

**Achievement First Brooklyn Charter Schools**

**Financial Statements,  
Federal Awards in Accordance  
with the Uniform Guidance  
and Independent Auditor's Reports**

**June 30, 2019**

---

# Achievement First Brooklyn Charter Schools

## Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
Supplemental Combining Schedule of Activities by Charter	18
Supplemental Schedules of Functional Expenses	19
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	31
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36

## Independent Auditor's Report

To the Board of Trustees  
Achievement First Brooklyn Charter Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of Achievement First Brooklyn Charter Schools, which comprise the statement of financial position as of June 30, 2019, 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 Brooklyn Charter Schools as of June 30, 2019, 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 Achievement First Brooklyn Charter Schools' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 supplemental combining schedule of activities by charter and supplemental schedules of functional expenses are presented for purposes of additional analysis and are 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 31, 2019, on our consideration of Achievement First Brooklyn Charter Schools' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Achievement First Brooklyn Charter Schools' 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 Brooklyn Charter Schools' internal control over financial reporting and compliance.



Hartford, Connecticut  
October 31, 2019

**Achievement First Brooklyn Charter Schools**

**Statement of Financial Position  
June 30, 2019  
(With Comparative Totals for 2018)**

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash	\$ 9,930,462	\$ 5,864,079
Restricted cash	350,000	350,000
Grants and other receivables	2,239,916	3,337,519
Prepaid expenses and other assets	1,013,081	775,256
Due from related party	1,411,160	581,810
Due from other schools	18,456	507
Due from NYC Department of Education	51,899	-
Total current assets	<u>15,014,974</u>	<u>10,909,171</u>
Non-current assets		
Construction in process	1,939,280	314,461
Property and equipment, net	7,032,421	6,555,851
Lease acquisition costs, net	<u>4,771,338</u>	<u>4,997,751</u>
Total non-current assets	<u>13,743,039</u>	<u>11,868,063</u>
Total assets	<u>\$ 28,758,013</u>	<u>\$ 22,777,234</u>

**Achievement First Brooklyn Charter Schools**

**Statement of Financial Position  
June 30, 2019  
(With Comparative Totals for 2018)**

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 3,328,753	\$ 2,191,633
Accrued salaries and other payroll related expenses	1,669,388	1,587,922
Due to other schools	-	14,650
Due to NYC Department of Education	354,683	246,092
Due to NYS Education Department - current portion	157,768	34,843
Deferred revenue	6,098	18,528
Loans payable - current portion	<u>947,730</u>	<u>400,000</u>
Total current liabilities	<u>6,464,420</u>	<u>4,493,668</u>
Long-term liabilities		
Due to NYS Education Department	473,304	631,072
Loans payable - net of current portion	<u>1,531,599</u>	<u>2,330,771</u>
Total long-term liabilities	<u>2,004,903</u>	<u>2,961,843</u>
Total liabilities	<u>8,469,323</u>	<u>7,455,511</u>
Commitments and contingencies		
Net assets		
Without donor restrictions		
Undesignated	17,788,690	14,821,723
Board-designated reserve	<u>2,500,000</u>	<u>500,000</u>
Total net assets	<u>20,288,690</u>	<u>15,321,723</u>
Total liabilities and net assets	<u>\$ 28,758,013</u>	<u>\$ 22,777,234</u>

See Notes to Financial Statements.

**Achievement First Brooklyn Charter Schools**

**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2019**  
**(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions		
Operating revenue		
State and local per pupil operating revenue	\$ 124,957,023	\$ 110,577,371
Federal, state and local grants	6,162,849	5,053,593
Special education revenue	<u>15,331,739</u>	<u>14,920,203</u>
Total operating revenue	<u>146,451,611</u>	<u>130,551,167</u>
Expenses		
Program services	125,707,076	112,671,880
General and administrative	16,775,664	14,647,981
Fundraising	<u>5,000</u>	<u>5,000</u>
Total expenses	<u>142,487,740</u>	<u>127,324,861</u>
Surplus on school operations from government funding	<u>3,963,871</u>	<u>3,226,306</u>
Support and other revenue		
Contributions	328,429	72,580
In-kind contributions	589,890	520,651
Other revenue	<u>84,777</u>	<u>87,952</u>
Total support and other revenue	<u>1,003,096</u>	<u>681,183</u>
Change in net assets	4,966,967	3,907,489
Net assets, beginning	<u>15,321,723</u>	<u>11,414,234</u>
Net assets, end	<u><u>\$ 20,288,690</u></u>	<u><u>\$ 15,321,723</u></u>

See Notes to Financial Statements.

# Achievement First Brooklyn Charter Schools

## Statement of Functional Expenses Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	11,168,061	\$ -	\$ 11,168,061	\$ 9,744,084
Instructional personnel	64,641,559	8,551,801	73,193,360	-	-	73,193,360	65,025,661
Total personnel services costs	64,641,559	8,551,801	73,193,360	11,168,061	-	84,361,421	74,769,745
Fringe benefits and payroll taxes	11,296,188	1,494,388	12,790,576	1,951,448	-	14,742,024	13,309,803
Retirement	999,407	132,123	1,131,530	171,756	-	1,303,286	1,357,077
Management company fees	14,402,649	1,567,889	15,970,538	840,820	5,000	16,816,358	15,007,689
Accounting/audit services	-	-	-	152,003	-	152,003	196,002
Other purchased/professional/consulting services	125,763	574,256	700,019	109,710	-	809,729	687,333
Repairs and maintenance	902,511	123,350	1,025,861	148,804	-	1,174,665	1,391,549
Insurance	365,149	48,537	413,686	62,407	-	476,093	438,224
Utilities	1,111,030	151,709	1,262,739	185,946	-	1,448,685	1,393,997
Supplies/materials	2,886,762	383,428	3,270,190	-	-	3,270,190	3,070,666
Equipment/furnishings	688,754	93,486	782,240	124,983	-	907,223	727,213
Staff development	1,491,632	196,675	1,688,307	133,888	-	1,822,195	1,827,716
Marketing/recruitment	95,138	12,833	107,971	-	-	107,971	152,791
Technology	3,140,380	416,415	3,556,795	159,959	-	3,716,754	3,751,564
Food service	1,854,347	251,348	2,105,695	-	-	2,105,695	1,336,199
Student services	2,356,092	307,397	2,663,489	-	-	2,663,489	2,280,905
Office expense	2,375,175	311,760	2,686,935	1,025,058	-	3,711,993	3,062,570
Depreciation and amortization	1,433,117	190,571	1,623,688	405,922	-	2,029,610	1,981,332
Other	456,228	60,476	516,704	114,301	-	631,005	365,366
Parental activities	192,253	24,500	216,753	-	-	216,753	191,080
Interest expense	-	-	-	20,598	-	20,598	26,040
Total expenses	<u>\$ 110,814,134</u>	<u>\$ 14,892,942</u>	<u>\$ 125,707,076</u>	<u>\$ 16,775,664</u>	<u>\$ 5,000</u>	<u>\$ 142,487,740</u>	<u>\$ 127,324,861</u>

See Notes to Financial Statements.



**Achievement First Brooklyn Charter Schools**

**Statement of Cash Flows  
Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 4,966,967	\$ 3,907,489
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,029,610	1,981,332
Bad debt expense	-	5,888
Accrued interest	19,981	2,572
Changes in operating assets and liabilities		
Grants and other receivables	1,097,603	1,629,813
Prepaid expenses and other assets	(237,825)	(135,890)
Due from related party	(829,350)	(581,810)
Due from other schools	(17,949)	(507)
Due from NYC Department of Education	(51,899)	61,274
Accounts payable and accrued expenses	517,942	(128,737)
Accrued salaries and other payroll related expenses	81,466	(40,498)
Due to related party	-	(1,208,345)
Due to other schools	(14,650)	(28,837)
Due to NYC Department of Education	231,516	246,092
Due to NYS Education Department	(157,768)	665,915
Deferred revenue	<u>(12,430)</u>	<u>(22,113)</u>
Net cash provided by operating activities	<u>7,623,214</u>	<u>6,353,638</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(3,285,408)</u>	<u>(1,918,252)</u>
Net cash used in investing activities	<u>(3,285,408)</u>	<u>(1,918,252)</u>
Cash flows from financing activities		
Payments of long-term debt	(425,709)	(400,698)
Proceeds from long-term debt	<u>154,286</u>	<u>1,082,000</u>
Net cash provided by (used in) financing activities	<u>(271,423)</u>	<u>681,302</u>
Net increase in cash	4,066,383	5,116,688
Cash, beginning	<u>5,864,079</u>	<u>747,391</u>
Cash, end	<u><u>\$ 9,930,462</u></u>	<u><u>\$ 5,864,079</u></u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 18,466</u>	<u>\$ 23,469</u>
Purchase of construction in process with accounts payable	<u><u>\$ 716,371</u></u>	<u><u>\$ 97,193</u></u>

See Notes to Financial Statements.

## Achievement First Brooklyn Charter Schools

### Notes to Financial Statements June 30, 2019

#### Note 1 - Nature of operations

Achievement First Brooklyn Charter Schools (the "School") 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 State University of New York ("SUNY") originally granted individual charters to the schools (Achievement First Apollo Charter School, Achievement First Aspire Charter School, Achievement First Brownsville Charter School, Achievement First Bushwick Charter School, Achievement First Crown Heights Charter School, Achievement First East New York Charter School and Achievement First Endeavor Charter School). These charters were valid for a term of five years and renewable upon expiration. Additional charters were subsequently granted to Achievement First Linden Charter School, Achievement First North Brooklyn Charter School and Achievement First Voyager Charter School. The supplemental schedules to the financial statements provide additional operating activity by charter. As of April 1, 2016, the schools were merged under one legal entity. The financial statements reflect the activities of the ten charter schools for the fiscal year ended June 30, 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 primarily from low income households in Brooklyn, New York.

During the year ended June 30, 2019, the School operated classes for students in K-12. Charters that share space with New York City Department of Education ("NYCDOE") schools are not responsible for rent, utilities, custodial services, or maintenance. Charters that share space with other charter schools or do not share space are responsible for operating occupancy costs.

#### 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:

*Net assets without donor restrictions* represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Board-designated net assets - net assets established by the Board of Trustees, which represents funds without donor restrictions set aside for future needs of the School. The School aspires to have a reserve of 2.5% of its annual budget at any time. Cash basis operating surpluses, if they exist at year-end, may be used to accumulate the board-designated reserve. Utilization of the reserve may be approved by the Board of Trustees and used for emergency funds in case of an unexpected financial crises, start-up costs for growth needs, facility capital requirements, principal-in-residence salaries and one-time projects which have significant future potential. The reserve balance will be generated from the schools' budgeted per-pupil operating revenue, excluding state and federal non-operating grants.

## **Achievement First Brooklyn Charter Schools**

### **Notes to Financial Statements June 30, 2019**

*Net assets with donor restrictions* are subject to donor- (or certain grantor-) imposed restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### **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, 2019.

#### **Restricted cash**

The School has designated \$350,000 to be set aside for contingency purposes as required by the Board of Trustees of the State University of New York.

#### **Grants and other receivables**

Grants receivable represent amounts owed to the School based on exchange transactions. Grants receivable that are expected to be collected within one year, and recorded at net realizable value, are \$1,949,173 at June 30, 2019. The School has determined that no allowance for uncollectible accounts for receivables is necessary as of June 30, 2019. 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 net assets without donor restrictions. All other donor-restricted contributions are reported as increases to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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.

## Achievement First Brooklyn Charter Schools

### Notes to Financial Statements June 30, 2019

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 threshold for review of expenditures equal to or greater than \$3,000 for potential capitalization as a fixed asset. 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:

<u>Asset</u>	<u>Estimated lives</u>
Leasehold improvements	5 - 20 years
Furniture and fixtures	5 - 8 years
Computers and hardware	3 - 7 years
Musical instruments	4 - 5 years
Equipment	3 - 7 years
Software	3 - 5 years

#### 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, 2019.

#### Functional allocation of expenses

The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's assessment. Health and retirement benefits and payroll taxes are allocated to programs based on the percentage of salary expense of the program to total salary expense.

#### Income taxes

The School is classified by the Internal Revenue Service ("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, 2019. The School's federal tax returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

## **Achievement First Brooklyn Charter Schools**

### **Notes to Financial Statements June 30, 2019**

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, 2019.

#### **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 financial statements of Achievement First Brooklyn Charter Schools for the year ended June 30, 2018, 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.

#### **Concentrations of credit risk**

The School maintains cash and cash equivalent balances in one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. From time to time, the School's balances may exceed these limits. As of June 30, 2019, the School had uninsured bank balances of \$11,250,000. The School limits its credit risk by selecting financial institutions considered to be highly creditworthy.

#### **Subsequent events**

Management has reviewed subsequent events through October 31, 2019, which is the date the financial statements were approved and available for issuance.

### **Note 3 - New accounting pronouncement**

During 2018, the School adopted the provisions of Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe the categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. The adoption of ASU 2016-14 has had no effect on the School's total net assets.

## Achievement First Brooklyn Charter Schools

### Notes to Financial Statements June 30, 2019

#### Note 4 - Liquidity

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2019, the School has \$10,166,138 of financial assets available to meet annual operating needs for the 2020 fiscal year as follows:

Cash	\$ 9,930,462
Grants and other receivables	2,239,916
Due from related party	1,411,160
Due from other schools	18,456
Due from NYC Department of Education	<u>51,899</u>
Total financial assets	13,651,893
Less	
Due to NYC Department of Education	(354,683)
Due to NYS Education Department	(631,072)
Board-designated reserve	<u>(2,500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,166,138</u>

These financial assets are not subject to any grantor or contractual restrictions. The School supports its general operations primarily with Federal and State grants, which are recognized as purpose restrictions are met. The balances due to the NYC Department of Education and NYS Education Department represent advances received that are due back to the State based on the fiscal year reconciliation and do not represent operating expenses.

#### Note 5 - Concentrations

The School received approximately 85% of its operating revenue, which is subject to specific requirements, from per pupil funding from the NYCDOE during the year ended June 30, 2019.

The School's grants and other receivables consist of approximately 75% of per pupil funding from the State of New York and 10% from the Federal and State Departments of Education at June 30, 2019.

#### Note 6 - Agreement for School facility

The School has entered into verbal agreements with the NYCDOE for dedicated and shared space at a cost of \$1 per year or less. In accordance with industry standards, the fair value of the rent has not been recorded. The School will be responsible for any overtime-related cost for services provided beyond the regular opening hours. For the year ended June 30, 2019, the School incurred no overtime and incurred no permit fees. The School also entered into an Administrative Cost Management Agreement that requires the School to pay Uncommon Crown Heights, LLC for its share of the building costs for the facilities located at 1485 Pacific Street, Brooklyn, New York. The fair value of the rent has not been included in the accompanying financial statements as the agreement is non-binding, the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined and is industry practice.

## Achievement First Brooklyn Charter Schools

### Notes to Financial Statements June 30, 2019

#### Note 7 - Property and equipment

The following is a summary of property and equipment at June 30, 2019:

Leasehold improvements	\$ 10,498,788
Furniture and fixtures	1,809,874
Computers and other hardware	817,066
Equipment	2,702,856
Software	51,038
Student computers and software	4,954
Musical instruments	<u>23,320</u>
	15,907,896
Less accumulated depreciation	<u>(8,875,475)</u>
	<u>\$ 7,032,421</u>

Depreciation expense was \$1,803,197 for the year ended June 30, 2019.

#### Note 8 - Lease acquisition costs

The NYCDOE, through the New York State Construction Authority ("NYSCA"), agreed to help finance the development and construction of 510 Waverly Avenue, Brooklyn, New York provided that Civic Builders (the construction manager) and Achievement First Endeavor Charter School collectively contributed 20% of the costs of the construction.

In December 2012, NYSCA, the landlord, entered into an agreement to lease the building to Civic Builders for a 30-year term. Civic Builders entered into an agreement to sublease the building to AF Waverly LLC, of which Achievement First, Inc. ("AF") is the sole member, which in turn leases the building to the School under the same terms at an annual lease of \$1 plus operating costs. The lease acquisition costs of \$6,792,379 include the costs incurred by Achievement First Endeavor Charter School in meeting their obligation to NYCDOE to fund 20% of the costs of construction; these costs are amortized over the 30-year lease term. Amortization expense for the year ended June 30, 2019 was \$226,413 and accumulated amortization at June 30, 2019 was \$2,021,041. Amortization expense for each of the next five years is \$226,413.

#### Note 9 - Related party transactions

The School entered into an Academic and Business Services Agreement (the "Agreement") with 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 Agreement automatically renews to coincide with the charter renewals for each school. The Agreement covers services including 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, 2019, the School incurred management and

## Achievement First Brooklyn Charter Schools

### Notes to Financial Statements June 30, 2019

ancillary services fees of \$16,816,358, which is included in the accompanying statement of functional expenses. AF is also the recipient of grant funds that are passed through AF to the School. The amount due from AF at June 30, 2019 was \$1,411,160.

#### Note 10 - Due to/from other schools

The following amounts were due from related schools and consist of the following at June 30, 2019:

Amistad Academy Charter School	\$ 18,303
Achievement First Providence Charter School	<u>153</u>
	<u>\$ 18,456</u>

#### Note 11 - Loans payable

Loans payable to Charter School Growth Fund bear interest at 1% and 3%. The 1% loans are start-up loans and no payments of principal or interest are required until maturity. The 3% loans are improvement loans and require annual payments of principal and interest. Loans mature through June 30, 2023. The outstanding balance due to Charter School Growth Fund at June 30, 2019 was \$2,281,302 including accrued interest of \$69,450. Interest expense of \$16,598 is included in interest expense on the statement of functional expenses.

Loan payable to Peak Demand Energy is non-interest bearing loan. The loan was established to pay for lighting costs related to school renovations. The loan is paid through monthly payments equal to the cost savings, quantified by the reduction in energy usage each month, which is approximately \$2,000 per month until the loan is paid in full. The outstanding balance due to Peak Demand Energy at June 30, 2019 was \$128,577.

The scheduled principal payments for the next five years are as follows:

2020	\$ 947,730
2021	758,239
2022	253,333
2023	426,000
2024	<u>24,577</u>
	<u>\$ 2,409,879</u>

#### Note 12 - Due to NYC Department of Education and the New York State Education Department

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, 2019, an overpayment totaling \$354,683 had been made and an underpayment of \$51,899; an adjustment for this amount will be reflected in the third payment from NYCDOE in FY 2020. Additionally, the New York State Education Department informed the School during the year ended June 30, 2018, that an error had been made in the allocation of Title II funds available to districts throughout the State. As a result, \$788,840 was received by the School in excess of the State's recalculated grant allocation. During the year ended June 30, 2019, \$157,768 was repaid and the balance of \$631,072 will be repaid through an annual reduction in the grant allocation of \$157,768 for each of the next four years.



## Achievement First Brooklyn Charter Schools

### Notes to Financial Statements June 30, 2019

#### Note 13 - Operating leases

The School leases office equipment under non-cancelable operating lease agreements expiring through June 2024. The future minimum payments are as follows:

2020	\$ 1,022,868
2021	866,074
2022	678,866
2023	320,674
2024	<u>127,155</u>
	<u>\$ 3,015,637</u>

The lease expense for the year ended June 30, 2019 was \$1,142,527.

#### Note 14 - 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 one 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 he or she become fully vested. For the year ended June 30, 2019, pension expense for the School was approximately \$1,303,000, which is included in retirement in the accompanying statement of functional expenses.

#### Note 15 - 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.

#### Note 16 - Commitments

The School entered into a construction contract for work to be performed at Aspire and Linden schools. The balance of the contract at June 30, 2019 was \$674,515.

## **Supplementary Information**

## Achievement First Brooklyn Charter Schools

### Supplemental Combining Schedule of Activities by Charter Year Ended June 30, 2019

	Achievement First Apollo	Achievement First Aspire	Achievement First Brownsville	Achievement First Bushwick	Achievement First Crown Heights	Achievement First East New York	Achievement First Endeavor	Achievement First Linden Elementary	Achievement First North Brooklyn	Achievement First Voyager	Total
Operating revenue											
State and local per pupil operating revenue	\$ 13,131,926	\$ 10,120,253	\$ 16,725,118	\$ 14,280,540	\$ 20,079,035	\$ 17,156,030	\$ 12,622,579	\$ 8,802,087	\$ 8,377,333	\$ 3,662,122	\$ 124,957,023
Federal, state and local grants	351,135	494,244	1,111,853	803,791	445,931	641,825	1,067,361	444,923	448,503	353,283	6,162,849
Special education revenue	1,348,843	866,676	1,862,501	3,129,682	2,693,829	1,472,413	1,694,109	976,487	927,654	359,545	15,331,739
Reallocation of income for Empower School	-	(60,000)	(70,000)	400,000	(40,000)	(50,000)	(30,000)	(80,000)	(70,000)	-	-
Total operating revenue	14,831,904	11,421,173	19,629,472	18,614,013	23,178,795	19,220,268	15,354,049	10,143,497	9,683,490	4,374,950	146,451,611
Expenses											
Program services	11,500,410	9,098,091	17,261,410	15,731,829	20,164,751	17,413,239	13,731,636	8,234,315	7,801,317	4,770,078	125,707,076
General and administrative	1,548,220	1,343,553	2,282,820	1,971,158	2,646,961	2,071,304	1,580,229	1,238,968	1,095,120	997,331	16,775,664
Fundraising	-	41	-	86	2,070	1,075	1,728	-	-	-	5,000
Total expenses	13,048,630	10,441,685	19,544,230	17,703,073	22,813,782	19,485,618	15,313,593	9,473,283	8,896,437	5,767,409	142,487,740
Surplus (deficit) on school operations from government funding	1,783,274	979,488	85,242	910,940	365,013	(265,350)	40,456	670,214	787,053	(1,392,459)	3,963,871
Support and other revenue											
Contributions	760	-	-	1,040	44,961	22,160	259,482	13,00	-	13	328,429
In-kind contributions	65,175	29,821	75,649	80,551	97,051	86,156	81,888	33,362	40,237	-	589,890
Other revenue	1,479	-	-	904	78,166	1,227	3,001	-	-	-	84,777
Total support and other revenue	67,414	29,821	75,649	82,495	220,178	109,543	344,371	33,375	40,237	13	1,003,096
Change in net assets	1,850,688	1,009,309	160,891	993,435	585,191	(155,807)	384,827	703,589	827,290	(1,392,446)	4,966,967
Net assets, beginning	3,802,663	1,721,246	1,478,571	1,293,258	687,993	1,446,597	2,587,182	1,279,131	1,425,648	(400,566)	15,321,723
Net assets, end	\$ 5,653,351	\$ 2,730,555	\$ 1,639,462	\$ 2,286,693	\$ 1,273,184	\$ 1,290,790	\$ 2,972,009	\$ 1,982,720	\$ 2,252,938	\$ (1,793,012)	\$ 20,288,690

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - Apollo  
Year Ended June 30, 2019**

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,043,985	\$ -	\$ 1,043,985	\$ 929,526
Instructional personnel	6,282,221	517,457	6,799,678	-	-	6,799,678	6,424,099
Total personnel services costs	6,282,221	517,457	6,799,678	1,043,985	-	7,843,663	7,353,625
Fringe benefits and payroll taxes	1,101,766	90,750	1,192,516	183,092	-	1,375,608	1,341,411
Retirement	98,540	8,117	106,657	16,376	-	123,033	128,105
Management company fees	1,505,917	103,113	1,609,030	84,686	-	1,693,716	1,645,939
Accounting/audit services	-	-	-	13,218	-	13,218	18,667
Other purchased/professional/ consulting services	-	6,764	6,764	14,293	-	21,057	11,078
Repairs and maintenance	16,411	1,352	17,763	2,727	-	20,490	59,809
Insurance	31,045	2,557	33,602	5,159	-	38,761	39,915
Utilities	11,593	955	12,548	1,926	-	14,474	17,482
Supplies/materials	259,055	21,338	280,393	-	-	280,393	369,948
Equipment/furnishings	31,196	2,570	33,766	5,184	-	38,950	62,870
Staff development	155,351	12,797	168,148	17,387	-	185,535	182,485
Marketing/recruitment	5,552	457	6,009	-	-	6,009	6,396
Technology	293,079	24,143	317,222	13,286	-	330,508	353,244
Food service	55,905	4,605	60,510	-	-	60,510	67,675
Student services	303,505	24,999	328,504	-	-	328,504	319,027
Office expense	284,739	23,453	308,192	98,329	-	406,521	307,926
Depreciation and amortization	124,410	10,247	134,657	33,664	-	168,321	202,248
Other	42,387	3,491	45,878	9,860	-	55,738	34,564
Parental activities	35,638	2,935	38,573	-	-	38,573	26,694
Interest expense	-	-	-	5,048	-	5,048	7,321
Total expenses	\$ 10,638,310	\$ 862,100	\$ 11,500,410	\$ 1,548,220	\$ -	\$ 13,048,630	\$ 12,556,429

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - Aspire  
Year Ended June 30, 2019**

	Program services						
	Regular education	Special education	Total program services	General and administrative	Fundraising	2019 Total	2018 Total
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 894,835	\$ -	\$ 894,835	\$ 876,084
Instructional personnel	4,547,805	661,594	5,209,399	-	-	5,209,399	4,426,878
Total personnel services costs	4,547,805	661,594	5,209,399	894,835	-	6,104,234	5,302,962
Fringe benefits and payroll taxes	815,298	118,606	933,904	160,420	-	1,094,324	945,316
Retirement	68,346	9,943	78,289	13,448	-	91,737	97,217
Management company fees	1,134,571	135,875	1,270,446	66,868	41	1,337,355	1,132,276
Accounting/audit services	-	-	-	13,218	-	13,218	18,667
Other purchased/professional/ consulting services	-	23,433	23,433	6,820	-	30,253	7,523
Repairs and maintenance	70,318	10,229	80,547	13,836	-	94,383	24,257
Insurance	24,043	3,498	27,541	4,731	-	32,272	27,706
Utilities	14,113	2,053	16,166	2,777	-	18,943	17,406
Supplies/materials	244,361	35,549	279,910	-	-	279,910	188,484
Equipment/furnishings	97,323	14,158	111,481	19,149	-	130,630	71,875
Staff development	93,779	13,642	107,421	9,534	-	116,955	113,461
Marketing/recruitment	11,910	1,734	13,644	-	-	13,644	19,118
Technology	256,042	37,246	293,288	14,552	-	307,840	330,179
Food service	40,093	5,832	45,925	-	-	45,925	37,461
Student services	138,724	20,181	158,905	-	-	158,905	92,301
Office expense	223,929	32,576	256,505	77,080	-	333,585	261,131
Depreciation and amortization	120,249	17,493	137,742	34,435	-	172,177	154,708
Other	33,861	4,925	38,786	8,850	-	47,636	31,350
Parental activities	12,885	1,874	14,759	-	-	14,759	11,974
Interest expense	-	-	-	3,000	-	3,000	2,922
Total expenses	\$ 7,947,650	\$ 1,150,441	\$ 9,098,091	\$ 1,343,553	\$ 41	\$ 10,441,685	\$ 8,888,294

See Independent Auditor's Report.

# Achievement First Brooklyn Charter Schools

## Supplemental Schedule of Functional Expenses - Brownsville Year Ended June 30, 2019

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,514,865	\$ -	\$ 1,514,865	\$ 1,317,346
Instructional personnel	8,711,592	1,193,571	9,905,163	-	-	9,905,163	8,720,269
Total personnel services costs	8,711,592	1,193,571	9,905,163	1,514,865	-	11,420,028	10,037,615
Fringe benefits and payroll taxes	1,464,638	200,670	1,665,308	280,593	-	1,945,901	1,766,784
Retirement	113,471	15,547	129,018	21,704	-	150,722	167,953
Management company fees	1,894,448	213,947	2,108,395	110,968	-	2,219,363	2,033,744
Accounting/audit services	-	-	-	19,827	-	19,827	28,000
Other purchased/professional/ consulting services	-	27,511	27,511	11,460	-	38,971	22,418
Repairs and maintenance	60,650	8,310	68,960	11,008	-	79,968	69,231
Insurance	40,195	5,508	45,703	7,709	-	53,412	49,576
Utilities	13,492	1,849	15,341	2,648	-	17,989	18,526
Supplies/materials	425,200	58,256	483,456	-	-	483,456	405,373
Equipment/furnishings	143,019	19,595	162,614	26,918	-	189,532	176,131
Staff development	308,287	42,240	350,527	22,457	-	372,984	344,932
Marketing/recruitment	4,199	575	4,774	-	-	4,774	12,864
Technology	364,919	50,000	414,919	19,336	-	434,255	519,163
Food service	673,628	92,293	765,921	-	-	765,921	61,372
Student services	352,900	48,351	401,251	-	-	401,251	321,077
Office expense	404,176	55,376	459,552	173,031	-	632,583	498,329
Depreciation and amortization	160,145	21,942	182,087	45,522	-	227,609	249,348
Other	59,711	8,180	67,891	14,774	-	82,665	45,761
Parental activities	2,655	364	3,019	-	-	3,019	35,230
Interest expense	-	-	-	-	-	-	4,240
Total expenses	\$ 15,197,325	\$ 2,064,085	\$ 17,261,410	\$ 2,282,820	\$ -	\$ 19,544,230	\$ 16,867,667

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - Bushwick  
Year Ended June 30, 2019**

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,260,282	\$ -	\$ 1,260,282	\$ 1,537,999
Instructional personnel	8,283,225	1,134,933	9,418,158	-	-	9,418,158	10,683,184
Total personnel services costs	8,283,225	1,134,933	9,418,158	1,260,282	-	10,678,440	12,221,183
Fringe benefits and payroll taxes	1,439,195	197,185	1,636,380	242,052	-	1,878,432	2,140,604
Retirement	157,238	21,543	178,781	28,106	-	206,887	260,213
Management company fees	1,713,846	193,561	1,907,407	100,394	86	2,007,887	2,300,481
Accounting/audit services	-	-	-	13,219	-	13,219	33,751
Other purchased/professional/ consulting services	-	25,809	25,809	6,641	-	32,450	16,004
Repairs and maintenance	73,617	10,086	83,703	10,471	-	94,174	198,807
Insurance	31,787	4,355	36,142	5,074	-	41,216	51,739
Utilities	19,242	2,637	21,879	3,285	-	25,164	21,849
Supplies/materials	344,464	47,195	391,659	-	-	391,659	485,558
Equipment/furnishings	117,034	16,036	133,070	18,411	-	151,481	155,260
Staff development	231,924	31,775	263,699	21,598	-	285,297	291,846
Marketing/recruitment	6,507	890	7,397	-	-	7,397	21,362
Technology	369,378	50,609	419,987	14,657	-	434,644	575,116
Food service	250,871	34,371	285,242	-	-	285,242	272,126
Student services	383,908	52,599	436,507	-	-	436,507	523,559
Office expense	286,267	39,222	325,489	215,828	-	541,317	504,571
Depreciation and amortization	49,391	6,767	56,158	14,038	-	70,196	143,249
Other	54,563	7,475	62,038	17,102	-	79,140	48,576
Parental activities	37,224	5,100	42,324	-	-	42,324	12,176
Interest expense	-	-	-	-	-	-	4,999
Total expenses	\$ 13,849,681	\$ 1,882,148	\$ 15,731,829	\$ 1,971,158	\$ 86	\$ 17,703,073	\$ 20,283,029

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - Crown Heights  
Year Ended June 30, 2019**

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,769,050	\$ -	\$ 1,769,050	\$ 1,392,133
Instructional personnel	10,397,993	1,424,625	11,822,618	-	-	11,822,618	8,965,482
Total personnel services costs	10,397,993	1,424,625	11,822,618	1,769,050	-	13,591,668	10,357,615
Fringe benefits and payroll taxes	1,848,874	253,314	2,102,188	314,556	-	2,416,744	1,854,216
Retirement	141,511	19,388	160,899	24,076	-	184,975	164,303
Management company fees	2,251,332	254,484	2,505,816	131,994	2,070	2,639,880	2,056,614
Accounting/audit services	-	-	-	19,826	-	19,826	23,198
Other purchased/professional/ consulting services	2,191	64,581	66,772	10,113	-	76,885	91,041
Repairs and maintenance	56,648	7,761	64,409	9,638	-	74,047	102,367
Insurance	81,880	11,218	93,098	13,931	-	107,029	72,814
Utilities	802,137	109,901	912,038	136,471	-	1,048,509	474,577
Supplies/materials	367,705	50,379	418,084	-	-	418,084	559,587
Equipment/furnishings	56,369	7,723	64,092	9,590	-	73,682	88,628
Staff development	207,961	28,493	236,454	15,757	-	252,211	295,554
Marketing/recruitment	15,257	2,090	17,347	-	-	17,347	26,089
Technology	479,623	65,712	545,335	19,654	-	564,989	427,034
Food service	22,718	3,113	25,831	-	-	25,831	18,764
Student services	473,502	64,874	538,376	-	-	538,376	455,000
Office expense	319,820	43,818	363,638	125,460	-	489,098	410,926
Depreciation and amortization	104,289	14,289	118,578	29,645	-	148,223	161,576
Other	72,911	9,989	82,900	17,200	-	100,100	74,009
Parental activities	23,112	3,166	26,278	-	-	26,278	28,103
Total expenses	\$ 17,725,833	\$ 2,438,918	\$ 20,164,751	\$ 2,646,961	\$ 2,070	\$ 22,813,782	\$ 17,742,015

See Independent Auditor's Report.



**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - East New York  
Year Ended June 30, 2019**

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,385,319	\$ -	\$ 1,385,319	\$ 1,077,244
Instructional personnel	9,280,897	1,271,573	10,552,470	-	-	10,552,470	7,998,562
Total personnel services costs	9,280,897	1,271,573	10,552,470	1,385,319	-	11,937,789	9,075,806
Fringe benefits and payroll taxes	1,620,342	222,003	1,842,345	241,861	-	2,084,206	1,637,967
Retirement	165,366	22,657	188,023	24,684	-	212,707	177,435
Management company fees	1,899,560	214,645	2,114,205	111,332	1,075	2,226,612	1,703,029
Accounting/audit services	-	-	-	19,826	-	19,826	22,251
Other purchased/professional/ consulting services	47,002	139,348	186,350	17,646	-	203,996	172,260
Repairs and maintenance	24,621	3,373	27,994	3,675	-	31,669	147,723
Insurance	39,780	5,450	45,230	5,938	-	51,168	40,589
Utilities	14,847	2,034	16,881	2,216	-	19,097	14,318
Supplies/materials	387,974	53,156	441,130	-	-	441,130	290,673
Equipment/furnishings	43,266	5,928	49,194	6,458	-	55,652	14,416
Staff development	165,568	22,685	188,253	13,856	-	202,109	148,848
Marketing/recruitment	15,723	2,155	17,878	-	-	17,878	15,346
Technology	364,362	49,921	414,283	22,669	-	436,952	528,658
Food service	188,467	25,822	214,289	-	-	214,289	167,033
Student services	319,330	43,751	363,081	-	-	363,081	231,882
Office expense	251,219	34,420	285,639	99,686	-	385,325	292,952
Depreciation and amortization	322,261	44,153	366,414	91,604	-	458,018	461,696
Other	78,418	10,744	89,162	18,984	-	108,146	50,604
Parental activities	9,163	1,255	10,418	-	-	10,418	6,896
Interest expense	-	-	-	5,550	-	5,550	2,324
Total expenses	\$ 15,238,166	\$ 2,175,073	\$ 17,413,239	\$ 2,071,304	\$ 1,075	\$ 19,485,618	\$ 15,202,706

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - Endeavor  
Year Ended June 30, 2019**

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,006,081	\$ -	\$ 1,006,081	\$ 1,276,978
Instructional personnel	6,663,756	912,999	7,576,755	-	-	7,576,755	9,615,040
Total personnel services costs	6,663,756	912,999	7,576,755	1,006,081	-	8,582,836	10,892,018
Fringe benefits and payroll taxes	1,166,684	159,847	1,326,531	176,144	-	1,502,675	1,924,626
Retirement	119,527	16,376	135,903	18,046	-	153,949	206,642
Management company fees	1,439,508	162,764	1,602,272	84,421	1,728	1,688,421	2,042,488
Accounting/audit services	-	-	-	13,218	-	13,218	23,469
Other purchased/professional/ consulting services	76,570	155,735	232,305	19,175	-	251,480	246,735
Repairs and maintenance	506,089	69,339	575,428	76,408	-	651,836	591,297
Insurance	62,576	8,574	71,150	9,448	-	80,598	104,031
Utilities	208,808	28,609	237,417	31,526	-	268,943	807,433
Supplies/materials	269,608	36,939	306,547	-	-	306,547	303,534
Equipment/furnishings	15,161	2,077	17,238	2,289	-	19,527	31,587
Staff development	94,447	12,940	107,387	10,154	-	117,541	240,091
Marketing/recruitment	4,577	628	5,205	-	-	5,205	6,816
Technology	238,645	32,695	271,340	9,434	-	280,774	382,518
Food service	556,608	76,261	632,869	-	-	632,869	653,556
Student services	163,480	22,398	185,878	-	-	185,878	203,658
Office expense	131,587	18,029	149,616	56,237	-	205,853	272,747
Depreciation and amortization	200,842	27,517	228,359	57,090	-	285,449	296,905
Other	46,353	6,351	52,704	10,558	-	63,262	49,240
Parental activities	14,716	2,016	16,732	-	-	16,732	13,646
Total expenses	\$ 11,979,542	\$ 1,752,094	\$ 13,731,636	\$ 1,580,229	\$ 1,728	\$ 15,313,593	\$ 19,293,037

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - Linden Elementary  
Year Ended June 30, 2019**

	Program services						
	Regular education	Special education	Total program services	General and administrative	Fundraising	2019 Total	2018 Total
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 854,831	\$ -	\$ 854,831	\$ 543,945
Instructional personnel	4,120,145	564,499	4,684,644	-	-	4,684,644	3,365,136
 Total personnel services costs	4,120,145	564,499	4,684,644	854,831	-	5,539,475	3,909,081
 Fringe benefits and payroll taxes	710,377	97,328	807,705	131,487	-	939,192	714,834
Retirement	58,417	8,004	66,421	10,813	-	77,234	70,487
Management company fees	1,035,313	116,921	1,152,234	60,644	-	1,212,878	851,563
Accounting/audit services	-	-	-	13,217	-	13,217	9,333
Other purchased/professional/ consulting services	-	110,672	110,672	5,035	-	115,707	103,953
Repairs and maintenance	43,456	5,954	49,410	8,044	-	57,454	89,530
Insurance	20,992	2,876	23,868	3,886	-	27,754	21,696
Utilities	12,571	1,722	14,293	2,327	-	16,620	11,559
Supplies/materials	268,403	36,774	305,177	-	-	305,177	248,918
Equipment/furnishings	83,960	11,503	95,463	15,541	-	111,004	60,084
Staff development	97,171	13,314	110,485	8,690	-	119,175	92,031
Marketing/recruitment	18,092	2,479	20,571	-	-	20,571	23,146
Technology	270,351	37,041	307,392	13,926	-	321,318	246,396
Food service	29,291	4,013	33,304	-	-	33,304	26,769
Student services	71,711	9,825	81,536	-	-	81,536	58,325
Office expense	199,733	27,365	227,098	76,411	-	303,509	222,037
Depreciation and amortization	91,681	12,561	104,242	26,061	-	130,303	76,047
Other	21,049	2,885	23,934	5,055	-	28,989	10,727
Parental activities	13,954	1,912	15,866	-	-	15,866	7,936
Interest expense	-	-	-	3,000	-	3,000	2,082
 Total expenses	<u>\$ 7,166,667</u>	<u>\$ 1,067,648</u>	<u>\$ 8,234,315</u>	<u>\$ 1,238,968</u>	<u>\$ -</u>	<u>\$ 9,473,283</u>	<u>\$ 6,856,534</u>

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - North Brooklyn  
Year Ended June 30, 2019**

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 765,636	\$ -	\$ 765,636	\$ 438,703
Instructional personnel	3,986,698	546,217	4,532,915	-	-	4,532,915	3,348,400
Total personnel services costs	3,986,698	546,217	4,532,915	765,636	-	5,298,551	3,787,103
Fringe benefits and payroll taxes	715,310	98,004	813,314	110,906	-	924,220	655,662
Retirement	54,013	7,400	61,413	8,375	-	69,788	59,815
Management company fees	995,908	112,471	1,108,379	58,336	-	1,166,715	822,707
Accounting/audit services	-	-	-	13,217	-	13,217	9,333
Other purchased/professional/ consulting services	-	8,329	8,329	6,500	-	14,829	8,431
Repairs and maintenance	4,697	643	5,340	728	-	6,068	70,467
Insurance	19,980	2,737	22,717	3,098	-	25,815	20,161
Utilities	9,175	1,257	10,432	1,423	-	11,855	7,727
Supplies/materials	180,174	24,686	204,860	-	-	204,860	134,682
Equipment/furnishings	50,214	6,880	57,094	7,785	-	64,879	24,501
Staff development	89,124	12,210	101,334	6,888	-	108,222	67,120
Marketing/recruitment	8,950	1,226	10,176	-	-	10,176	18,395
Technology	279,465	38,287	317,752	10,044	-	327,796	215,063
Food service	26,208	3,591	29,799	-	-	29,799	24,426
Student services	90,439	12,391	102,830	-	-	102,830	33,382
Office expense	157,058	21,519	178,577	51,796	-	230,373	194,492
Depreciation and amortization	143,627	19,678	163,305	40,826	-	204,131	104,100
Other	27,671	3,792	31,463	6,562	-	38,025	12,281
Parental activities	36,313	4,975	41,288	-	-	41,288	40,020
Interest expense	-	-	-	3,000	-	3,000	2,152
Total expenses	\$ 6,875,024	\$ 926,293	\$ 7,801,317	\$ 1,095,120	\$ -	\$ 8,896,437	\$ 6,312,020

See Independent Auditor's Report.

**Achievement First Brooklyn Charter Schools**

**Supplemental Schedule of Functional Expenses - First Voyager  
Year Ended June 30, 2019**

	Program services			General and administrative	Fundraising	2019 Total	2018 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 673,177	\$ -	\$ 673,177	\$ 354,126
Instructional personnel	2,367,227	324,333	2,691,560	-	-	2,691,560	1,478,611
Total personnel services costs	2,367,227	324,333	2,691,560	673,177	-	3,364,737	1,832,737
Fringe benefits and payroll taxes	413,704	56,681	470,385	110,337	-	580,722	328,383
Retirement	22,978	3,148	26,126	6,128	-	32,254	24,907
Management company fees	532,246	60,108	592,354	31,177	-	623,531	418,848
Accounting/audit services	-	-	-	13,217	-	13,217	9,333
Other purchased/professional/ consulting services	-	12,074	12,074	12,027	-	24,101	7,890
Repairs and maintenance	46,004	6,303	52,307	12,269	-	64,576	38,061
Insurance	12,871	1,764	14,635	3,433	-	18,068	9,997
Utilities	5,052	692	5,744	1,347	-	7,091	3,120
Supplies/materials	139,818	19,156	158,974	-	-	158,974	83,909
Equipment/furnishings	51,212	7,016	58,228	13,658	-	71,886	41,861
Staff development	48,020	6,579	54,599	7,567	-	62,166	51,348
Marketing/recruitment	4,371	599	4,970	-	-	4,970	3,259
Technology	224,516	30,761	255,277	22,401	-	277,678	174,193
Food service	10,558	1,447	12,005	-	-	12,005	7,017
Student services	58,593	8,028	66,621	-	-	66,621	42,694
Office expense	116,647	15,982	132,629	51,200	-	183,829	97,459
Depreciation and amortization	116,222	15,924	132,146	33,037	-	165,183	131,455
Other	19,304	2,644	21,948	5,356	-	27,304	8,254
Parental activities	6,593	903	7,496	-	-	7,496	8,405
Interest expense	-	-	-	1,000	-	1,000	-
Total expenses	\$ 4,195,936	\$ 574,142	\$ 4,770,078	\$ 997,331	\$ -	\$ 5,767,409	\$ 3,323,130

See Independent Auditor's Report.

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 Brooklyn Charter Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Achievement First Brooklyn Charter Schools (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Achievement First Brooklyn Charter Schools' 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 Brooklyn Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Achievement First Brooklyn Charter Schools' 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 Brooklyn Charter Schools' 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 Brooklyn Charter Schools in a separate letter dated October 31, 2019.

#### 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.

*CohnReznick LLP*

Hartford, Connecticut  
October 31, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees  
Achievement First Brooklyn Charter Schools

Report on Compliance for Each Major Federal Program

We have audited Achievement First Brooklyn Charter Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Achievement First Brooklyn Charter Schools' major federal programs for the year ended June 30, 2019. Achievement First Brooklyn Charter Schools' 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Achievement First Brooklyn Charter Schools' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 Brooklyn Charter Schools' 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 Brooklyn Charter Schools' compliance.

*Opinion on Each Major Federal Program*

In our opinion, Achievement First Brooklyn Charter Schools 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, 2019.



## Report on Internal Control over Compliance

Management of Achievement First Brooklyn Charter Schools 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 Brooklyn Charter Schools' 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 the Uniform Guidance, 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 Brooklyn Charter Schools' 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut  
October 31, 2019

**Achievement First Brooklyn Charter Schools**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019**

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Education Passed through New York State Education Department		0021-19-4324 0021-19-4555 0021-19-4940 0021-19-4375 0021-19-5085 0021-19-5000 0021-19-4304 0021-19-4308 0021-19-4326		
Title I Grants to Local Educational Agencies (LEAs)	84.010	0021-19-5265	\$ -	\$ 2,708,949
		0147-19-4324 0147-19-4555 0147-19-4940 0147-19-4375 0147-19-5085 0147-19-5000 0147-19-4304 0147-19-4308 0147-19-4326		
Title II Supporting Effective Instruction State Grants	84.367	0147-19-5265	-	453,386
Title III English Language Acquisition State Grants	84.365	029-19-4324	-	47,888
		0204-19-4555 0204-19-4940 0204-19-4375 0204-19-4324 0204-19-4304 0204-19-4308 0204-19-4326 0204-19-5000 0204-19-5085		
Title IV Student Support and Academic Enrichment Program	84.424	0204-19-5265	-	204,681
Special Education Cluster (IDEA) Special Education Grants to States (IDEA, Part B) - Total Special Education Cluster (IDEA)	84.027	Not applicable	-	939,542

# Achievement First Brooklyn Charter Schools

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Passed through Achievement First, Inc. Charter Schools	84.282	Not applicable	-	983,418
Total U.S. Department of Education			-	5,337,864
U.S. Department of Agriculture Passed through New York State Education Department Child Nutrition Cluster National School Lunch Program (NSLP)	10.555	Not applicable	-	1,644,223
Total Child Nutrition Cluster			-	1,644,223
Total Expenditures of Federal Awards			\$ -	\$ 6,982,087

See Notes to Schedule of Expenditures of Federal Awards.

## **Achievement First Brooklyn Charter Schools**

### **Notes to Schedule of Expenditures of Federal Awards June 30, 2019**

#### **Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Achievement First Brooklyn Charter Schools (the "School") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

#### **Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 - Indirect cost rate**

The School has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Achievement First Brooklyn Charter Schools**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019**

**I. Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued: Unmodified opinion

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 federal programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?        yes   X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools
84.010	Title 1 Grants to Local Educational Agencies (LEAs)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes        no

**II. Findings - Financial Statement Audit**

None

**III. Findings and Questioned Costs - Major Federal Award Programs Audit**

None

# COHN REZNICK

ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

[cohnreznick.com](http://cohnreznick.com)