

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2012**

**(With Comparative Totals for June 30, 2011)**

**ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL**  
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**June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Achievement First Apollo Charter School

We have audited the accompanying statement of financial position of Achievement First Apollo Charter School (the "School") as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's June 30, 2011 financial statements and, in our report dated October 27, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement First Apollo Charter School as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*MBAF CPAs, LLC*

New York, NY  
November 12, 2012

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

June 30, 2012

(with Comparative Totals for June 30, 2011)

	2012	2011
<b>Assets:</b>		
Cash	\$ 113,152	\$ 143,563
Grants and other receivables	161,746	355,082
Prepaid expenses and other assets	58,286	79,246
Property and equipment, net	329,141	155,867
Due from other schools	200,000	-
<b>Total Assets</b>	<b>\$ 862,325</b>	<b>\$ 733,758</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 209,165	\$ 105,084
Accrued salaries and other payroll related expenses	59,644	49,573
Due to Achievement First, Inc.	232,633	162,141
Due to other schools	4,898	4,321
Due to NYC Department of Education	5,140	14,508
Line of credit payable	200,000	200,000
Total Liabilities	711,480	535,627
<b>Net Assets:</b>		
Unrestricted	150,845	-
Board-designated reserve	-	7,131
Temporarily restricted	-	191,000
Total Net Assets	150,845	198,131
<b>Total Liabilities and Net Assets</b>	<b>\$ 862,325</b>	<b>\$ 733,758</b>

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF ACTIVITIES Year Ended June 30, 2012 (with Comparative Totals for June 30, 2011)

	Unrestricted	Temporarily Restricted	2012	2011
<b>Operating revenue:</b>				
State and local per pupil operating revenue	\$ 3,340,553	\$ -	\$ 3,340,553	\$ 2,385,364
Government grants and contracts	317,540	-	317,540	533,065
<b>Total operating revenue</b>	<b>3,658,093</b>	<b>-</b>	<b>3,658,093</b>	<b>2,918,429</b>
<b>Expenses:</b>				
Program services	3,224,523	-	3,224,523	2,604,602
Management and general	564,744	-	564,744	363,505
Fundraising	41,005	-	41,005	17,479
<b>Total operating expenses</b>	<b>3,830,272</b>	<b>-</b>	<b>3,830,272</b>	<b>2,985,586</b>
<b>Deficit from school operations</b>	<b>(172,179)</b>	<b>-</b>	<b>(172,179)</b>	<b>(67,157)</b>
<b>Support and other revenue:</b>				
Contributions, grants and other income	124,893	-	124,893	241,300
In-kind contributions	-	-	-	23,988
Released from restrictions	191,000	(191,000)	-	-
<b>Total support and other revenue</b>	<b>315,893</b>	<b>(191,000)</b>	<b>124,893</b>	<b>265,288</b>
<b>Change in net assets</b>	<b>143,714</b>	<b>(191,000)</b>	<b>(47,286)</b>	<b>198,131</b>
<b>Net assets – beginning of year</b>	<b>7,131</b>	<b>191,000</b>	<b>198,131</b>	<b>-</b>
<b>Net assets – end of year</b>	<b>\$ 150,845</b>	<b>\$ -</b>	<b>\$ 150,845</b>	<b>\$ 198,131</b>

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES Year ended June 30, 2012 (with Comparative Totals for June 30, 2011)

	Program Services	Management and General	Fundraising	Total 2012	Total 2011
Salaries and wages	\$ 1,963,966	\$ 261,518	\$ -	2,225,484	\$ 1,507,580
Payroll taxes and employee benefits	348,777	46,442	-	395,219	285,124
Accounting	-	29,806	-	29,806	28,402
Legal	3,089	772	-	3,861	-
Professional fees	10,038	36,829	-	46,867	48,954
Classroom supplies and instructional materials	122,910	-	-	122,910	252,261
Furniture and equipment - non-capitalized	40,003	8,497	-	48,500	91,459
Insurance	11,588	1,543	-	13,131	6,849
Interest and bank service charges	-	8,848	-	8,848	7,519
Management fees	315,736	53,306	41,005	410,047	312,917
Office expense	86,951	22,387	-	109,338	106,789
Parent activities	6,422	-	-	6,422	3,029
Postage and delivery	2,510	627	-	3,137	1,859
Printing and photocopying	17,631	4,408	-	22,039	13,715
Rent - building permit	-	-	-	-	1,998
Repairs and maintenance	33,754	4,495	-	38,249	25,628
After school academic	-	-	-	-	24,900
Special education contracted services	2,603	347	-	2,950	621
Staff professional development	32,313	-	-	32,313	35,600
Student field trips and incentive programs	4,505	-	-	4,505	4,781
Student food services	39,382	-	-	39,382	27,702
Student transportation	22,097	-	-	22,097	4,681
Student uniforms	928	-	-	928	696
Technology and infrastructure	67,684	2,031	-	69,715	82,130
Telephone and internet	57,891	7,709	-	65,600	63,421
Depreciation and amortization	33,745	8,437	-	42,182	22,983
In-kind expense	-	-	-	-	23,988
Write off of erate	-	66,742	-	66,742	-
<b>Total expenses</b>	<b>\$ 3,224,523</b>	<b>\$ 564,744</b>	<b>\$ 41,005</b>	<b>\$ 3,830,272</b>	<b>\$ 2,985,586</b>

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## STATEMENT OF CASH FLOWS Year Ended June 30, 2012 (with Comparative Totals for June 30, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (47,286)	\$ 198,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,182	22,983
Write off of erate	66,742	-
Changes in operating assets and liabilities:		
Grants and other receivables	126,594	(355,082)
Prepaid expenses and other assets	20,960	(79,246)
Due from other schools	(200,000)	-
Accounts payable and accrued expenses	9,581	86,834
Accrued salaries and other payroll related expenses	10,071	49,573
Due to Achievement First, Inc.	70,492	162,141
Due to other schools	577	4,321
Due to NYC Department of Education	(9,368)	14,508
<b>Net cash provided by operating activities</b>	<b>90,545</b>	<b>104,163</b>
Cash flows from investing activities:		
Purchase of property and equipment	(120,956)	(160,600)
<b>Net cash used in investing activities</b>	<b>(120,956)</b>	<b>(160,600)</b>
Cash flows from financing activities:		
Line of credit proceeds	-	200,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>200,000</b>
Net (decrease) increase in cash	(30,411)	143,563
<b>Cash - beginning of year</b>	<b>143,563</b>	<b>-</b>
<b>Cash - end of year</b>	<b>\$ 113,152</b>	<b>\$ 143,563</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	<u>\$ 8,783</u>	<u>\$ 7,372</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Non-cash investing activities:</b>		
Capital expenditure included in accounts payable	<u>\$ 94,500</u>	<u>\$ 18,250</u>

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### 1. NATURE OF THE ORGANIZATION:

Achievement First Apollo Charter School (the "School") was incorporated to focus on strengthening the academic and character skills needed for all students to excel in top-tier colleges, to achieve success in a competitive world, and to serve as the next generation of leaders in their communities. On May 20, 2008, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. Today the School serves students from low income households in Brooklyn, New York. The School is currently in the process of undergoing their charter renewal.

The School, as determined by the Internal Revenue Service, is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and under the corresponding provisions of the New York State tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2012, the School operated classes for students in kindergarten, first, and second grades.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities

These classes are defined as follows:

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

**Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.



# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

During the year ended June 30, 2011, the Board of Trustees 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 fiscal year’s current assets against the current fiscal year’s current liabilities and reducing that difference by any assets whose use is contractually limited. The reserve for the years ended June 30, 2012 and 2011 was \$0 and \$7,131, respectively.

### Grants and Other Receivables

Grants and other receivables represent unconditional promises to give. Grants and other receivables that are expected to be collected within one year, are recorded at net realizable value, and amount to \$161,746 and \$355,082 at June 30, 2012 and 2011, respectively. The School has determined that no allowance for uncollectible accounts for grant and other receivables is necessary as of June 30, 2012 and 2011, respectively. Such estimate is based on management’s assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

The carrying value of grants and other receivables approximates fair value. Management reviews those receivables due in more than one year for impairment and none was determined as of June 30, 2012.

### Revenue Recognition

Revenue from the state and local government resulting from the School’s charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

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

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### 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 it meets 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. In 2012, the School did not receive any donated goods or services. In 2011, in-kind contributions consisted of donated services totaling \$10,000 and donated textbooks totaling \$13,988.

### Premises provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

### Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets. Facility improvements are amortized over the shorter of the life of the asset or the life of the lease. The School has established a \$1,000 threshold above which assets are capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

### Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2012 and 2011.

### Advertising

The School expenses advertising costs as incurred. The School had no advertising costs for either of the years ended June 30, 2012 and 2011.

### 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 have been allocated by function among program and supporting service classifications using bases determined by management based upon benefits received.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Subsequent Events

The School has evaluated events through November 12, 2012, which is the date the financial statements were available to be issued.

### Comparative Financial Information

The June 30, 2012 financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2011 are presented. As a result, the June 30, 2011 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2011 information should be read in conjunction with the School's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

### Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The School files informational returns in the United States federal jurisdiction. The School is subject to U.S. federal tax examinations by tax authorities for all fiscal years.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

- 3. AGREEMENT FOR SCHOOL FACILITY:** The School has entered into a verbal agreement (“the Agreement”) with the NYCDOE for dedicated and shared space at P.S. 89, a New York City public school located at 350 Linwood Street, Brooklyn, New York. The Agreement commenced on July 1, 2011 at a cost of \$1 per year. In accordance with industry standards, the amount has not been recorded. The School will be responsible for any overtime-related costs for services provided beyond the regular opening hours. For the period ended June 30, 2012 and 2011, the School incurred overtime permit fees of \$0 and \$1,998, respectively, which is included in the accompanying statement of functional expenses.
- 4. STUDENT MEALS AND TRANSPORTATION:** The NYCDOE provides free lunches and transportation directly to a majority of the School’s students.
- 5. RELATED PARTY TRANSACTIONS:** The School entered into an “Academic and Business Services” Agreement (the “Agreement”) with Achievement First, Inc. (Achievement First), a not-for-profit organization dedicated to helping start and run charter schools. This Agreement provides management, fundraising, and other administrative support services to the School. The Agreement was subsequently amended in November 2010.

Pursuant to the terms of the Agreement, the School shall pay a service fee equivalent to 10% of all public revenues received by the School during the year. Public revenues include all sources of revenue from a public source, but specifically exclude in-kind contributions such as student transportation and food services, start-up funding, funding for student meals, and funding for competitive public grants. Services provided included bookkeeping, facilities acquisition and management, special education delivery support, data analysis management support, and tutoring program support. The School is also to pay Achievement First an Ancillary Services Fee that is mutually negotiated by the School and Achievement First. For the years ending June 30, 2012 and 2011, the School incurred management and ancillary services fees of \$410,047 and \$312,917, respectively, which is included in the accompanying statement of functional expenses.

For the years ended June 30, 2012 and 2011, Achievement First contributed \$130,000 and \$0, respectively to the School. At June 30, 2012 and 2011, the amount due to Achievement First, Inc. was \$232,633 and \$162,141, respectively.

Throughout the school year the School may share staff with another school and occasionally purchase equipment from another school. These costs are included on the statement of financial position and consist of the following:

Achievement First East New York Charter School	\$ 1,386	\$ 1,386
Achievement First Bushwick Charter School	1,323	746
Achievement First Brownsville Charter School	1,830	1,830
Achievement First Endeavor Charter School	359	359
<b>Due to other schools</b>	<b>\$ 4,898</b>	<b>\$ 4,321</b>

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

During the year ended June 30, 2012, the School was granted federal funding which was erroneously deposited into Achievement First Crown Height's bank account by the government funding authority instead of the School's bank account. This amount can be found on the accompany statement of financial position as due from other schools totaling \$200,000. Subsequent to June 30, 2012, the total amount has been paid back.

**6. DUE TO NYC DEPARTMENT OF EDUCATION:**

The NYCDOE paid the School per-pupil grant funds in six installments, based on estimates from the School. At the end of each fiscal year the NYCDOE reconciles the total amount paid against the full-time-equivalent enrollment for the year and determines if an overpayment or underpayment has been made. As of June 30, 2012 and 2011, an overpayment totaling \$5,140 and \$14,508, respectively, had been made. An adjustment for this amount will be reflected in the succeeding year's fourth payment.

**7. PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following as of June 30:

		2012	2011	Estimated Useful Lives
Computer hardware and software	\$	57,142	\$ 19,934	3 years
Office equipment		79,716	65,008	3 years
Facility improvements		257,448	93,908	5 years
		394,306	178,850	
Less: accumulated depreciation and amortization		(65,165)	(22,983)	
	\$	329,141	\$ 155,867	

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 was \$42,182 and \$22,983, respectively.

**8. TEMPORARILY RESTRICTED NET ASSETS:**

Net assets were released from restrictions during the year ended June 30, 2012 as follows:

Time restricted:
Year ending June 30, 2012    \$ 191,000
\$ 191,000

**9. LINE OF CREDIT:**

The School entered into an agreement with a bank whereby it is permitted to borrow up to \$200,000 under a secured line of credit. The agreement expired on April 30, 2012 and was renewed through April 30, 2013. It is expected to be renewed on an annual basis. Interest is payable on any outstanding balance at the bank's prime rate plus one percent (4.25%) as of June 30, 2012. There was an outstanding balance on the line of credit of \$200,000 at June 30, 2012 and 2011, respectively.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### 10. COMMITMENTS AND CONTINGENCIES:

The School leases office equipment under non-cancelable operating lease agreements expiring August 2013 and 2014. The future minimum payments are as follows:

June 30,	
2013	\$ 9,368
2014	1,561
Total	\$ 10,929

### 11. PENSION PLAN:

Effective June 1, 2010, the School adopted a 403(b) profit sharing plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan either the first day of the Plan year or the first day of the seventh month of the Plan year. Those employees who have completed at least 1 full year of service are also eligible for employer contribution. The Plan provides for the School to contribute up to 4% of an employee's salary, up to a maximum match of \$2,500 per year per employee. The School contribution does not become vested until the employee's third year when it becomes fully vested. For the years ended June 30, 2012 and 2011, pension expense for the School was \$46,658 and \$31,143, respectively, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

### 12. RISK MANAGEMENT:

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

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

### 13. CONCENTRATIONS:

- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The FDIC has temporarily increased the limits to \$250,000.
- B. The School received approximately 90% and 82% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2012 and 2011, respectively.
- C. The School's grants and other receivables consist of two major grantors at June 30, 2012.
- D. Two vendors accounted for approximately 64% of accounts payable at June 30, 2012.

**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 Apollo Charter School

We have audited the financial statements of Achievement First Apollo Charter School (the “School”) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2012-01, 2012-02, 2012-03 and 2012-04.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated November 12, 2012.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

*MBAF CPAs, LLC*

New York, NY  
November 12, 2012



ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

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Section I – Summary of Auditor’s results

*Financial Statements*

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

Material weakness (es) identified?

yes  no

Significant deficiency (ies) identified that are not considered to be material weaknesses?

yes  none noted

Noncompliance material to financial statements noted?

yes  no

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND REPONSES June 30, 2012

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### Section II - Financial Statement Findings

- **Findings: 2012-01**

Criteria and condition: The School must be in compliance with internal policies and procedures regarding bank account review and reconciliation, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile and review bank statements on a timely basis and properly record transactions.

Context: The year-end bank reconciliation was not conducted in a timely manner.

Cause: Ineffective management monitoring of policies and procedures.

Effect: The School is not in compliance with internal policies and procedures and its financial statements could be misleading or incorrect.

Recommendations: We recommend for the School to carefully review all reconciling items on the bank reconciliation to ensure that all reconciling items are being recorded timely in compliance with accounting principles generally accepted in the United States of America.

- **Findings: 2012-02**

Criteria and condition: The School must be in compliance with internal policies and procedures regarding monthly accounting close, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile and review statement of revenue and expenses on a timely basis and properly record transactions.

Context: Revenue should be recorded timely and recognized in the correct period. Approximately \$155,000 was recorded as revenue as part of the audit. If money is due to the School, there should be someone who is responsible for following up with the funder. Better collection efforts and monitoring of receivables can improve overall collections of receivables.

Cause: Ineffective management monitoring of policies and procedures.

Effect: The School could improperly record or not record revenue and its financial statements could be misleading or incorrect.

Recommendations: We recommend for the School to perform reconciliation on a monthly basis to determine revenues earned are timely and properly recorded. We also recommend that as truly uncollectable accounts receivable become identified, they should be written off and removed from the books of the School. However, this process should not occur until all efforts of collection are exhausted.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND REPOSES June 30, 2012

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- **Findings: 2012-03**

Criteria and condition: The School must be in compliance with internal policies and procedures regarding quarterly reconciliation of payroll to accounting records, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile their payroll accounts quarterly to their IRS Form 941's submissions.

Context: The quarterly and year end 941 reconciliation included significant reconciling items.

Cause: Ineffective management monitoring of policies and procedures.

Effect: The School is not in compliance with internal policies and procedures and its financial statements could be misleading or incorrect.

Recommendations: We recommend for the School to carefully review all reconciling items on the 941 reconciliation to ensure that all reconciling items are being recorded timely in compliance with accounting principles generally accepted in the United States of America.

- **Findings: 2012-04**

Criteria and condition: Several adjustments as well as all year end reconciliations were required to be performed to correct the books and records of the School.

Context: When schedules and reconciliations are prepared they are not reviewed by a second person.

Cause: Ineffective management monitoring of policies and procedures.

Effect: The financial records and financial statements could be misrepresentative as well as allow for possible irregularities.

Recommendations: We recommend that this situation should be corrected as soon as possible with the establishment of a regular supervisory review over accounting transactions and both recurring and year end reconciliations.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND REPONSES

June 30, 2012

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

- **Findings: 2012-01**

*Criteria and condition:* The School must be in compliance with internal policies and procedures regarding bank account review and reconciliation, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile and review bank statements on a timely basis and properly record transactions.

*Planned corrective action:* The management of Achievement First agrees with this finding. As we acknowledged in our response to the Fiscal Year 2011 audit in October, 2011, the financial operations of Achievement First were not at that time successfully executing on our internal procedures in a timely way. Since then, we have undergone significant hiring of new staff to the team, including the addition of a Controller with audit experience, and have put in place new practices and procedures to ensure the timely reconciliation and review of bank statements for the 2012-13 fiscal year.

- **Findings: 2012-02**

*Criteria and condition:* The School must be in compliance with internal policies and procedures regarding monthly accounting close, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile and review statement of revenue and expenses on a timely basis and properly record transactions.

*Planned corrective action:* The management of Achievement First agrees with this finding. As we acknowledged in our response to the Fiscal Year 2011 audit in October, 2011, the financial operations of Achievement First were not at that time successfully executing on our internal procedures in a timely way. Since then, we have undergone significant hiring of new staff to the team, including the addition of a Controller with audit experience, and have put in place new practices and procedures to ensure the timely reconciliation and review of revenue and expenses and properly recording these transactions for the 2012-13 fiscal year.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND REPOSES

June 30, 2012

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- **Findings: 2012-03**

*Criteria and condition:* The School must be in compliance with internal policies and procedures regarding monthly accounting close, located in the School's Fiscal Policies and Procedures (page 27). Management is required to reconcile and review statement of revenue and expenses on a timely basis and properly record transactions.

*Planned corrective action:* The management of Achievement First agrees with this finding. As we acknowledged in our response to the Fiscal Year 2011 audit in October, 2011, the financial operations of Achievement First were not at that time successfully executing on our internal procedures in a timely way. Since then, we have undergone significant hiring of new staff to the team, including the addition of a Controller with audit experience, and have put in place new practices and procedures to ensure the timely reconciliation and review of revenue and expenses and properly recording these transactions for the 2012-13 fiscal year.

- **Findings: 2012-04**

*Criteria and condition:* The School must employ a supervisory review of all accounting transactions as well as all year end reconciliations that are performed.

*Planned corrective action:* The management of Achievement First agrees with this finding. As we acknowledged in our response to the Fiscal Year 2011 audit in October, 2011, the financial operations of Achievement First were not at that time successfully executing on our internal procedures in a timely way. Since then, we have undergone significant hiring of new staff to the team, including the addition of a Controller with audit experience, and have put in place new practices and procedures to ensure the supervision of all accounting transactions and year end transactions that will be performed during the 2012-13 fiscal year.

# ACHIEVEMENT FIRST APOLLO CHARTER SCHOOL

## SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2012

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### Section II - Financial Statement Findings

#### **Finding No. 2011-01**

##### Condition:

The School must be in compliance with internal policies and procedures. Management is required to reconcile and review bank statements on a timely basis and properly record transactions.

##### Current Status:

The finding has yet to be corrected.

#### **Finding No. 2011-02**

##### Condition:

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

##### Current Status:

The finding has yet to be corrected.