

**Achievement First Bushwick Charter School**

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

**June 30, 2015**

# Achievement First Bushwick Charter School

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## 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, 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 Bushwick 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 Bushwick Charter School's 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 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 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 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.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Hartford, Connecticut  
October 28, 2015

**Achievement First Bushwick Charter School**

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

	2015	2014
<u>Assets</u>		
Cash	\$ 418,818	\$ 910,103
Restricted cash	75,000	75,000
Grants and other receivables	142,446	910,954
Prepaid expenses and other assets	92,996	-
Due from related party	613,530	261,092
Due from other schools	93,109	99,482
Property and equipment, net	563,105	451,670
Total assets	\$ 1,999,004	\$ 2,708,301
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 95,547	\$ 96,607
Accrued salaries and other payroll related expenses	329,682	216,384
Due to other schools	398,595	248,434
Due to NYC Department of Education	35,925	12,479
Loans payable	200,917	-
Total liabilities	1,060,666	573,904
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	437,188	526,670
Board designated	501,150	1,607,727
Total net assets	938,338	2,134,397
Total liabilities and net assets	\$ 1,999,004	\$ 2,708,301

See Notes to Financial Statements.

**Achievement First Bushwick 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	\$ 16,449,756	\$ 12,555,072
Federal, state and local grants	1,071,745	780,350
Special education revenue	<u>2,094,468</u>	<u>1,725,959</u>
Total operating revenue	<u>19,615,969</u>	<u>15,061,381</u>
Expenses:		
Program services	18,155,802	13,297,144
General and administrative	2,234,843	1,924,454
Fundraising	<u>441,577</u>	<u>370,075</u>
Total expenses	<u>20,832,222</u>	<u>15,591,673</u>
Deficit on school operations from government funding	<u>(1,216,253)</u>	<u>(530,292)</u>
Support and other revenue:		
Contributions	850	200
Interest income	<u>19,344</u>	<u>3,432</u>
Total support and other revenue	<u>20,194</u>	<u>3,632</u>
Change in net assets	(1,196,059)	(526,660)
Net assets, beginning of year	<u>2,134,397</u>	<u>2,661,057</u>
Net assets, end of year	<u><u>\$ 938,338</u></u>	<u><u>\$ 2,134,397</u></u>

See Notes to Financial Statements.

## Achievement First Bushwick 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	\$ -	\$ -	\$ -	\$ 1,461,560	\$ -	\$ 1,461,560	\$ 960,064
Instructional personnel	9,509,883	1,358,877	10,868,760	-	-	10,868,760	8,131,001
Total personnel services costs	9,509,883	1,358,877	10,868,760	1,461,560	-	12,330,320	9,091,065
Fringe benefits and payroll taxes	1,574,321	215,697	1,790,018	240,710	-	2,030,728	1,503,550
Retirement	187,701	25,717	213,418	28,699	-	242,117	137,796
Management company fees	1,456,375	199,538	1,655,913	110,394	441,577	2,207,884	1,850,376
Legal services	-	-	-	16,291	-	16,291	55,983
Accounting/audit services	-	-	-	36,007	-	36,007	50,848
Other purchased/professional/ consulting services	-	53,547	53,547	13,837	-	67,384	47,224
Repairs and maintenance	72,761	9,969	82,730	11,125	-	93,855	225,398
Insurance	56,572	7,751	64,323	8,650	-	72,973	58,310
Utilities	242,755	33,260	276,015	37,117	-	313,132	206,883
Supplies/materials	781,598	107,087	888,685	-	-	888,685	344,608
Equipment/furnishings	156,170	21,397	177,567	23,878	-	201,445	165,257
Staff development	252,790	34,635	287,425	19,057	-	306,482	229,122
Marketing/recruitment	30,870	4,229	35,099	-	-	35,099	39,463
Technology	480,722	65,863	546,585	33,771	-	580,356	423,769
Food service	127,445	17,461	144,906	-	-	144,906	129,550
Student services	354,833	48,616	403,449	-	-	403,449	227,673
Office expense	326,099	44,679	370,778	122,148	-	492,926	456,766
Depreciation and amortization	146,655	20,093	166,748	41,687	-	208,435	255,108
Other	94,932	13,007	107,939	29,912	-	137,851	85,669
Parental activities	19,258	2,639	21,897	-	-	21,897	7,255
<b>Total expenses</b>	<b>\$ 15,871,740</b>	<b>\$ 2,284,062</b>	<b>\$ 18,155,802</b>	<b>\$ 2,234,843</b>	<b>\$ 441,577</b>	<b>\$ 20,832,222</b>	<b>\$ 15,591,673</b>

See Notes to Financial Statements.



**Achievement First Bushwick Charter School**

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

	2015	2014
Operating activities:		
Change in net assets	\$ (1,196,059)	\$ (526,660)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	208,435	255,108
Accrued interest	917	-
Changes in operating assets and liabilities:		
Grants and other receivables	768,508	(441,946)
Prepaid expenses and other assets	(92,996)	4,366
Due from related party	(352,438)	(232,137)
Due from other schools	6,373	(95,626)
Accounts payable and accrued expenses	(1,060)	(100,234)
Accrued salaries and other payroll related expenses	113,298	(9,404)
Due to other schools	150,161	(92,331)
Due to NYC Department of Education	23,446	(9,439)
Net cash used in operating activities	(371,415)	(1,248,303)
Investing activities:		
Purchase of property and equipment	(319,870)	(67,988)
Financing activities:		
Proceeds of long-term debt	200,000	-
Net decrease in cash	(491,285)	(1,316,291)
Cash - beginning of year	910,103	2,226,394
Cash - end of year	\$ 418,818	\$ 910,103

See Notes to Financial Statements.

# Achievement First Bushwick Charter School

## Notes to Financial Statements June 30, 2015

### Note 1 - Nature of operations

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. On November 1, 2013, the Board of Trustees of the State University of New York amended the charter agreement with Achievement First Bushwick Charter School to operate an additional school, Achievement First Brooklyn Academy Charter School. In January 2014, the Board of Regents approved a three year charter renewal for the School. On October 1, 2014, the Board of Trustees of the State University of New York amended the charter agreement with Achievement First Bushwick Charter School to operate Bushwick Charter School and an additional school, Achievement First Linden Charter School, both through July 31, 2019.

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and under the corresponding provisions of the New York State tax laws. The School'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) of the IRC 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, 2015, the School operated classes for students in K-12, which included opening the Achievement First Linden elementary school which operated kindergarten and first grade. The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, or school safety. Approximately 65,500 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.

## Achievement First Bushwick Charter School

### Notes to Financial Statements June 30, 2015

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.

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 \$501,150.

#### **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 has designated \$75,000 to be set aside for contingency purposes as required by the New York City Department of Education (NYCDOE).

#### **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 \$142,446 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.

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.

**Achievement First Bushwick Charter School**

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

The School receives a substantial portion of its support and revenue from the 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. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

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

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

## Achievement First Bushwick 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 were no impairment losses 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 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 Bushwick 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 \$487,400. 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 approximately 69% from the Federal and State Departments of Education at June 30, 2015.

#### **Note 4 - Agreement for school facility**

The School has entered into a verbal agreement with the NYCDOE for dedicated and shared space as P.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, the fair value of the rent 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 entered into a third agreement that commenced on July 1, 2014 with the NYCDOE for dedicated and shared space at 800 Van Siclen Avenue. The School will be responsible for any overtime-related cost for services provided beyond the regular opening hours. For the year ended June 30, 2015, the School incurred no overtime permit fees.

**Achievement First Bushwick Charter School**

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

**Note 5 - Property and equipment**

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

Furniture and fixtures	\$ 275,917
Computers and hardware	689,162
Equipment	354,384
Software	106,893
Musical instruments	55,242
Leasehold improvements	<u>734,818</u>
	2,216,416
Less accumulated depreciation and amortization	<u>1,653,311</u>
	<u>\$ 563,105</u>

Depreciation and amortization expense was \$208,435 for the year ended 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 or for that school year. Public revenues include all sources of revenue from a public source, but specifically exclude in-kind contributions such as student transportation, start-up funding, funding for student meals, and funding from competitive public grants. The initial term of the Agreement is for 5 years ending on June 30, 2015 and automatically renews to coincide with the charter renewals for each school. During the year ended June 30, 2015, the School paid a service fee equivalent to 10% of per-pupil revenues. The Agreement was also modified to incorporate 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 services fees of \$2,207,884, which is included in the accompanying statement of functional expenses.

**Achievement First Bushwick Charter School**

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

**Note 7 - Due to/from other schools**

The following amounts were due from (to) related schools and consist of the following at June 30, 2015:

Achievement First Apollo	\$ 4,751
Achievement First Brownsville	88,358
Achievement First Crown Heights	(29,422)
Achievement First East New York	(367,862)
Achievement First Endeavor	(1,056)
Achievement First Providence	(255)
	<u>\$ (305,486)</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.

**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 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, an overpayment totaling \$35,925 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 non-cancelable operating lease agreements expiring through June 2019. The future minimum payments are approximately as follows:

<u>June 30,</u>	
2016	\$ 136,000
2017	130,000
2018	55,000
2019	<u>25,000</u>
Total	<u>\$ 346,000</u>

The lease expense for the year ended June 30, 2015 was \$162,597.



**Achievement First Bushwick Charter School**

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

**Note 11 - 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 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 \$242,000, 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; actions by employees and parents and natural disasters. The School maintains commercial insurance to protect itself from these 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 Bushwick Charter School

### Supplemental Schedule of Activities Year Ended June 30, 2015

	Bushwick Schools	Linden Elementary	Total
Operating revenue:			
State and local per pupil operating revenue	\$ 13,964,518	\$ 2,485,238	\$ 16,449,756
Federal, state and local grants	882,325	189,420	1,071,745
Special education revenue	1,962,979	131,489	2,094,468
Total operating revenue	16,809,822	2,806,147	19,615,969
Expenses:			
Program services	15,520,434	2,635,368	18,155,802
General and administrative	1,783,340	451,503	2,234,843
Fundraising	372,191	69,386	441,577
Total expenses	17,675,965	3,156,257	20,832,222
Deficit on school operations from government funding	(866,143)	(350,110)	(1,216,253)
Support and other revenue:			
Contributions	850	-	850
Interest income	19,344	-	19,344
Total support and other revenue	20,194	-	20,194
Change in net assets	\$ (845,949)	\$ (350,110)	\$ (1,196,059)

## Achievement First Bushwick Charter School

### Supplemental Schedule of Functional Expenses - Bushwick 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	\$ -	\$ -	\$ -	\$ 1,184,144	\$ -	\$ 1,184,144
Instructional personnel	8,340,141	1,189,382	9,529,523	-	-	9,529,523
Total personnel services costs	8,340,141	1,189,382	9,529,523	1,184,144	-	10,713,667
Fringe benefits and payroll taxes	1,362,792	186,716	1,549,508	190,890	-	1,740,398
Retirement	161,083	22,070	183,153	22,430	-	205,583
Management company fees	1,227,533	168,184	1,395,717	93,048	372,191	1,860,956
Legal services	-	-	-	13,068	-	13,068
Accounting/audit services	-	-	-	26,520	-	26,520
Other purchased/professional/ consulting services	-	27,565	27,565	9,651	-	37,216
Repairs and maintenance	59,962	8,215	68,177	8,111	-	76,288
Insurance	49,934	6,842	56,776	7,087	-	63,863
Utilities	237,169	32,495	269,664	35,801	-	305,465
Supplies/materials	560,022	76,729	636,751	-	-	636,751
Equipment/furnishings	65,399	8,960	74,359	2,499	-	76,858
Staff development	232,119	31,803	263,922	15,966	-	279,888
Marketing/recruitment	24,077	3,298	27,375	-	-	27,375
Technology	330,857	45,331	376,188	17,584	-	393,772
Food service	114,321	15,663	129,984	-	-	129,984
Student services	342,516	46,928	389,444	-	-	389,444
Office expense	251,315	34,433	285,748	93,609	-	379,357
Depreciation and amortization	123,746	16,954	140,700	35,175	-	175,875
Other	84,830	11,623	96,453	27,757	-	124,210
Parental activities	17,086	2,341	19,427	-	-	19,427
<b>Total expenses</b>	<b>\$ 13,584,902</b>	<b>\$ 1,935,532</b>	<b>\$ 15,520,434</b>	<b>\$ 1,783,340</b>	<b>\$ 372,191</b>	<b>\$ 17,675,965</b>

**Achievement First Bushwick Charter School**

**Supplemental Schedule of Functional Expenses - Linden Elementary School  
Year Ended June 30, 2015**

	Program Services			General and Administrative	Fundraising	Total
	Regular Education	Special Education	Total Program Services			
Personnel services costs:						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 277,416	\$ -	\$ 277,416
Instructional personnel	1,169,742	169,495	1,339,237	-	-	1,339,237
Total personnel services costs	1,169,742	169,495	1,339,237	277,416	-	1,616,653
Fringe benefits and payroll taxes	211,529	28,981	240,510	49,820	-	290,330
Retirement	26,618	3,647	30,265	6,269	-	36,534
Management company fees	228,842	31,354	260,196	17,346	69,386	346,928
Legal services	-	-	-	3,223	-	3,223
Accounting/audit services	-	-	-	9,487	-	9,487
Other purchased/professional/ consulting services	-	25,982	25,982	4,186	-	30,168
Repairs and maintenance	12,799	1,754	14,553	3,014	-	17,567
Insurance	6,638	909	7,547	1,563	-	9,110
Utilities	5,586	765	6,351	1,316	-	7,667
Supplies/materials	221,576	30,358	251,934	-	-	251,934
Equipment/furnishings	90,771	12,437	103,208	21,379	-	124,587
Staff development	20,671	2,832	23,503	3,091	-	26,594
Marketing/recruitment	6,793	931	7,724	-	-	7,724
Technology	149,865	20,532	170,397	16,187	-	186,584
Food service	13,124	1,798	14,922	-	-	14,922
Student services	12,317	1,688	14,005	-	-	14,005
Office expense	74,784	10,246	85,030	28,539	-	113,569
Depreciation and amortization	22,909	3,139	26,048	6,512	-	32,560
Other	10,102	1,384	11,486	2,155	-	13,641
Parental activities	2,172	298	2,470	-	-	2,470
 Total expenses	 <u>\$ 2,286,838</u>	 <u>\$ 348,530</u>	 <u>\$ 2,635,368</u>	 <u>\$ 451,503</u>	 <u>\$ 69,386</u>	 <u>\$ 3,156,257</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 Bushwick 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 Bushwick 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 Bushwick 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 Bushwick Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Achievement First Bushwick 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 Bushwick 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 Bushwick 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 cursive script that reads "Cohn Reznick LLP".

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 Bushwick Charter School

Report on Compliance for Each Major Federal Program

We have audited Achievement First Bushwick 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 Bushwick Charter School's major Federal programs for the year ended June 30, 2015. Achievement First Bushwick 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 Bushwick 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 Bushwick 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 Bushwick Charter School's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Achievement First Bushwick 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 Bushwick 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 Bushwick 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 Bushwick 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 Bushwick 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	0021-14-4324	\$ 528,336
Improving Teacher Quality State Grants	84.367	0147-14-4324	26,164
Special Education - Grants to States (IDEA, Part B)	84.027		112,381
Passed through Achievement First, Inc.:			
Charter Schools	84.282		<u>143,880</u>
Total U.S. Department of Education			<u>810,761</u>
Total Expenditures of Federal Awards			<u><u>\$ 810,761</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

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

**Achievement First Bushwick 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: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?        yes   X   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)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

II. Financial Statement Findings:

None

III. Federal Awards Findings and Questioned Costs:

None

**Achievement First Bushwick Charter School**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2015**

None noted.