

**ACHIEVEMENT FIRST BROWNSVILLE  
CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Achievement First Brownsville Charter School

We have audited the accompanying statement of financial position of Achievement First Brownsville 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 the 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 BROWNSVILLE CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

June 30, 2012

(with Comparative Totals for June 30, 2011)

	2012	2011
<b>Assets:</b>		
Cash	\$ 926,917	\$ 899,678
Grants and other receivables	304,236	287,892
Prepaid expenses	24,088	22,489
Due from related schools	1,448	7,226
Due from New York City Department of Education	-	75,114
Property and equipment, net	230,161	225,716
<b>Total Assets</b>	<b>\$ 1,486,850</b>	<b>\$ 1,518,115</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 50,811	\$ 53,141
Accrued salaries and other payroll related expenses	133,433	117,430
Due to New York City Department of Education	2,259	-
Due to Achievement First, Inc.	350,917	336,059
<b>Total Liabilities</b>	<b>537,420</b>	<b>506,630</b>
<b>Net assets:</b>		
Unrestricted		
Operating	57,477	225,716
Board-designated reserve	891,953	785,769
<b>Total Unrestricted</b>	<b>949,430</b>	<b>1,011,485</b>
<b>Total Net Assets</b>	<b>949,430</b>	<b>1,011,485</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,486,850</b>	<b>\$ 1,518,115</b>

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

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

(with Comparative Totals for June 30, 2011)

	2012	2011
Operating revenue:		
State and local per pupil operating revenue	\$ 5,492,627	\$ 4,651,551
Government grants and contracts	317,834	367,400
Total operating revenue	5,810,461	5,018,951
Expenses:		
Program services	5,215,010	4,268,237
Management and general	610,903	572,966
Fundraising	63,654	32,789
Total operating expenses	5,889,567	4,873,992
(Deficit) Surplus from school operations	(79,106)	144,959
Support and other revenue:		
Foundation grants	-	150
In-kind revenue	-	37,023
Interest and other income	17,051	23,797
Total support and other revenue	17,051	60,970
Change in net assets - unrestricted	(62,055)	205,929
Net assets - unrestricted – beginning of year	1,011,485	805,556
<b>Net assets - unrestricted – end of year</b>	<b>\$ 949,430</b>	<b>\$ 1,011,485</b>

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

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

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

	Program Services	Management and General	Fundraising	2012	2011
Salaries and wages	\$ 3,063,754	\$ 306,831	\$ -	\$ 3,370,585	\$ 2,799,234
Payroll taxes and employee benefits	604,349	60,525	-	664,874	562,178
Accounting	-	42,851	-	42,851	42,972
Legal	1,408	352	-	1,760	1,701
Professional fees	90,906	26,904	-	117,810	49,269
Classroom supplies and instructional materials	225,558	-	-	225,558	227,633
Furniture and equipment - non-capitalized	69,425	11,212	-	80,637	65,564
Insurance	19,263	1,929	-	21,192	12,037
Interest and bank service charges	-	815	-	815	137
Management and ancillary services fees	487,715	82,750	63,654	634,119	542,010
Office expense	149,334	21,261	-	170,595	124,262
Parent activities	1,533	-	-	1,533	178
Postage and delivery	1,931	483	-	2,414	1,672
Printing and photocopying	39,944	9,986	-	49,930	34,030
Repairs and maintenance	14,452	1,447	-	15,899	10,545
After school academic	14,000	-	-	14,000	4,764
Special education contracted services	3,929	393	-	4,322	607
Staff professional development	115,573	-	-	115,573	49,422
Student field trips and incentive programs	18,413	-	-	18,413	25,385
Student food services	40,990	-	-	40,990	38,869
Student transportation	22,500	-	-	22,500	95
Student uniforms	1,131	-	-	1,131	516
Technology and infrastructure	80,343	5,835	-	86,178	52,393
Telephone and internet	60,882	6,097	-	66,979	69,472
In-kind expense	-	-	-	-	37,023
Depreciation and amortization	87,677	21,918	-	109,595	120,661
Bad debt expense	-	9,314	-	9,314	1,363
<b>Total expenses</b>	<b>\$ 5,215,010</b>	<b>\$ 610,903</b>	<b>\$ 63,654</b>	<b>\$ 5,889,567</b>	<b>\$ 4,873,992</b>

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

# ACHIEVEMENT FIRST BROWNSVILLE 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	\$ (62,055)	\$ 205,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	109,595	120,661
Bad debt expense	9,314	1,363
Changes in operating assets and liabilities:		
Grants and other receivables	(25,658)	98,042
Prepaid expenses	(1,599)	(22,489)
Due from related schools	5,778	(6,008)
Due from New York City Department of Education	75,114	(64,263)
Accounts payable and accrued expenses	(2,330)	(46,252)
Accrued salaries and other payroll related expenses	16,003	(106,304)
Due to New York City Department of Education	2,259	(40,356)
Due to Achievement First, Inc.	14,858	169,587
<b>Net cash provided by operating activities</b>	<b>141,279</b>	<b>309,910</b>
Cash flows from investing activities:		
Purchase of property and equipment	(114,040)	(117,726)
<b>Net cash used in investing activities</b>	<b>(114,040)</b>	<b>(117,726)</b>
Net increase in cash	27,239	192,184
Cash - beginning of year	899,678	707,494
<b>Cash - end of year</b>	<b>\$ 926,917</b>	<b>\$ 899,678</b>

### Supplementary Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$ 17,050	\$ 500
Income taxes	\$ -	\$ -

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

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2012

### 1. NATURE OF THE ORGANIZATION:

Achievement First Brownsville Charter School (the "School") was incorporated to focus on strengthening the academic and character skills needed for all students to excel in top-tier colleges, to achieve success in a competitive world, and to serve as the next generation of leaders in their communities. On January 15, 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 (on July 28, 2008, the charter was revised). 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 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 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.

During the year ended June 30, 2012, the School added the fourth grade. As of June 30, 2012, the School operated classes for students in kindergarten to fourth 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 a 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.

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



# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2012

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During the year ended June 30, 2009, the Board of Trustees enacted a Board Designated Reserve Policy in which unrestricted net assets are set aside to be used only with the approval of the Board. The reserve is calculated by netting the current 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 \$891,953 and \$785,769, 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 are \$304,236 and \$287,892 for the years ended June 30, 2012 and June 30, 2011, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary as of June 30, 2012 and 2011. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

### Revenue Recognition

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

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred 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.

### Donated Goods and Services

The School receives contributed goods in the form of textbooks and pro-bono legal services that are an integral part of its operations. Such goods and services are only recorded as contributions in-kind, at their fair value, provided they meet the criteria for recognition. Included in in-kind contributions are donated textbooks totaling \$0 and \$37,023, respectively, for the years ended June 30, 2012 and 2011.

### 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.

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the 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.

### Impairments

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

The costs of providing the various programs and other activities have been summarized on a functional basis. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

### 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.

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 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 in which the informational return was filed.

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."

### **3. AGREEMENT FOR SCHOOL FACILITY:**

The School has entered into a verbal agreement, (the "Agreement"), with the NYCDOE for dedicated and shared space at Brooklyn Collegiate School, a facility located at 2021 Bergen Street, Brooklyn, New York. The Agreement commenced on July 1, 2008 at a cost of \$1 per year. The fair value of the rent has not been included in the accompanying financial statements as the premises are temporary in nature, the Agreement is non-binding, is excess shared space whereby a fair value cannot be determined, and is industry practice.

### **4. STUDENT MEALS AND TRANSPORTATION:**

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

### **5. RELATED PARTY TRANSACTIONS:**

The School entered into an Academic and Business Services Agreement (the "Agreement") with Achievement First, Inc. ("Achievement First"), a not-for-profit organization dedicated to helping start and run charter schools. This Agreement provides management and other administrative support services to the School. This agreement was amended in November 2010.

Pursuant to the terms of the Agreement, the School pays a service fee equivalent to 10% of all public revenues received by the School during the school year. Public revenues include all sources of revenue from a public source, but specifically exclude in-kind contributions such as student transportation and food services, start-up funding, funding for student meals, and funding for competitive public grants. The initial term of this Agreement is for 5 years ending on June 30, 2015. For the year ended June 30, 2012, the School paid a service fee equivalent to 10% of per-pupil revenues. The Agreement was also modified to incorporate additional services provided to the School by Achievement First. These services include bookkeeping, facilities acquisition and management, special education delivery support, data

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

analysis management support, and tutoring program support. The School is 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 service fees of \$634,119 and \$542,010, respectively, which is included in the accompanying statement of functional expenses.

For the years ended June 30, 2012 and 2011, the amounts due to Achievement First, Inc. were \$350,917 and \$336,059, respectively.

The following amounts were due (to)/from other schools and consist of the following at:

June 30,	2012	2011
Achievement First Apollo	\$ 1,830	\$ 1,830
Achievement First Bushwick Charter School	2,375	2,375
Achievement First Endeavor Charter School	3,021	3,021
Achievement First East New York Charter School	(5,778)	-
Total due from other schools	\$ 1,448	\$ 7,226

### 6. PROPERTY AND EQUIPMENT:

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

	2012	2011	Estimated Useful Lives
Furniture and fixtures	\$ 212,585	\$ 159,713	5 years
Computers and servers	284,006	222,838	3 years
Software	29,644	29,644	5 years
Leasehold improvements	112,577	112,577	5 years
	638,812	524,772	
Less: accumulated depreciation and amortization	(408,651)	(299,056)	
	\$ 230,161	\$ 225,716	

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 were \$109,595 and \$120,661, respectively.

### 7. LINE OF CREDIT:

The School has a revolving line of credit agreement with a financial institution where it can borrow up to \$200,000. The line of credit carries an interest rate at the bank's prime rate plus one percent (4.25% as of June 30, 2012 and 2011) and is secured by the School's business assets. During the years ended June 30, 2012 and 2011, the School did not draw on the line of credit. The line of credit was to expire July 27, 2012, but was renewed with an expiration date of April 30, 2013.

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

- 8. COMMITMENTS:** The School leases telecommunications equipment and copiers under non-cancelable operating leases. Future minimum lease payments are as follows:

June 30,	
2013	\$ 5,855
2014	5,855
2015	5,855
2016	1,464
Total	\$ 19,029

- 9. RETIREMENT PLAN:** Effective September 1, 2009, 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 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 does not become vested until its third year when it becomes fully vested. Included in payroll taxes and employee benefits of \$664,874 and \$562,178 in the accompanying statements of functional expenses is pension expense of \$76,370 and \$77,567 for the years ended June 30, 2012 and 2011, respectively.

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

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

- 11. CONCENTRATIONS:** Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) of \$250,000.

The School received approximately 95% and 92% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2012 and 2011, respectively.

Approximately 90% of the School's grants and other receivables consist of one major grantor as of June 30, 2012. Approximately 88% of the School's grants and other receivables consist of two major grantors as of June 30, 2011.

Approximately 61% of the School's accounts payable consist of one major vendor as of June 30, 2012. Approximately 47% of the School's accounts payable consist of two major vendors as of June 30, 2011.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Trustees  
Achievement First Brownsville Charter School

We have audited the financial statements of Achievement First Brownsville 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 questioned costs to be material weaknesses: 2012-01, 2012-02, 2012-03 and 2012-04.

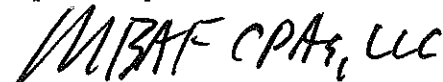
## Compliance and Other Matters

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.

MIAF CPAs, LLC

New York, NY  
November 12, 2012

# ACHIEVEMENT FIRST BROWNSVILLE 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 BROWNSVILLE 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 \$192,000 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 BROWNSVILLE CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND REPONSES

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 BROWNSVILLE 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**

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**

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: 2012-03**

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 payroll accounts quarterly for our IRS Form 194 submissions for the 2012-13 fiscal year.

- **Findings: 2012-04**

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 BROWNSVILLE 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 certain provisions of laws, regulations, contracts, and grant agreements. According to the University of the State of New York resolution governing the charter renewal of the School from January 15, 2008 through January 14, 2013, the School is required to ensure that all employees are properly fingerprinted for the fiscal year ending June 30, 2012.

##### **Current Status:**

The finding has been corrected.

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

##### **Condition:**

The School must be in compliance with certain provisions of laws, regulations, contracts, and grant agreements. The Office of Management and Budget (OMB) requires not-for-profit entities that expend more than \$500,000 a year in federal funds to be subject to an A-133 audit.

##### **Current Status:**

The finding has been corrected.

# ACHIEVEMENT FIRST BROWNSVILLE CHARTER SCHOOL

## SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2012

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### Finding No. 2011-03

#### 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. 2011-04

#### 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, 2012.

#### Current Status:

The finding has yet to be corrected.