

**ACHIEVEMENT FIRST BUSHWICK
CHARTER SCHOOL**

FINANCIAL STATEMENTS

JUNE 30, 2012

(With comparative totals for June 30, 2011)

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Achievement First Bushwick Charter School

We have audited the accompanying statement of financial position of Achievement First Bushwick 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 2011 financial statements and, in our report dated October 28, 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

An Independent Member of Baker Tilly International

MBAF CPAs, LLC, a registered certified public accounting firm

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ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30, 2012

(with comparative totals for June 30, 2011)

	2012	2011 (as restated)
Assets:		
Cash	\$ 2,627,772	\$ 2,253,041
Grants and other receivables	629,668	524,830
Prepaid expenses and other assets	117,058	33,922
Due from related schools	1,323	4,720
Due from New York City Department of Education	24,085	-
Property and equipment, net	426,904	468,074
Total Assets	\$ 3,826,810	\$ 3,284,587
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 399,564	\$ 87,402
Accrued salaries and other payroll related expenses	244,730	246,746
Due to related schools	516,186	4,166
Due to Achievement First, Inc.	180,674	386,774
Due to New York City Department of Education	-	57,030
Total Liabilities	1,341,154	782,118
Net assets:		
Unrestricted		
Operating	526,686	356,993
Board-designated reserve	1,958,970	2,145,476
Total Net Assets	2,485,656	2,502,469
Total Liabilities and Net Assets	\$ 3,826,810	\$ 3,284,587

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

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

(with comparative totals for June 30, 2011)

	2012	2011 (as restated)
Operating revenue:		
State and local per pupil operating revenue	\$ 10,488,295	\$ 10,072,523
Government grants and contracts	1,493,606	1,009,725
Total operating revenue	11,981,901	11,082,248
Expenses:		
Program services	10,571,819	9,047,007
Management and general	1,312,667	1,152,496
Fundraising	134,430	74,775
Total operating expenses	12,018,916	10,274,278
(Deficiency) excess from school operations	(37,015)	807,970
Support and other income:		
Contributions, grants and other income	20,202	72,295
In-kind revenue	-	75,266
Total support and other income	20,202	147,561
Change in net assets	(16,813)	955,531
Net assets – beginning of year	2,502,469	1,546,938
Net assets - end of year	\$ 2,485,656	\$ 2,502,469

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

ACHIEVEMENT FIRST BUSHWICK 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	\$ 6,165,207	\$ 726,562	\$ -	\$ 6,891,769	\$ 5,879,658
Payroll taxes and employee benefits	1,164,114	137,494	-	1,301,608	1,145,640
Accounting	-	51,292	-	51,292	29,332
Legal	5,205	1,302	-	6,507	6,350
After school academic	29,926	-	-	29,926	17,457
Classroom supplies and instructional materials	375,997	-	-	375,997	361,085
Furniture and equipment - non-capitalized	83,256	17,630	-	100,886	115,847
Insurance	41,928	4,943	-	46,871	26,834
Interest and bank service charges	-	1,003	-	1,003	344
Management and ancillary services fees	1,009,850	174,759	134,430	1,319,039	1,221,286
Office expenses	392,409	55,605	-	448,014	299,471
Parent activities	1,529	-	-	1,529	1,751
Postage and delivery	7,163	1,791	-	8,954	9,687
Printing and photocopying	58,810	14,703	-	73,513	43,867
Professional fees	84,699	31,320	-	116,019	126,512
Rent - building permit	26,600	3,135	-	29,735	46,278
Repairs and maintenance	193,522	22,671	-	216,193	49,863
Special education contracted services	14	-	-	14	65
Staff professional development	69,652	-	-	69,652	68,555
Student field trips and incentive programs	85,719	-	-	85,719	78,969
Student food services	165,765	-	-	165,765	145,082
Student transportation	94,088	-	-	94,088	-
Student uniforms	376	-	-	376	5,904
Technology and infrastructure	207,962	11,702	-	219,664	80,456
Telephone and internet	153,300	18,072	-	171,372	206,268
In-kind expense	-	-	-	-	75,266
Depreciation and amortization	154,728	38,683	-	193,411	191,374
Bad debt expense	-	-	-	-	41,077
Total expenses	\$ 10,571,819	\$ 1,312,667	\$ 134,430	\$12,018,916	\$ 10,274,278

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

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2012 (with comparative totals for June 30, 2011)

	2012	2011 (as restated)
Cash flows from operating activities:		
Change in net assets	\$ (16,813)	\$ 955,531
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	193,411	191,374
Bad debt expense	-	41,077
Changes in operating assets and liabilities:		
Grants and other receivables	(104,838)	(175,818)
Prepaid expenses and other assets	(83,136)	(22,472)
Due from related schools	3,397	15,769
Due from New York City Department of Education	(24,085)	-
Accounts payable and accrued expenses	312,162	(195,761)
Accrued salaries and other payroll related expenses	(2,016)	(209,447)
Due to related schools	512,020	(3,763)
Due to Achievement First, Inc.	(206,100)	228,261
Due to New York City Department of Education	(57,030)	45,633
Net cash provided by operating activities	526,972	870,384
Cash flows from investing activities:		
Purchase of property and equipment	(152,241)	(102,946)
Net cash used in investing activities	(152,241)	(102,946)
Net increase in cash	374,731	767,438
Cash - beginning of year	2,253,041	1,485,603
Cash - end of year	\$ 2,627,772	\$ 2,253,041

Supplementary Disclosure of Cash Flow Information:

Cash paid during the year for interest	\$	-	\$	-
Cash paid during the year for income taxes	\$	-	\$	-

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

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. NATURE OF THE ORGANIZATION:

Achievement First Bushwick Charter School (the "School") was incorporated to focus on strengthening the academic and character skills needed for all students to excel in top-tier colleges, to achieve success in a competitive world, and to serve as the next generation of leaders in their communities. On June 27, 2006, 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. In January 2011, the Board of Regents approved a conditional three-year charter renewal for the School.

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under the corresponding provisions of the New York State tax laws. The School's primary sources of income are per pupil and other government funding. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). Today the School serves students from low income households in Brooklyn, New York.

During the year ended June 30, 2012, the School operated classes for students in kindergarten through eighth 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 are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported as such 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 BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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 year's current assets against the current year's current liabilities and reducing that difference by any assets whose use is contractually limited. The reserve for the years ended June 30, 2012 and 2011 was \$1,958,970 and \$2,145,476, respectively.

Grants and Other Receivables

Grants and other receivables represent unconditional promises to give. Grants and other receivables are expected to be collected within one year, are recorded at net realizable value, and amount to \$629,668 and \$524,830 at June 30, 2012 and 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.

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 BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 \$14,464 and donated textbooks totaling \$60,802.

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. 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.

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Expenses that can directly be 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.

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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. With few exceptions, the School is no longer subject to U.S. federal tax examination by tax authorities for fiscal years before 2009.

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 BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

- 3. AGREEMENT FOR SCHOOL FACILITY:** The School has entered into a verbal agreement with the NYCDOE for dedicated and shared space at I.S. 383, a New York City public school located at 1300 Greene Street, Brooklyn, New York. This agreement commenced on July 1, 2007 at a cost of \$1 per year. In accordance with industry standards, this amount has not been recorded. In addition, the School entered into a second agreement with the NYCDOE for dedicated and shared space at P.S. 137, a New York City public school located at 125 Covert Street, Brooklyn, New York. The School will be responsible for any overtime-related costs for services provided beyond the regular opening hours. For the years ended June 30, 2012 and 2011, the School incurred overtime permit fees of \$29,735 and \$46,278, which are included in the accompanying statement of functional expenses.
- 4. STUDENT MEALS & 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. The Agreement provides management and other administrative support services to the School. The Agreement was subsequently amended in August 2006, March 2009, and 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 Agreement is for 5 years ending on June 30, 2015. During the year ended June 30, 2011, the School paid a service fee equivalent to 8% 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 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 \$1,319,039 and \$1,221,286, 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 \$180,674 and \$386,774, 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 BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

June 30,	2012	2011
Achievement First Endeavor Charter School	\$ 2,099	\$ 1,791
Achievement First Brownsville Charter School	2,375	2,375
Achievement First East New York Charter School	2,358	-
Achievement First Crown Heights Charter School	509,354	-
Total due to other schools	\$ 516,186	\$ 4,166

The following amounts were due from other schools and consist of the following:

June 30,	2012	2011
Achievement First Hartford Charter School	\$ -	\$ 900
Amistad Charter School	-	2,400
Achievement First East New York Charter School	-	674
Achievement First Apollo Charter School	1,323	746
Total due from other schools	\$ 1,323	\$ 4,720

6. **DUE TO NEW YORK CITY DEPARTMENT OF EDUCATION:** The NYCDOE paid the School per-pupil grant funds in six installments, based on estimates from the School. At the end of each year, the NYCDOE reconciles the total amount paid against the full-time-equivalent enrollment for the year and determines if an overpayment or underpayment has been made. As of June 30, 2012 and 2011, an underpayment totaling \$24,085 and an overpayment totaling \$57,030 had been made, respectively. 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
Furniture and fixtures	\$ 257,322	\$ 251,920	5 Years
Computers and hardware	480,249	425,815	3 Years
Equipment	265,301	172,896	3 Years
Software	99,129	99,129	5 Years
Instruments	55,242	55,242	5 Years
Leasehold improvements	272,587	272,587	5 Years
Less: accumulated depreciation and amortization	1,429,830	1,277,589	
	(1,002,926)	(809,515)	
	\$ 426,904	\$ 468,074	

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 was \$193,411 and \$191,374, respectively.

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

- 8. LINE OF CREDIT:** The School has a revolving line of credit agreement with a financial institution where it can borrow up to \$50,000. 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 is secured by the School's business assets. During the year ended June 30, 2012, the School did not draw on the line of credit. The line of credit expires April 30, 2013, but is expected to be renewed on an annual basis.

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

June 30,		
2013	\$	28,290
2014		26,342
2015		21,023
Total	\$	75,655

- 10. RETIREMENT 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 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 of service with the School. For the years ended June 30, 2012 and 2011, pension expense for the School was \$178,893 and \$150,724 respectively, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

- 11. 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, because management does not believe that there are any liabilities to be recorded.

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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- 12. CONCENTRATIONS:**
- A. Financial instruments that potentially subject the school to concentrations of credit risk consist principally of cash deposits at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation ("FDIC") insured limits. The FDIC has temporarily increased the limit to \$250,000.
 - B. The School received approximately 88% and 90% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2012 and 2011, respectively.
 - C. Two grantors accounted for approximately 81% of grants and other receivables at June 30, 2012. One major grantor accounted for approximately 93% of grants and other receivables at June 30, 2011.
- 13. PRIOR YEAR ADJUSTMENT:**
- The School has restated its previously issued June 30, 2011 financial statements to reflect a correction of an error in which grant income and grants receivable were overstated by \$111,081. The net effect of this adjustment has resulted in a decrease in the change in net assets from \$1,066,612 to \$955,531 for the year ended June 30, 2011 and a decrease in unrestricted net assets from \$2,613,550 to \$2,502,469 at 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 Bushwick Charter School

We have audited the financial statements of Achievement First Bushwick 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.

A handwritten signature in black ink that reads "MIBAF CPAs, LLC". The signature is written in a cursive, flowing style.

New York, NY
November 12, 2012

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

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 √ no

Noncompliance material to financial statements noted?

 yes √ no

ACHIEVEMENT FIRST BUSHWICK CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

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 the 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. Additional revenue was recorded as part of the audit. If money is due to the School, there should be timely and consistent efforts for following up with the funder(s). 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 revenue.

Recommendations: We recommend for the School to perform reconciliations 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 BUSHWICK CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

- **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 and one adjustment.

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 there is no evidence of a supervisory review being performed.

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 BUSHWICK CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

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 BUSHWICK CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

Views of responsible officials and planned corrective action:

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.

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

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 BUSHWICK CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

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 August 1, 2011 through July 31, 2014, the School is required to ensure that all employees are properly fingerprinted for the fiscal year ending June 30, 2011.

Current Status:

The finding has been corrected.

Finding No. 2011-02

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. 2011-03

Condition:

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

Current Status:

The finding has yet to be corrected.