

Achievement First Brooklyn Charter Schools

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

June 30, 2017

Achievement First Brooklyn Charter Schools

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	9
Supplementary Information	
Supplemental Combining Schedule of Activities by Charter	18
Supplemental Schedules of Functional Expenses	19
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	32
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37

Independent Auditor's Report

To the Board of Trustees
Achievement First Brooklyn Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Achievement First Brooklyn Charter Schools, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement First Brooklyn Charter Schools as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Achievement First Brooklyn Charter Schools' 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental combining schedule of activities by charter and supplemental schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 on our consideration of Achievement First Brooklyn Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Achievement First Brooklyn Charter Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Achievement First Brooklyn Charter Schools' internal control over financial reporting and compliance.



Hartford, Connecticut
October 30, 2017

Achievement First Brooklyn Charter Schools

**Statement of Financial Position
June 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
<u>Assets</u>		
Cash	\$ 747,391	\$ 78,214
Restricted cash	350,000	350,000
Grants and other receivables	4,973,220	2,066,349
Prepaid expenses and other assets	639,366	860,213
Due from related party	-	257,564
Due from NYC Department of Education	61,274	-
Construction in process	21,273	165,531
Property and equipment, net	6,609,786	5,742,133
Lease acquisition costs, net	5,224,164	5,450,576
	\$ 18,626,474	\$ 14,970,580
Total assets		
	<u>Liabilities and Net Assets</u>	
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 2,244,450	\$ 1,761,412
Accrued salaries and other payroll related expenses	1,628,420	1,394,975
Due to related party	1,208,345	-
Due to other schools	43,487	34,732
Due to NYC Department of Education	-	37,120
Deferred revenue	40,641	10,456
Loans payable	2,046,897	1,232,821
	7,212,240	4,471,516
Total liabilities		
<u>Net assets</u>		
Unrestricted	11,413,840	10,476,219
Temporarily restricted	394	22,845
	11,414,234	10,499,064
Total net assets		
Total liabilities and net assets	\$ 18,626,474	\$ 14,970,580

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	Unrestricted	Temporarily restricted	2017	2016
Operating revenue				
State and local per pupil operating revenue	\$ 97,456,388	\$ -	\$ 97,456,388	\$ 87,709,716
Federal, state and local grants	5,431,504	-	5,431,504	4,325,569
Special education revenue	12,784,037	-	12,784,037	11,268,159
Net assets released from restrictions	22,451	(22,451)	-	-
Total operating revenue	115,694,380	(22,451)	115,671,929	103,303,444
Expenses				
Program services	102,742,075	-	102,742,075	90,833,020
General and administrative	12,976,454	-	12,976,454	12,251,129
Fundraising	22,752	-	22,752	2,340,365
Total expenses	115,741,281	-	115,741,281	105,424,514
Surplus (deficit) on school operations from government funding	(46,901)	(22,451)	(69,352)	(2,121,070)
Support and other revenue				
Contributions	490,793	-	490,793	1,053,670
In-kind contributions	490,572	-	490,572	-
Interest income	226	-	226	8,972
Other revenue	2,931	-	2,931	11,170
Total support and other revenue	984,522	-	984,522	1,073,812
Change in net assets	937,621	(22,451)	915,170	(1,047,258)
Net assets, beginning	10,476,219	22,845	10,499,064	11,546,322
Net assets, end	<u>\$ 11,413,840</u>	<u>\$ 394</u>	<u>\$ 11,414,234</u>	<u>\$ 10,499,064</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Statement of Functional Expenses Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Program services			General and administrative	Fundraising	2017 Total	2016 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 8,509,518	\$ -	\$ 8,509,518	\$ 7,970,286
Instructional personnel	52,122,745	7,042,730	59,165,475	-	-	59,165,475	53,892,373
Total personnel services costs	52,122,745	7,042,730	59,165,475	8,509,518	-	67,674,993	61,862,659
Fringe benefits and payroll taxes	8,949,961	1,178,296	10,128,257	1,456,494	-	11,584,751	10,540,599
Retirement	971,288	127,363	1,098,651	158,090	-	1,256,741	1,144,806
Management company fees	11,353,245	1,232,573	12,585,818	663,608	22,752	13,272,178	11,786,822
Accounting/audit services	-	-	-	218,205	-	218,205	187,396
Other purchased/professional/consulting services	121,360	417,649	539,009	82,449	-	621,458	746,257
Repairs and maintenance	1,060,106	140,102	1,200,208	166,267	-	1,366,475	777,416
Insurance	289,390	38,189	327,579	45,986	-	373,565	395,867
Utilities	1,087,718	148,419	1,236,137	157,815	-	1,393,952	1,402,809
Supplies/materials	2,946,972	388,915	3,335,887	-	-	3,335,887	3,977,796
Equipment/furnishings	676,425	83,239	759,664	114,341	-	874,005	362,508
Staff development	1,585,528	209,615	1,795,143	126,578	-	1,921,721	1,670,189
Marketing/recruitment	87,174	11,658	98,832	-	-	98,832	150,545
Technology	2,659,277	350,692	3,009,969	138,148	-	3,148,117	2,837,896
Food service	1,381,187	185,296	1,566,483	-	-	1,566,483	814,655
Student services	1,735,936	227,765	1,963,701	-	-	1,963,701	1,681,665
Office expense	1,850,573	243,247	2,093,820	711,021	-	2,804,841	2,824,781
Depreciation and amortization	1,208,349	157,209	1,365,558	341,389	-	1,706,947	1,411,542
Other	280,118	37,088	317,206	58,179	-	375,385	650,491
Parental activities	137,695	16,983	154,678	-	-	154,678	176,958
Interest expense	-	-	-	28,366	-	28,366	20,857
Total expenses	<u>\$ 90,505,047</u>	<u>\$ 12,237,028</u>	<u>\$ 102,742,075</u>	<u>\$ 12,976,454</u>	<u>\$ 22,752</u>	<u>\$ 115,741,281</u>	<u>\$ 105,424,514</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

**Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 915,170	\$ (1,047,258)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,706,947	1,411,542
Write off of construction in process	8,000	-
Bad debt expense	-	173,172
Accrued interest	28,366	8,000
Changes in operating assets and liabilities		
Grants and other receivables	(2,906,871)	(306,439)
Prepaid expenses and other assets	220,847	(527,602)
Due from related party	257,564	1,230,685
Due from NYC Department of Education	(61,274)	-
Cash overdraft	-	(313,690)
Accounts payable and accrued expenses	461,765	393,426
Accrued salaries and other payroll related expenses	233,445	(399,102)
Due to related party	1,208,345	-
Due to other schools	8,755	17,885
Due to NYC Department of Education	(37,120)	15,045
Deferred revenue	30,185	(25,643)
	<u>2,074,124</u>	<u>630,021</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(2,190,657)	(3,565,986)
Cash restricted by the state for dissolution costs	-	136,315
	<u>(2,190,657)</u>	<u>(3,429,671)</u>
Net cash used in investing activities		

Achievement First Brooklyn Charter Schools

**Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
Cash flows from financing activities		
Payments of long-term debt	\$ (609,353)	\$ (200,000)
Proceeds from long-term debt	1,395,063	-
Net cash provided by (used in) financing activities	785,710	(200,000)
Net increase (decrease) in cash	669,177	(2,999,650)
Cash, beginning	78,214	3,077,864
Cash, end	\$ 747,391	\$ 78,214
Supplemental disclosure of cash flow information		
Interest paid	\$ 14,290	\$ 20,857
Purchase of construction in process with accounts payable	\$ 21,273	\$ -

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2017

Note 1 - Nature of operations

Achievement First Bushwick Charter School was incorporated to focus on strengthening the academic and character skills needed for all students to excel in top-tier colleges, to achieve success in a competitive world, and to serve as the next generation of leaders in their communities. The Board of Regents of the University of the State of New York ("SUNY") granted the Achievement First Bushwick Charter School a charter valid for a term of five years and renewable upon expiration. On June 29, 2015, the Board of Regents approved the merger of Achievement First Bushwick Charter School with Achievement First Brownsville Charter School, Achievement First Apollo Charter School and Achievement First Aspire Charter School that took effect on July 1, 2015, at which time Achievement First Bushwick Charter School changed its name to Achievement First Brooklyn Charter Schools ("the School"). On February 16, 2016, the Board of Regents approved a merger of Achievement First Brooklyn Charter Schools with Achievement First Crown Heights Charter School, Achievement First East New York Charter School and Achievement First Endeavor Charter School that took effect on April 1, 2016. The financial statements reflect the activities of the seven charter schools for the fiscal year ended June 30, 2017.

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

During the year ended June 30, 2017, the School operated classes for students in K-12. Charters that share space with New York City Department of Education ("NYCDOE") schools are not responsible for rent, utilities, custodial services, or maintenance. Charters that share space with other charter schools or do not share space are responsible for operating occupancy costs.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Board designated - The Board of Trustees (the "Board") enacted a Board Designated Reserve Policy (the "Reserve") in which unrestricted net assets are set aside to be used only with the approval of the Board. The Board shall aspire to have a reserve of 2.5% of its annual budget available at any time and shall adopt a reserve target annually for the following fiscal year that contributes to this amount. The Reserve balance will be generated from the schools' budgeted per-pupil operating revenue, excluding state and federal non-operating grants. Reserves may be used, with Board approval, for emergency funds in case of an unexpected financial crisis, start-up costs for growth needs, facility capital requirements, principal-in-residence salaries or one-time projects which have significant future potential. There were no Reserves at June 30, 2017 and 2016.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2017

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

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

Statement of cash flows

For purposes of reporting cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2017.

Restricted cash

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

Grants and other receivables

Grants receivables represent amounts owed to the School based on exchange transactions. Grants receivable that are expected to be collected within one year, and recorded at net realizable value, are \$4,916,828 at June 30, 2017. The School has determined that no allowance for uncollectible accounts for receivables is necessary as of June 30, 2017. Such estimate is based on management's assessments of the creditworthiness of its donors, the aging of its receivables as well as current economic conditions and historical information.

Revenue recognition

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

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

Contributions are recognized by the School when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor, but whose restrictions are met in the same period, are reported as increases to unrestricted net assets. All other donor restricted contributions are reported as increases to temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2017

Donated goods and services

The School occasionally receives contributed goods and services. Such goods and services are only recorded as in-kind contributions at their fair value, provided they meet the criteria for recognition. Such criteria includes contributions of services that (i) create or enhance non-financial assets or those that require specialized skills, (ii) are provided by individuals possessing those skills, and (iii) would typically need to be purchased, if not provided by donation, and are recorded at their fair value in the period received.

Contributed services received from Board Members and volunteers are not recorded in the financial statements since these services do not meet the criteria for recognition as contributed services.

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

Property and equipment

Property and equipment are stated at cost. The School has established a \$1,000 threshold above which assets are capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

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

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

Long-lived assets

The School recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There was no impairment losses recognized for the year ended June 30, 2017.

Functional allocation of expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management to be reasonable.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2017

Income taxes

The School is classified by the Internal Revenue Service ("IRS") as exempt from income tax under Section 501(a) of the IRC as a public education academy described in Section 501(c)(3).

The School has no unrecognized tax benefits at June 30, 2017. The School's federal tax returns prior to fiscal year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the School would recognize interest and penalties associated with tax matters as part of general and administrative expenses in the statement of activities and changes in net assets and include accrued interest and penalties in accrued expenses in the statement of financial position. The School did not recognize any interest or penalties associated with tax matters for the year ended June 30, 2017.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of Achievement First Brooklyn Charter Schools for the year ended June 30, 2016, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit risk

The School maintains cash and cash equivalent balances in one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. From time to time, the School's balances may exceed these limits. As of June 30, 2017, the School had uninsured bank balances of \$1,412,436. The School limits its credit risk by selecting financial institutions considered to be highly creditworthy.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

Management has reviewed subsequent events through October 30, 2017, which is the date the financial statements were approved and available for issuance.

Achievement First Brooklyn Charter Schools

**Notes to Financial Statements
June 30, 2017**

Note 3 - Concentrations

The School received approximately 84% of its operating revenue, which is subject to specific requirements, from per pupil funding from the NYCDOE during the year ended June 30, 2017.

The School's grants and other receivables consist of approximately 58% of per pupil funding from the NYCDOE and 40% from the Federal and State Departments of Education at June 30, 2017.

Note 4 - Agreement for School facility

The School has entered into verbal agreements with the NYCDOE for dedicated and shared space at a cost of \$1 per year or less. In accordance with industry standards, the fair value of the rent has not been recorded. The School will be responsible for any overtime-related cost for services provided beyond the regular opening hours. The School also entered into an Administrative Cost Management Agreement that requires the School to pay Uncommon Crown Heights, LLC for its share of the building costs for the facilities located at 1485 Pacific Street, Brooklyn, New York. The fair value of the rent has not been included in the accompanying financial statements as the agreement is non-binding, the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined and is industry practice. For the year ended June 30, 2017, the School incurred no overtime and incurred no permit fees.

Note 5 - Property and equipment

The following is a summary of property and equipment at June 30, 2017:

Leasehold Improvements	\$ 7,311,009
Furniture and fixtures	1,400,053
Computers and other hardware	1,310,001
Equipment	2,581,011
Software	53,790
Student computers and software	4,954
Musical instruments	78,890
	<hr/>
	12,739,708
Less accumulated depreciation	<hr/> (6,129,922)
	<hr/>
	\$ 6,609,786
	<hr/> <hr/>

Depreciation expense was \$1,480,535 for the year ended June 30, 2017.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2017

Note 6 - Lease acquisition costs

The NYCDOE, through the New York State Construction Authority ("NYSCA"), agreed to help finance the development and construction of 510 Waverly Avenue, Brooklyn, New York provided that Civic Builders (the construction manager) and Achievement First Endeavor Charter School collectively contributed 20% of the costs of the construction. In December of 2012, the School entered into a sublease with AF Waverly LLC for a 30-year term at an annual lease of \$1 plus operating costs. The lease acquisition costs of \$6,792,379 include the costs incurred by Achievement First Endeavor Charter School in meeting the obligation; these costs are amortized over the 30 year lease term. Amortization expense for the year ended June 30, 2017 was \$226,412 and accumulated amortization at June 30, 2017 was \$1,568,215. Amortization expense for each of the next five years is \$226,412.

Note 7 - Related party transactions

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

Pursuant to the terms of the Agreement, the School pays a service fee equivalent to 10% of all public revenues received by the School during or for that school year. Public revenues include all sources of revenue from a public source, but specifically exclude in-kind contributions such as student transportation, start-up funding, funding for student meals, and funding from competitive public grants. The initial term of the Agreement was for 5 years ending on June 30, 2016 and automatically renews to coincide with the charter renewals for each school. The Agreement was also modified to incorporate additional services provided to the School by AF. These services include bookkeeping, facilities acquisition and management, special education delivery support, data analysis management support, and tutoring program support. The School is to pay AF an ancillary services fee that is mutually negotiated by the School and AF. For the year ended June 30, 2017, the School incurred management and ancillary services fees of \$13,272,178, which is included in the accompanying statement of functional expenses. The amount due to AF at June 30, 2017 was \$1,208,345.

The School entered into unsecured loan agreements ("facility loan payable") with AF which are detailed in Note 9.

Note 8 - Due to/from other schools

The following amounts were due to related schools and consist of the following at June 30, 2017:

Achievement First Elm City Charter School	\$ 1,152
Achievement First Bridgeport Charter School	626
Achievement First Hartford Charter School	19,981
Amistad Academy Charter School	21,450
Achievement First Providence Charter School	278
	<u>\$ 43,487</u>

Achievement First Brooklyn Charter Schools

**Notes to Financial Statements
June 30, 2017**

Note 9 - Loans payable

Loans payable to AF bear interest at 1%, no payments are required until maturity. Loans mature on June 30, 2019. The outstanding balance due to AF at June 30, 2017 was \$414,466 including accrued interest of \$14,466. Interest expense of \$4,686 is included in interest expense on the statement of functional expenses.

Loans payable to Charter School Growth Fund bear interest at 1% and 3%, no payments are required until maturity. Loans mature through June 30, 2021. The outstanding balance due to Charter School Growth Fund at June 30, 2017 was \$1,632,431 including accrued interest of \$32,431. Interest expense of \$23,680 is included in interest expense on the statement of functional expenses. The school was not in compliance with certain reporting requirements.

AF signed a note agreement on April 3, 2017 which provides for a \$100,000 loan at 1% interest and requires payment of accrued interest and principal on June 30, 2023. No amounts were drawn on the loan as of June 30, 2017.

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

2018	\$	-
2019		400,000
2020		1,100,000
2021		500,000
	\$	<u>2,000,000</u>

Accrued interest of \$46,897 is included in loans payable as of June 30, 2017.

Note 10 - Due to NYC Department of Education

The NYCDOE paid the School per-pupil grant funds in six installments, based on estimates from the School. At the end of each year, the NYCDOE reconciles the total amount paid against the full-time-equivalent enrollment for the year and determines if an overpayment or underpayment has been made. As of June 30, 2017, an overpayment totaling \$61,274 had been made. An adjustment for this amount will be reflected in the succeeding year's third payment.

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2017 are available for the meals program.

Achievement First Brooklyn Charter Schools

**Notes to Financial Statements
June 30, 2017**

Note 12 - Operating leases

The School leases office equipment under non-cancelable operating lease agreements expiring through November 2021. The future minimum payments are as follows:

2018	\$	548,586
2019		355,092
2020		172,506
2021		111,420
2022		<u>17,325</u>
	\$	<u>1,204,929</u>

The lease expense for the year ended June 30, 2017 was \$818,315.

Note 13 - Pension plan

Effective September 1, 2006, the School adopted a 403(b) profit sharing plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan upon employment. Those employees who have completed at least 1 full year of service are also eligible for employer contributions. The Plan provides for the School to contribute up to 4% of an employee's salary, up to a maximum match of \$2,500 per year, per employee. The School contribution is not vested until the employee's third year, when they become fully vested. For the year ended June 30, 2017, pension expense for the School was approximately \$1,257,000, which is included in retirement in the accompanying statement of functional expenses.

Note 14 - Risk management

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

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund because management does not believe that there are any liabilities to be recorded.

Supplementary Information

Achievement First Brooklyn Charter Schools

Supplemental Combining Schedule of Activities by Charter Year Ended June 30, 2017

	Achievement First Apollo	Achievement First Aspire	Achievement First Brownsville	Achievement First Bushwick	Achievement First Crown Heights	Achievement First East New York	Achievement First Endeavor	Achievement First Linden Elementary	Achievement First North Brooklyn	Achievement First Voyager	Achievement First East Brooklyn	Total
Operating revenue												
State and local per pupil operating revenue	\$ 10,809,174	\$ 6,353,364	\$ 11,746,450	\$ 15,331,393	\$ 14,691,314	\$ 11,975,810	\$ 15,015,257	\$ 4,858,534	\$ 4,313,346	\$ 924,153	\$ 1,437,593	\$ 97,456,388
Federal, state and local grants	509,216	216,152	439,662	1,065,784	426,584	610,381	1,100,636	381,112	266,269	226,058	189,650	5,431,504
Special education revenue	1,205,349	528,024	1,428,596	2,479,502	2,258,859	1,340,280	2,291,336	432,968	603,073	93,859	122,191	12,784,037
Total operating revenue	12,523,739	7,097,540	13,614,708	18,876,679	17,376,757	13,926,471	18,407,229	5,672,614	5,182,688	1,244,070	1,749,434	115,671,929
Expenses												
Program services	10,348,113	5,765,297	11,340,896	16,562,256	16,292,340	12,708,172	17,599,216	4,546,542	4,123,370	1,246,804	2,209,069	102,742,075
General and administrative	1,348,158	684,949	1,429,104	1,997,196	1,734,681	1,603,658	1,989,334	790,776	674,194	311,911	412,493	12,976,454
Fundraising	-	-	455	-	683	455	2,502	-	-	-	18,657	22,752
Total expenses	11,696,271	6,450,246	12,770,455	18,559,452	18,027,704	14,312,285	19,591,052	5,337,318	4,797,564	1,558,715	2,640,219	115,741,281
Surplus (deficit) on school operations from government funding	827,468	647,294	844,253	317,227	(650,947)	(385,814)	(1,183,823)	335,296	385,124	(314,645)	(890,785)	(69,352)
Support and other revenue												
Contributions	-	-	10,000	1,000	13,793	16,000	50,000	-	-	-	400,000	490,793
In-kind contributions	60,459	35,026	51,971	69,124	78,668	61,243	81,595	27,856	24,630	-	-	490,572
Interest income	24	12	23	23	36	36	24	12	12	12	12	226
Other revenue	-	-	-	-	2,931	-	-	-	-	-	-	2,931
Total support and other revenue	60,483	35,038	61,994	70,147	95,428	77,279	131,619	27,868	24,642	12	400,012	984,522
Change in net assets	887,951	682,332	906,247	387,374	(555,519)	(308,535)	(1,052,204)	363,164	409,766	(314,633)	(490,773)	915,170
Net assets, beginning	1,061,280	550,357	651,880	96,945	897,315	2,268,996	4,503,581	328,889	139,821	-	-	10,499,064
Net assets (deficit), end	\$ 1,949,231	\$ 1,232,689	\$ 1,558,127	\$ 484,319	\$ 341,796	\$ 1,960,461	\$ 3,451,377	\$ 692,053	\$ 549,587	\$ (314,633)	\$ (490,773)	\$ 11,414,234

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Apollo
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 871,348	\$ -	\$ 871,348
Instructional personnel	5,448,439	475,529	5,923,968	-	-	5,923,968
Total personnel services costs	5,448,439	475,529	5,923,968	871,348	-	6,795,316
Fringe benefits and payroll taxes	951,125	78,342	1,029,467	151,423	-	1,180,890
Retirement	111,130	9,154	120,284	17,692	-	137,976
Management company fees	1,279,110	87,583	1,366,693	71,931	-	1,438,624
Accounting/audit services	-	-	-	23,263	-	23,263
Other purchased/ professional/consulting services	-	630	630	11,685	-	12,315
Repairs and maintenance	98,991	8,154	107,145	15,760	-	122,905
Insurance	28,875	2,378	31,253	4,597	-	35,850
Utilities	12,308	1,014	13,322	1,959	-	15,281
Supplies/materials	298,830	24,614	323,444	-	-	323,444
Equipment/furnishings	180,465	14,865	195,330	28,731	-	224,061
Staff development	152,204	12,536	164,740	9,997	-	174,737
Marketing/recruitment	5,961	491	6,452	-	-	6,452
Technology	273,728	22,547	296,275	12,971	-	309,246
Food service	83,387	6,868	90,255	-	-	90,255
Student services	190,977	15,730	206,707	-	-	206,707
Office expense	211,165	17,393	228,558	66,972	-	295,530
Depreciation and amortization	161,991	13,343	175,334	43,833	-	219,167
Other	28,187	2,321	30,508	5,691	-	36,199
Parental activities	34,875	2,873	37,748	-	-	37,748
Interest expense	-	-	-	10,305	-	10,305
Total expenses	\$ 9,551,748	\$ 796,365	\$ 10,348,113	\$ 1,348,158	\$ -	\$ 11,696,271

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Aspire
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 448,300	\$ -	\$ 448,300
Instructional personnel	2,937,021	449,087	3,386,108	-	-	3,386,108
Total personnel services costs	2,937,021	449,087	3,386,108	448,300	-	3,834,408
Fringe benefits and payroll taxes	476,827	69,367	546,194	72,313	-	618,507
Retirement	42,414	6,170	48,584	6,432	-	55,016
Management company fees	690,960	82,746	773,706	40,721	-	814,427
Accounting/audit services	-	-	-	13,001	-	13,001
Other purchased/ professional/consulting services	-	11,484	11,484	3,700	-	15,184
Repairs and maintenance	31,353	4,561	35,914	4,755	-	40,669
Insurance	14,164	2,060	16,224	2,148	-	18,372
Utilities	7,542	1,097	8,639	1,144	-	9,783
Supplies/materials	174,952	25,451	200,403	-	-	200,403
Equipment/furnishings	49,752	7,238	56,990	7,545	-	64,535
Staff development	82,380	11,986	94,366	4,654	-	99,020
Marketing/recruitment	4,689	682	5,371	-	-	5,371
Technology	154,039	22,409	176,448	7,522	-	183,970
Food service	72,943	10,611	83,554	-	-	83,554
Student services	42,662	6,206	48,868	-	-	48,868
Office expense	146,334	21,288	167,622	44,426	-	212,048
Depreciation and amortization	59,587	8,668	68,255	17,064	-	85,319
Other	29,443	4,283	33,726	7,251	-	40,977
Parental activities	2,480	361	2,841	-	-	2,841
Interest expense	-	-	-	3,973	-	3,973
Total expenses	\$ 5,019,542	\$ 745,755	\$ 5,765,297	\$ 684,949	\$ -	\$ 6,450,246

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Brownsville
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,002,071	\$ -	\$ 1,002,071
Instructional personnel	6,009,007	837,740	6,846,747	-	-	6,846,747
Total personnel services costs	6,009,007	837,740	6,846,747	1,002,071	-	7,848,818
Fringe benefits and payroll taxes	1,024,828	140,411	1,165,239	169,345	-	1,334,584
Retirement	95,848	13,132	108,980	15,386	-	124,366
Management company fees	1,332,819	150,570	1,483,389	78,097	455	1,561,941
Accounting/audit services	-	-	-	22,352	-	22,352
Other purchased/ professional/consulting services	-	3,695	3,695	7,400	-	11,095
Repairs and maintenance	62,781	8,602	71,383	10,019	-	81,402
Insurance	25,346	3,473	28,819	4,215	-	33,034
Utilities	10,648	1,459	12,107	1,729	-	13,836
Supplies/materials	357,598	48,994	406,592	-	-	406,592
Equipment/furnishings	40,805	5,590	46,395	1,687	-	48,082
Staff development	210,225	28,803	239,028	14,568	-	253,596
Marketing/recruitment	3,980	545	4,525	-	-	4,525
Technology	284,154	38,933	323,087	11,362	-	334,449
Food service	50,109	6,866	56,975	-	-	56,975
Student services	147,872	20,260	168,132	-	-	168,132
Office expense	198,425	27,186	225,611	59,268	-	284,879
Depreciation and amortization	79,712	10,922	90,634	22,658	-	113,292
Other	32,965	4,517	37,482	7,085	-	44,567
Parental activities	19,416	2,660	22,076	-	-	22,076
Interest expense	-	-	-	1,862	-	1,862
Total expenses	\$ 9,986,538	\$ 1,354,358	\$ 11,340,896	\$ 1,429,104	\$ 455	\$ 12,770,455

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Bushwick
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,320,383	\$ -	\$ 1,320,383
Instructional personnel	8,644,286	1,244,119	9,888,405	-	-	9,888,405
Total personnel services costs	8,644,286	1,244,119	9,888,405	1,320,383	-	11,208,788
Fringe benefits and payroll taxes	1,490,732	204,245	1,694,977	228,143	-	1,923,120
Retirement	171,133	23,446	194,579	26,397	-	220,976
Management company fees	1,794,115	202,616	1,996,731	105,092	-	2,101,823
Accounting/audit services	-	-	-	29,699	-	29,699
Other purchased/ professional/consulting services	-	10,395	10,395	6,055	-	16,450
Repairs and maintenance	154,802	21,209	176,011	25,549	-	201,560
Insurance	33,735	4,621	38,356	4,752	-	43,108
Utilities	15,724	2,154	17,878	2,062	-	19,940
Supplies/materials	431,626	59,137	490,763	-	-	490,763
Equipment/furnishings	103,407	14,168	117,575	7,020	-	124,595
Staff development	266,218	36,474	302,692	24,460	-	327,152
Marketing/recruitment	5,803	795	6,598	-	-	6,598
Technology	397,579	54,475	452,054	22,566	-	474,620
Food service	260,290	35,663	295,953	-	-	295,953
Student services	374,626	51,327	425,953	-	-	425,953
Office expense	256,202	35,103	291,305	159,166	-	450,471
Depreciation and amortization	97,900	13,413	111,313	27,828	-	139,141
Other	33,385	4,573	37,958	5,541	-	43,499
Parental activities	11,222	1,538	12,760	-	-	12,760
Interest expense	-	-	-	2,483	-	2,483
Total expenses	<u>\$ 14,542,785</u>	<u>\$ 2,019,471</u>	<u>\$ 16,562,256</u>	<u>\$ 1,997,196</u>	<u>\$ -</u>	<u>\$ 18,559,452</u>

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Crown Heights
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,099,529	\$ -	\$ 1,099,529
Instructional personnel	8,186,728	1,101,201	9,287,929	-	-	9,287,929
Total personnel services costs	8,186,728	1,101,201	9,287,929	1,099,529	-	10,387,458
Fringe benefits and payroll taxes	1,416,068	194,015	1,610,083	190,606	-	1,800,689
Retirement	140,330	19,227	159,557	18,889	-	178,446
Management company fees	1,697,296	191,759	1,889,055	99,460	683	1,989,198
Accounting/audit services	-	-	-	28,272	-	28,272
Other purchased/ professional/consulting services	-	141,839	141,839	12,380	-	154,219
Repairs and maintenance	146,147	20,024	166,171	19,672	-	185,843
Insurance	49,256	6,748	56,004	6,630	-	62,634
Utilities	362,711	49,695	412,406	48,822	-	461,228
Supplies/materials	487,107	66,738	553,845	-	-	553,845
Equipment/furnishings	42,490	5,822	48,312	5,719	-	54,031
Staff development	388,681	53,253	441,934	24,284	-	466,218
Marketing/recruitment	26,972	3,696	30,668	-	-	30,668
Technology	277,120	37,967	315,087	11,428	-	326,515
Food service	94,923	13,005	107,928	-	-	107,928
Student services	426,610	58,450	485,060	-	-	485,060
Office expense	354,750	48,604	403,354	132,360	-	535,714
Depreciation and amortization	103,802	14,222	118,024	29,506	-	147,530
Other	40,224	5,510	45,734	7,124	-	52,858
Parental activities	17,018	2,332	19,350	-	-	19,350
Total expenses	\$ 14,258,233	\$ 2,034,107	\$ 16,292,340	\$ 1,734,681	\$ 683	\$ 18,027,704

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - East New York
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,060,786	\$ -	\$ 1,060,786
Instructional personnel	6,574,804	900,814	7,475,618	-	-	7,475,618
Total personnel services costs	6,574,804	900,814	7,475,618	1,060,786	-	8,536,404
Fringe benefits and payroll taxes	1,134,493	155,436	1,289,929	183,040	-	1,472,969
Retirement	119,871	16,423	136,294	19,340	-	155,634
Management company fees	1,378,607	155,742	1,534,349	80,779	455	1,615,583
Accounting/audit services	-	-	-	27,997	-	27,997
Other purchased/ professional/consulting services	42,658	97,300	139,958	15,627	-	155,585
Repairs and maintenance	51,850	7,104	58,954	8,365	-	67,319
Insurance	26,456	3,625	30,081	4,268	-	34,349
Utilities	14,181	1,943	16,124	2,288	-	18,412
Supplies/materials	369,766	50,661	420,427	-	-	420,427
Equipment/furnishings	9,653	1,323	10,976	1,558	-	12,534
Staff development	134,533	18,432	152,965	11,183	-	164,148
Marketing/recruitment	10,175	1,394	11,569	-	-	11,569
Technology	318,636	43,657	362,293	19,126	-	381,419
Food service	208,980	28,632	237,612	-	-	237,612
Student services	169,130	23,172	192,302	-	-	192,302
Office expense	207,314	28,404	235,718	71,245	-	306,963
Depreciation and amortization	306,371	41,976	348,347	87,087	-	435,434
Other	43,241	5,925	49,166	9,551	-	58,717
Parental activities	4,828	662	5,490	-	-	5,490
Interest expense	-	-	-	1,418	-	1,418
Total expenses	\$ 11,125,547	\$ 1,582,625	\$ 12,708,172	\$ 1,603,658	\$ 455	\$ 14,312,285

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Endeavor
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,260,098	\$ -	\$ 1,260,098
Instructional personnel	8,463,390	1,230,666	9,694,056	-	-	9,694,056
Total personnel services costs	8,463,390	1,230,666	9,694,056	1,260,098	-	10,954,154
Fringe benefits and payroll taxes	1,461,633	200,258	1,661,891	216,024	-	1,877,915
Retirement	178,168	24,411	202,579	26,333	-	228,912
Management company fees	1,734,012	196,111	1,930,123	101,717	2,502	2,034,342
Accounting/audit services	-	-	-	30,744	-	30,744
Other purchased/ professional/consulting services	78,702	141,829	220,531	14,502	-	235,033
Repairs and maintenance	452,829	62,042	514,871	66,926	-	581,797
Insurance	82,545	11,309	93,854	12,200	-	106,054
Utilities	649,094	88,932	738,026	95,933	-	833,959
Supplies/materials	364,142	49,891	414,033	-	-	414,033
Equipment/furnishings	38,873	5,326	44,199	5,745	-	49,944
Staff development	182,168	24,959	207,127	14,814	-	221,941
Marketing/recruitment	8,777	1,202	9,979	-	-	9,979
Technology	400,451	54,865	455,316	14,305	-	469,621
Food service	552,696	75,725	628,421	-	-	628,421
Student services	241,376	33,071	274,447	-	-	274,447
Office expense	192,177	26,330	218,507	63,248	-	281,755
Depreciation and amortization	207,764	28,466	236,230	59,057	-	295,287
Other	41,660	5,708	47,368	7,688	-	55,056
Parental activities	6,735	923	7,658	-	-	7,658
Total expenses	<u>\$ 15,337,192</u>	<u>\$ 2,262,024</u>	<u>\$ 17,599,216</u>	<u>\$ 1,989,334</u>	<u>\$ 2,502</u>	<u>\$ 19,591,052</u>

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Linden Elementary
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 534,173	\$ -	\$ 534,173
Instructional personnel	2,240,830	307,015	2,547,845	-	-	2,547,845
Total personnel services costs	2,240,830	307,015	2,547,845	534,173	-	3,082,018
Fringe benefits and payroll taxes	355,488	48,705	404,193	84,742	-	488,935
Retirement	40,725	5,580	46,305	9,708	-	56,013
Management company fees	549,996	62,113	612,109	32,216	-	644,325
Accounting/audit services	-	-	-	11,175	-	11,175
Other purchased/ professional/consulting services	-	4,210	4,210	3,700	-	7,910
Repairs and maintenance	33,320	4,565	37,885	7,943	-	45,828
Insurance	11,601	1,590	13,191	2,766	-	15,957
Utilities	5,916	811	6,727	1,410	-	8,137
Supplies/materials	222,445	30,477	252,922	-	-	252,922
Equipment/furnishings	55,058	7,544	62,602	13,125	-	75,727
Staff development	72,271	9,902	82,173	12,037	-	94,210
Technology	150,614	20,635	171,249	11,361	-	182,610
Food service	27,847	3,815	31,662	-	-	31,662
Student services	53,680	7,355	61,035	-	-	61,035
Office expense	121,603	16,661	138,264	47,711	-	185,975
Depreciation and amortization	53,507	7,331	60,838	15,209	-	76,047
Other	6,781	929	7,710	1,639	-	9,349
Parental activities	4,945	677	5,622	-	-	5,622
Interest expense	-	-	-	1,861	-	1,861
Total expenses	\$ 4,006,627	\$ 539,915	\$ 4,546,542	\$ 790,776	\$ -	\$ 5,337,318

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - North Brooklyn
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 449,053	\$ -	\$ 449,053
Instructional personnel	2,068,601	284,244	2,352,845	-	-	2,352,845
Total personnel services costs	2,068,601	284,244	2,352,845	449,053	-	2,801,898
Fringe benefits and payroll taxes	362,064	49,606	411,670	78,569	-	490,239
Retirement	41,645	5,706	47,351	9,037	-	56,388
Management company fees	517,938	58,493	576,431	30,338	-	606,769
Accounting/audit services	-	-	-	11,176	-	11,176
Other purchased/ professional/consulting services	-	5,137	5,137	1,850	-	6,987
Repairs and maintenance	2,430	333	2,763	527	-	3,290
Insurance	10,929	1,497	12,426	2,371	-	14,797
Utilities	6,161	844	7,005	1,337	-	8,342
Supplies/materials	124,107	17,004	141,111	-	-	141,111
Equipment/furnishings	49,391	6,767	56,158	10,718	-	66,876
Staff development	37,570	5,147	42,717	3,287	-	46,004
Marketing/recruitment	14,050	1,926	15,976	-	-	15,976
Technology	156,475	21,437	177,912	10,832	-	188,744
Food service	20,243	2,773	23,016	-	-	23,016
Student services	10,715	1,468	12,183	-	-	12,183
Office expense	73,119	10,018	83,137	35,979	-	119,116
Depreciation and amortization	88,811	12,168	100,979	25,245	-	126,224
Other	15,073	2,065	17,138	3,875	-	21,013
Parental activities	32,906	4,509	37,415	-	-	37,415
Total expenses	\$ 3,632,228	\$ 491,142	\$ 4,123,370	\$ 674,194	\$ -	\$ 4,797,564

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Voyager
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 200,294	\$ -	\$ 200,294
Instructional personnel	531,096	72,766	603,862	-	-	603,862
Total personnel services costs	531,096	72,766	603,862	200,294	-	804,156
Fringe benefits and payroll taxes	90,418	12,388	102,806	34,100	-	136,906
Retirement	9,363	1,283	10,646	3,531	-	14,177
Management company fees	175,781	19,851	195,632	10,296	-	205,928
Accounting/audit services	-	-	-	10,263	-	10,263
Other purchased/ professional/consulting services	-	-	-	3,700	-	3,700
Repairs and maintenance	1,080	148	1,228	407	-	1,635
Insurance	3,058	419	3,477	1,153	-	4,630
Utilities	2,050	281	2,331	773	-	3,104
Supplies/materials	49,237	6,746	55,983	-	-	55,983
Equipment/furnishings	41,663	5,708	47,371	15,712	-	63,083
Staff development	12,817	1,757	14,574	1,945	-	16,519
Marketing/recruitment	5,823	798	6,621	-	-	6,621
Technology	99,529	13,635	113,164	8,838	-	122,002
Food service	5,485	751	6,236	-	-	6,236
Student services	12,515	1,715	14,230	-	-	14,230
Office expense	37,089	5,081	42,170	13,675	-	55,845
Depreciation and amortization	18,211	2,495	20,706	5,177	-	25,883
Other	2,874	395	3,269	1,065	-	4,334
Parental activities	2,197	301	2,498	-	-	2,498
Interest expense	-	-	-	982	-	982
Total expenses	<u>\$ 1,100,286</u>	<u>\$ 146,518</u>	<u>\$ 1,246,804</u>	<u>\$ 311,911</u>	<u>\$ -</u>	<u>\$ 1,558,715</u>

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - East Brooklyn High School
Year Ended June 30, 2017**

	Program services			General and administrative	Fundraising	Total
	Regular education	Special education	Total program services			
Personnel services costs						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 263,483	\$ -	\$ 263,483
Instructional personnel	1,018,543	139,549	1,158,092	-	-	1,158,092
Total personnel services costs	1,018,543	139,549	1,158,092	263,483	-	1,421,575
Fringe benefits and payroll taxes	186,285	25,523	211,808	48,189	-	259,997
Retirement	20,661	2,831	23,492	5,345	-	28,837
Management company fees	202,611	24,989	227,600	12,961	18,657	259,218
Accounting/audit services	-	-	-	10,263	-	10,263
Other purchased/ professional/consulting services	-	1,130	1,130	1,850	-	2,980
Repairs and maintenance	24,523	3,360	27,883	6,344	-	34,227
Insurance	3,425	469	3,894	886	-	4,780
Utilities	1,383	189	1,572	358	-	1,930
Supplies/materials	67,162	9,202	76,364	-	-	76,364
Equipment/furnishings	64,868	8,888	73,756	16,781	-	90,537
Staff development	46,461	6,366	52,827	5,349	-	58,176
Marketing/recruitment	944	129	1,073	-	-	1,073
Technology	146,952	20,132	167,084	7,837	-	174,921
Food service	4,284	587	4,871	-	-	4,871
Student services	65,773	9,011	74,784	-	-	74,784
Office expense	52,395	7,179	59,574	16,971	-	76,545
Depreciation and amortization	30,693	4,205	34,898	8,725	-	43,623
Other	6,285	862	7,147	1,669	-	8,816
Parental activities	1,073	147	1,220	-	-	1,220
Interest expense	-	-	-	5,482	-	5,482
Total expenses	\$ 1,944,321	\$ 264,748	\$ 2,209,069	\$ 412,493	\$ 18,657	\$ 2,640,219

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Achievement First Brooklyn Charter Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Achievement First Brooklyn Charter Schools, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Achievement First Brooklyn Charter Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Achievement First Brooklyn Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Achievement First Brooklyn Charter Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Achievement First Brooklyn Charter Schools in a separate letter dated October 30, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Hartford, Connecticut
October 30, 2017

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

To the Board of Trustees
Achievement First Brooklyn Charter Schools

Report on Compliance for Each Major Federal Program

We have audited Achievement First Brooklyn Charter Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Achievement First Brooklyn Charter Schools' major federal programs for the year ended June 30, 2017. Achievement First Brooklyn Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Achievement First Brooklyn Charter Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Achievement First Brooklyn Charter Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Achievement First Brooklyn Charter Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Achievement First Brooklyn Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Achievement First Brooklyn Charter Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Achievement First Brooklyn Charter Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Achievement First Brooklyn Charter Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut
October 30, 2017

Achievement First Brooklyn Charter Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Education				
Passed through New York State				
Education Department				
		0021-17-4324		
		0021-17-4555		
		0021-17-4940		
		0021-17-4375		
		0021-17-5085		
		0021-17-5000		
		0021-17-4304		
		0021-17-4308		
Title I Grants to Local Educational Agencies (LEAs)	84.010	0021-17-4326		
		0021-17-5265	\$ -	\$ 2,936,062
		0147-17-4324		
		0147-17-4555		
		0147-17-4940		
		0147-17-4375		
		0147-17-5085		
		0147-17-5000		
		0147-17-4304		
		0147-17-4308		
Supporting Effective Instruction State Grants	84.367	0147-17-4326		
		0147-17-5265	-	114,771
Special Education Cluster (IDEA) Special Education Grants to States (IDEA, Part B) - Total Special Education Cluster (IDEA)	84.027	Not applicable	-	694,954
Passed through Achievement First, Inc. Charter Schools	84.282	Not applicable	-	<u>731,177</u>
Total U.S. Department of Education			-	<u>4,476,964</u>

Achievement First Brooklyn Charter Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture Passed through New York State Education Department				
Child Nutrition Cluster				
School Breakfast				
Program (SBP)	10.553	Not applicable	\$ -	\$ 153,524
National School Lunch	10.555	Not applicable	-	771,663
Program (NSLP)			<u>-</u>	<u>771,663</u>
Total Child Nutrition Cluster			<u>-</u>	<u>925,187</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 5,402,151</u>

See Notes to Schedule of Expenditures of Federal Awards.

Achievement First Brooklyn Charter Schools

Notes to Schedule of Expenditures of Federal Awards June 30, 2017

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Achievement First Brooklyn Charter Schools (the "Organization") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of significant accounting policies

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

Note 3 - Indirect cost rate

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

Achievement First Brooklyn Charter Schools

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified opinion
Internal control over financial reporting:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards:

Internal control over major programs:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low-risk auditee? X yes no

II. Findings - Financial Statement Audit

None

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

None

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