter School

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

I. Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified?	_____ yes <u> X </u> none reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ yes <u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies (LEAs)
84.282	Charter Schools

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

II. Financial Statement Findings:

None

III. Federal Awards Findings and Questioned Costs:

None

Achievement First Brownsville Charter School

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

None noted.