

Achievement First Brooklyn Charter Schools

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

June 30, 2018

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	8
Supplementary Information	
Supplemental Combining Schedule of Activities by Charter	17
Supplemental Schedules of Functional Expenses	18
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>	28
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	30
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35

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, 2018, 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, 2018, 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' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of Achievement First Brooklyn Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Achievement First Brooklyn Charter Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Achievement First Brooklyn Charter Schools' internal control over financial reporting and compliance.



Hartford, Connecticut
October 31, 2018

Achievement First Brooklyn Charter Schools

**Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)**

<u>Assets</u>		
	2018	2017
Cash	\$ 5,864,079	\$ 747,391
Restricted cash	350,000	350,000
Grants and other receivables	3,337,519	4,973,220
Prepaid expenses and other assets	775,256	639,366
Due from related party	581,810	-
Due from other school	507	-
Due from NYC Department of Education	-	61,274
Construction in process	314,461	21,273
Property and equipment, net	6,555,851	6,609,786
Lease acquisition costs, net	4,997,751	5,224,164
	\$ 22,777,234	\$ 18,626,474
Total assets		
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,191,633	\$ 2,244,450
Accrued salaries and other payroll related expenses	1,587,922	1,628,420
Due to related party	-	1,208,345
Due to other schools	14,650	43,487
Due to NYC Department of Education	246,092	-
Due to NYS Education Department	665,915	-
Deferred revenue	18,528	40,641
Loans payable	2,730,771	2,046,897
	7,455,511	7,212,240
Total liabilities		
Net assets		
Unrestricted		
Undesignated	14,821,723	11,413,840
Board-designated reserve	500,000	-
Temporarily restricted	-	394
	15,321,723	11,414,234
Total net assets		
Total liabilities and net assets	\$ 22,777,234	\$ 18,626,474

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	Unrestricted	Temporarily restricted	2018	2017
Change in unrestricted net assets				
Operating revenue				
State and local per pupil operating revenue	\$ 110,577,371	\$ -	\$ 110,577,371	\$ 97,456,388
Federal, state and local grants	5,053,593	-	5,053,593	5,431,504
Special education revenue	14,920,203	-	14,920,203	12,784,037
Net assets released from restrictions	394	(394)	-	-
Total operating revenue	<u>130,551,561</u>	<u>(394)</u>	<u>130,551,167</u>	<u>115,671,929</u>
Expenses				
Program services	112,671,880	-	112,671,880	102,742,075
General and administrative	14,647,981	-	14,647,981	12,976,454
Fundraising	5,000	-	5,000	22,752
Total expenses	<u>127,324,861</u>	<u>-</u>	<u>127,324,861</u>	<u>115,741,281</u>
Surplus (deficit) on school operations from government funding	<u>3,226,700</u>	<u>(394)</u>	<u>3,226,306</u>	<u>(69,352)</u>
Support and other revenue				
Contributions	72,580	-	72,580	490,793
In-kind contributions	520,651	-	520,651	490,572
Interest income	-	-	-	226
Other revenue	87,952	-	87,952	2,931
Total support and other revenue	<u>681,183</u>	<u>-</u>	<u>681,183</u>	<u>984,522</u>
Change in net assets	3,907,883	(394)	3,907,489	915,170
Net assets, beginning	<u>11,413,840</u>	<u>394</u>	<u>11,414,234</u>	<u>10,499,064</u>
Net assets, end	<u>\$ 15,321,723</u>	<u>\$ -</u>	<u>\$ 15,321,723</u>	<u>\$ 11,414,234</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Statement of Functional Expenses Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 9,744,084	\$ -	\$ 9,744,084	\$ 8,509,518
Instructional personnel	57,398,271	7,627,390	65,025,661	-	-	65,025,661	59,165,475
Total personnel services costs	57,398,271	7,627,390	65,025,661	9,744,084	-	74,769,745	67,674,993
Fringe benefits and payroll taxes	10,227,388	1,347,923	11,575,311	1,734,492	-	13,309,803	11,584,751
Retirement	1,042,511	137,784	1,180,295	176,782	-	1,357,077	1,256,741
Management company fees	12,858,138	1,394,166	14,252,304	750,385	5,000	15,007,689	13,272,178
Accounting/audit services	-	-	-	196,002	-	196,002	218,205
Other purchased/professional/consulting services	122,724	481,225	603,949	83,384	-	687,333	621,458
Repairs and maintenance	1,072,852	144,503	1,217,355	174,194	-	1,391,549	1,366,475
Insurance	337,039	44,588	381,627	56,597	-	438,224	373,565
Utilities	1,073,990	146,484	1,220,474	173,523	-	1,393,997	1,393,952
Supplies/materials	2,715,852	354,814	3,070,666	-	-	3,070,666	3,335,887
Equipment/furnishings	555,870	73,830	629,700	97,513	-	727,213	874,005
Staff development	1,504,530	198,385	1,702,915	124,801	-	1,827,716	1,921,721
Marketing/recruitment	134,539	18,252	152,791	-	-	152,791	98,832
Technology	3,201,192	423,775	3,624,967	126,597	-	3,751,564	3,148,117
Food service	1,177,949	158,250	1,336,199	-	-	1,336,199	1,566,483
Student services	2,019,620	261,285	2,280,905	-	-	2,280,905	1,963,701
Office expense	2,065,969	272,279	2,338,248	724,322	-	3,062,570	2,804,841
Depreciation and amortization	1,400,445	184,620	1,585,065	396,267	-	1,981,332	1,706,947
Other	267,054	35,314	302,368	62,998	-	365,366	375,385
Parental activities	169,163	21,917	191,080	-	-	191,080	154,678
Interest expense	-	-	-	26,040	-	26,040	28,366
Total expenses	<u>\$ 99,345,096</u>	<u>\$ 13,326,784</u>	<u>\$ 112,671,880</u>	<u>\$ 14,647,981</u>	<u>\$ 5,000</u>	<u>\$ 127,324,861</u>	<u>\$ 115,741,281</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

**Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 3,907,489	\$ 915,170
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,981,332	1,706,947
Write off of construction in process	-	8,000
Bad debt expense	5,888	-
Accrued interest	2,572	28,366
Changes in operating assets and liabilities		
Grants and other receivables	1,629,813	(2,906,871)
Prepaid expenses and other assets	(135,890)	220,847
Due from related party	(581,810)	257,564
Due from other school	(507)	-
Due from NYC Department of Education	61,274	(61,274)
Accounts payable and accrued expenses	(128,737)	461,765
Accrued salaries and other payroll related expenses	(40,498)	233,445
Due to related party	(1,208,345)	1,208,345
Due to other schools	(28,837)	8,755
Due to NYC Department of Education	246,092	(37,120)
Due to NYS Education Department	665,915	-
Deferred revenue	(22,113)	30,185
	<u>6,353,638</u>	<u>2,074,124</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(1,918,252)	(2,190,657)
	<u>(1,918,252)</u>	<u>(2,190,657)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Payments of long-term debt	(400,698)	(609,353)
Proceeds from long-term debt	1,082,000	1,395,063
	<u>681,302</u>	<u>785,710</u>
Net cash provided by financing activities		
Net increase in cash	5,116,688	669,177
Cash, beginning	<u>747,391</u>	<u>78,214</u>
Cash, end	<u>\$ 5,864,079</u>	<u>\$ 747,391</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 23,469</u>	<u>\$ 28,366</u>
Purchase of construction in process with accounts payable	<u>\$ 97,193</u>	<u>\$ 21,273</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2018

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, 2018.

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, 2018, 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.

Unrestricted - board designated - The School aspires to have a reserve of 2.5% of its annual budget at any time. Cash basis operating surpluses, if they exist at year-end, may be used to accumulate the board-designated reserve. Utilization of the reserve may be approved by the Board of Trustees and used for emergency funds in case of an unexpected financial crises, start-up costs for growth needs, facility capital requirements, principal-in-residence salaries and one-time projects which have significant future potential. The reserve balance will be generated from the schools' budgeted per-pupil operating revenue, excluding state and federal non-operating grants.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2018

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, 2018.

Restricted cash

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

Grants and other receivables

Grants receivable represent amounts owed to the School based on exchange transactions. Grants receivable that are expected to be collected within one year, and recorded at net realizable value, are \$3,289,604 at June 30, 2018. The School has determined that no allowance for uncollectible accounts for receivables is necessary as of June 30, 2018. 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, 2018

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 \$3,000 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, 2018.

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, 2018

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, 2018. The School's federal tax returns prior to fiscal year 2015 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, 2018.

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, 2017, 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, 2018, the School had uninsured bank balances of \$7,028,698. The School limits its credit risk by selecting financial institutions considered to be highly creditworthy.

Subsequent events

Management has reviewed subsequent events through October 31, 2018, which is the date the financial statements were approved and available for issuance.

Note 3 - Concentrations

The School received approximately 85% of its operating revenue, which is subject to specific requirements, from per pupil funding from the NYCDOE during the year ended June 30, 2018.

The School's grants and other receivables consist of approximately 81% of per pupil funding from the State of New York and 18% from the Federal and State Departments of Education at June 30, 2018.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2018

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. For the year ended June 30, 2018, the School incurred no overtime and incurred no permit fees. The School also entered into an Administrative Cost Management Agreement that requires the School to pay Uncommon Crown Heights, LLC for its share of the building costs for the facilities located at 1485 Pacific Street, Brooklyn, New York. The fair value of the rent has not been included in the accompanying financial statements as the agreement is non-binding, the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined and is industry practice.

Note 5 - Property and equipment

The following is a summary of property and equipment at June 30, 2018:

Leasehold improvements	\$ 8,638,678
Furniture and fixtures	1,720,364
Computers and other hardware	1,307,970
Equipment	2,636,046
Software	53,790
Student computers and software	4,954
Musical instruments	78,890
	<hr/>
	14,440,692
Less accumulated depreciation	<u>(7,884,841)</u>
	<hr/>
	<u>\$ 6,555,851</u>

Depreciation expense was \$1,754,919 for the year ended June 30, 2018.

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, NYSCA, the landlord, entered into an agreement to lease the building to Civic Builders for a thirty year term. Civic Builders entered into an agreement to sublease the building to AF Waverly LLC, of which Achievement First, Inc. is the sole member, which in turn leases the building to the School under the same terms at an annual lease of \$1 plus operating costs. The lease acquisition costs of \$6,792,379 include the costs incurred by Achievement First Endeavor Charter School in meeting their obligation to NYCDOE to fund 20% of the costs of construction; these costs are amortized over the 30 year lease term. Amortization expense for the year ended June 30, 2018 was \$226,413 and accumulated amortization at June 30, 2018 was \$1,794,628. Amortization expense for each of the next five years is \$226,412.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2018

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 Agreement automatically renews to coincide with the charter renewals for each school. The Agreement covers services including bookkeeping, facilities acquisition and management, special education delivery support, data analysis management support, and tutoring program support. The School is to pay AF an ancillary services fee that is mutually negotiated by the School and AF. For the year ended June 30, 2018, the School incurred management and ancillary services fees of \$15,007,689, which is included in the accompanying statement of functional expenses. AF is also the recipient of grant funds that are passed through AF to the School. The amount due from AF at June 30, 2018 was \$581,810.

The School entered into unsecured loan agreements 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, 2018:

Achievement First Elm City Charter School	\$	4,983
Achievement First Hartford Charter School		488
Amistad Academy Charter School		9,091
Achievement First Providence Charter School		88
		<hr/>
	\$	<u>14,650</u>

The School was owed \$507 by Achievement First Bridgeport Charter School at June 30, 2018.

Note 9 - Loans payable

Loans payable to AF bear interest at 1%, no payments of principal or interest are required until maturity. Loans mature on June 30, 2019. The outstanding balance due to AF at June 30, 2018 was \$418,466 including accrued interest of \$18,466. Interest expense of \$4,000 is included in interest expense on the statement of functional expenses. The loans were passed through AF from the Charter School Growth Fund for start-up costs for Aspire and East New York schools.

Loans payable to Charter School Growth Fund bear interest at 1% and 3%. The 1% loans are start-up loans and no payments of principal or interest are required until maturity. The 3% loans are improvement loans and require annual payments of principal and interest. Loans mature through June 30, 2023. The outstanding balance due to Charter School Growth Fund at June 30, 2018 was \$2,281,302 including accrued interest of \$31,003. Interest expense of \$22,018 is included in interest expense on the statement of functional expenses.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2018

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

2019	\$	400,000
2020		921,730
2021		732,239
2022		227,333
2023		400,000
		<hr/>
	\$	<u>2,681,302</u>

Accrued interest of \$49,469 is included in loans payable as of June 30, 2018.

Note 10 - Due to NYC Department of Education and the NY State Education Department

The NYCDOE paid the School per-pupil grant funds in six installments, based on estimates from the School. At the end of each year, the NYCDOE reconciles the total amount paid against the full-time-equivalent enrollment for the year and determines if an overpayment or underpayment has been made. As of June 30, 2018, an overpayment totaling \$246,092 had been made. An adjustment for this amount will be reflected in the succeeding year's third payment. The New York State Education Department informed the School at the end of the year that an error had been made in the allocation of Title II funds available to districts throughout the state, as a result \$665,915 was received by the School in excess of the State's recalculated grant allocation. The State has agreed to accept repayment of the excess over the next five years.

Note 11 - Operating leases

The School leases office equipment under non-cancelable operating lease agreements expiring through April 2023. The future minimum payments are as follows:

2019	\$	775,678
2020		615,673
2021		473,978
2022		344,357
2023		86,344
		<hr/>
	\$	<u>2,296,030</u>

The lease expense for the year ended June 30, 2018 was \$1,002,406.

Note 12 - 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, 2018, pension expense for the School was approximately \$1,357,000, which is included in retirement in the accompanying statement of functional expenses.

Achievement First Brooklyn Charter Schools

**Notes to Financial Statements
June 30, 2018**

Note 13 - Risk management

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

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

Note 14 - Commitments

The School entered into a construction contract for work to be performed at Aspire and Linden schools. The balance of the contract at June 30, 2018 was \$524,225.

Supplementary Information

Achievement First Brooklyn Charter Schools

Supplemental Combining Schedule of Activities by Charter Year Ended June 30, 2018

	Achievement First Apollo	Achievement First Aspire	Achievement First Brownsville	Achievement First Bushwick	Achievement First Crown Heights	Achievement First East New York	Achievement First Endeavor	Achievement First Linden Elementary	Achievement First North Brooklyn	Achievement First Voyager	Total
Operating revenue											
State and local per pupil operating revenue	\$ 12,502,610	\$ 8,252,850	\$ 14,798,683	\$ 16,453,325	\$ 15,471,853	\$ 12,596,292	\$ 15,099,367	\$ 6,654,479	\$ 6,128,279	\$ 2,619,633	\$ 110,577,371
Federal, state and local grants	355,103	378,388	566,376	1,059,833	421,469	586,059	1,083,441	181,213	181,271	240,440	5,053,593
Special education revenue	1,481,683	720,918	1,894,740	3,251,933	2,047,298	1,465,444	2,178,360	613,069	889,634	377,124	14,920,203
Reallocation of income for Empower School	-	(20,000)	(50,000)	230,000	(40,000)	(30,000)	(10,000)	(40,000)	(40,000)	-	-
Total operating revenue	14,339,396	9,332,156	17,209,799	20,995,091	17,900,620	14,617,795	18,351,168	7,408,761	7,159,184	3,237,197	130,551,167
Expenses											
Program services	11,163,975	7,605,157	14,918,310	18,010,559	15,654,525	13,566,507	17,289,909	6,038,296	5,643,795	2,780,847	112,671,880
General and administrative	1,392,454	1,283,096	1,949,357	2,272,384	2,085,420	1,635,124	2,001,400	818,238	668,225	542,283	14,647,981
Fundraising	-	41	-	86	2,070	1,075	1,728	-	-	-	5,000
Total expenses	12,556,429	8,888,294	16,867,667	20,283,029	17,742,015	15,202,706	19,293,037	6,856,534	6,312,020	3,323,130	127,324,861
Surplus (deficit) on school operations from government funding	1,782,967	443,862	342,132	712,062	158,605	(584,911)	(941,869)	552,227	847,164	(85,933)	3,226,306
Support and other revenue											
Contributions	-	600	-	1,250	30,180	15,550	25,000	-	-	-	72,580
In-kind contributions	63,887	44,095	69,003	92,615	84,098	50,531	52,674	34,851	28,897	-	520,651
Other revenue	6,578	-	82	3,012	73,314	4,966	-	-	-	-	87,952
Total support and other revenue	70,465	44,695	69,085	96,877	187,592	71,047	77,674	34,851	28,897	-	681,183
Change in net assets	1,853,432	488,557	411,217	808,939	346,197	(513,864)	(864,195)	587,078	876,061	(85,933)	3,907,489
Net assets, beginning	1,949,231	1,232,689	1,067,354	484,319	341,796	1,960,461	3,451,377	692,053	549,587	(314,633)	11,414,234
Net assets, end	\$ 3,802,663	\$ 1,721,246	\$ 1,478,571	\$ 1,293,258	\$ 687,993	\$ 1,446,597	\$ 2,587,182	\$ 1,279,131	\$ 1,425,648	\$ (400,566)	\$ 15,321,723

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Apollo
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 929,526	\$ -	\$ 929,526	\$ 871,348
Instructional personnel	5,935,224	488,875	6,424,099	-	-	6,424,099	5,923,968
Total personnel services costs	5,935,224	488,875	6,424,099	929,526	-	7,353,625	6,795,316
Fringe benefits and payroll taxes	1,082,674	89,178	1,171,852	169,559	-	1,341,411	1,180,890
Retirement	103,395	8,517	111,912	16,193	-	128,105	137,976
Management company fees	1,463,437	100,205	1,563,642	82,297	-	1,645,939	1,438,624
Accounting/audit services	-	-	-	18,667	-	18,667	23,263
Other purchased/professional/consulting services	-	4,078	4,078	7,000	-	11,078	12,315
Repairs and maintenance	48,273	3,976	52,249	7,560	-	59,809	122,905
Insurance	32,216	2,654	34,870	5,045	-	39,915	35,850
Utilities	14,110	1,162	15,272	2,210	-	17,482	15,281
Supplies/materials	341,795	28,153	369,948	-	-	369,948	323,444
Equipment/furnishings	50,743	4,180	54,923	7,947	-	62,870	224,061
Staff development	155,869	12,839	168,708	13,777	-	182,485	174,737
Marketing/recruitment	5,910	486	6,396	-	-	6,396	6,452
Technology	314,126	25,874	340,000	13,244	-	353,244	309,246
Food service	62,525	5,150	67,675	-	-	67,675	90,255
Student services	294,749	24,278	319,027	-	-	319,027	206,707
Office expense	223,518	18,411	241,929	65,997	-	307,926	295,530
Depreciation and amortization	149,485	12,313	161,798	40,450	-	202,248	219,167
Other	26,704	2,199	28,903	5,661	-	34,564	36,199
Parental activities	24,663	2,031	26,694	-	-	26,694	37,748
Interest expense	-	-	-	7,321	-	7,321	10,305
Total expenses	\$ 10,329,416	\$ 834,559	\$ 11,163,975	\$ 1,392,454	\$ -	\$ 12,556,429	\$ 11,696,271

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Aspire
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 876,084	\$ -	\$ 876,084	\$ 448,300
Instructional personnel	3,856,345	570,533	4,426,878	-	-	4,426,878	3,386,108
Total personnel services costs	3,856,345	570,533	4,426,878	876,084	-	5,302,962	3,834,408
Fringe benefits and payroll taxes	688,923	100,221	789,144	156,172	-	945,316	618,507
Retirement	70,849	10,307	81,156	16,061	-	97,217	55,016
Management company fees	960,582	115,039	1,075,621	56,614	41	1,132,276	814,427
Accounting/audit services	-	-	-	18,667	-	18,667	13,001
Other purchased/professional/consulting services	-	523	523	7,000	-	7,523	15,184
Repairs and maintenance	17,678	2,572	20,250	4,007	-	24,257	40,669
Insurance	20,192	2,937	23,129	4,577	-	27,706	18,372
Utilities	12,685	1,845	14,530	2,876	-	17,406	9,783
Supplies/materials	164,547	23,937	188,484	-	-	188,484	200,403
Equipment/furnishings	52,381	7,620	60,001	11,874	-	71,875	64,535
Staff development	90,396	13,151	103,547	9,914	-	113,461	99,020
Marketing/recruitment	16,690	2,428	19,118	-	-	19,118	5,371
Technology	277,414	40,356	317,770	12,409	-	330,179	183,970
Food service	32,703	4,758	37,461	-	-	37,461	83,554
Student services	80,579	11,722	92,301	-	-	92,301	48,868
Office expense	169,386	24,642	194,028	67,103	-	261,131	212,048
Depreciation and amortization	108,048	15,718	123,766	30,942	-	154,708	85,319
Other	22,241	3,235	25,476	5,874	-	31,350	40,977
Parental activities	10,453	1,521	11,974	-	-	11,974	2,841
Interest expense	-	-	-	2,922	-	2,922	3,973
Total expenses	\$ 6,652,092	\$ 953,065	\$ 7,605,157	\$ 1,283,096	\$ 41	\$ 8,888,294	\$ 6,450,246

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Brownsville
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,317,346	\$ -	\$ 1,317,346	\$ 1,265,554
Instructional personnel	7,669,479	1,050,790	8,720,269	-	-	8,720,269	8,004,839
Total personnel services costs	7,669,479	1,050,790	8,720,269	1,317,346	-	10,037,615	9,270,393
Fringe benefits and payroll taxes	1,350,061	184,971	1,535,032	231,752	-	1,766,784	1,594,581
Retirement	128,363	17,587	145,950	22,003	-	167,953	153,203
Management company fees	1,736,003	196,053	1,932,056	101,688	-	2,033,744	1,821,159
Accounting/audit services	-	-	-	28,000	-	28,000	32,615
Other purchased/professional/consulting services	-	11,918	11,918	10,500	-	22,418	14,075
Repairs and maintenance	52,462	7,187	59,649	9,582	-	69,231	115,629
Insurance	37,865	5,188	43,053	6,523	-	49,576	37,814
Utilities	14,147	1,939	16,086	2,440	-	18,526	15,766
Supplies/materials	356,525	48,848	405,373	-	-	405,373	482,956
Equipment/furnishings	134,989	18,495	153,484	22,647	-	176,131	138,619
Staff development	284,277	38,948	323,225	21,707	-	344,932	311,772
Marketing/recruitment	11,314	1,550	12,864	-	-	12,864	5,598
Technology	442,829	60,674	503,503	15,660	-	519,163	509,370
Food service	53,976	7,396	61,372	-	-	61,372	61,846
Student services	282,388	38,689	321,077	-	-	321,077	242,916
Office expense	352,011	48,229	400,240	98,089	-	498,329	361,424
Depreciation and amortization	175,441	24,037	199,478	49,870	-	249,348	156,915
Other	33,818	4,633	38,451	7,310	-	45,761	53,383
Parental activities	30,984	4,246	35,230	-	-	35,230	23,296
Interest expense	-	-	-	4,240	-	4,240	7,344
Total expenses	\$ 13,146,932	\$ 1,771,378	\$ 14,918,310	\$ 1,949,357	\$ -	\$ 16,867,667	\$ 15,410,674

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Bushwick
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,537,999	\$ -	\$ 1,537,999	\$ 1,320,383
Instructional personnel	9,395,860	1,287,324	10,683,184	-	-	10,683,184	9,888,405
Total personnel services costs	9,395,860	1,287,324	10,683,184	1,537,999	-	12,221,183	11,208,788
Fringe benefits and payroll taxes	1,646,202	225,545	1,871,747	268,857	-	2,140,604	1,923,120
Retirement	199,302	27,306	226,608	33,605	-	260,213	220,976
Management company fees	1,963,604	221,766	2,185,370	115,025	86	2,300,481	2,101,823
Accounting/audit services	-	-	-	33,751	-	33,751	29,699
Other purchased/professional/consulting services	-	8,562	8,562	7,442	-	16,004	16,450
Repairs and maintenance	153,344	21,010	174,354	24,453	-	198,807	201,560
Insurance	39,908	5,467	45,375	6,364	-	51,739	43,108
Utilities	16,803	2,303	19,106	2,743	-	21,849	19,940
Supplies/materials	427,049	58,509	485,558	-	-	485,558	490,763
Equipment/furnishings	120,341	16,487	136,828	18,432	-	155,260	124,595
Staff development	237,192	32,497	269,689	22,157	-	291,846	327,152
Marketing/recruitment	18,788	2,574	21,362	-	-	21,362	6,598
Technology	490,959	67,264	558,223	16,893	-	575,116	474,620
Food service	239,336	32,790	272,126	-	-	272,126	295,953
Student services	460,470	63,089	523,559	-	-	523,559	425,953
Office expense	320,500	43,912	364,412	140,159	-	504,571	450,471
Depreciation and amortization	100,790	13,809	114,599	28,650	-	143,249	139,141
Other	33,175	4,546	37,721	10,855	-	48,576	43,499
Parental activities	10,709	1,467	12,176	-	-	12,176	12,760
Interest expense	-	-	-	4,999	-	4,999	2,483
Total expenses	\$ 15,874,332	\$ 2,136,227	\$ 18,010,559	\$ 2,272,384	\$ 86	\$ 20,283,029	\$ 18,559,452

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Crown Heights
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,392,133	\$ -	\$ 1,392,133	\$ 1,099,529
Instructional personnel	7,885,143	1,080,339	8,965,482	-	-	8,965,482	9,287,929
Total personnel services costs	7,885,143	1,080,339	8,965,482	1,392,133	-	10,357,615	10,387,458
Fringe benefits and payroll taxes	1,411,595	193,402	1,604,997	249,219	-	1,854,216	1,800,689
Retirement	125,083	17,137	142,220	22,083	-	164,303	178,446
Management company fees	1,753,455	198,258	1,951,713	102,831	2,070	2,056,614	1,989,198
Accounting/audit services	-	-	-	23,198	-	23,198	28,272
Other purchased/professional/consulting services	-	82,342	82,342	8,699	-	91,041	154,219
Repairs and maintenance	77,931	10,677	88,608	13,759	-	102,367	185,843
Insurance	55,432	7,595	63,027	9,787	-	72,814	62,634
Utilities	361,291	49,500	410,791	63,786	-	474,577	461,228
Supplies/materials	492,157	67,430	559,587	-	-	559,587	553,845
Equipment/furnishings	67,472	9,244	76,716	11,912	-	88,628	54,031
Staff development	243,455	33,355	276,810	18,744	-	295,554	466,218
Marketing/recruitment	22,945	3,144	26,089	-	-	26,089	30,668
Technology	362,865	49,717	412,582	14,452	-	427,034	326,515
Food service	16,503	2,261	18,764	-	-	18,764	107,928
Student services	400,172	54,828	455,000	-	-	455,000	485,060
Office expense	264,954	36,301	301,255	109,671	-	410,926	535,714
Depreciation and amortization	113,685	15,576	129,261	32,315	-	161,576	147,530
Other	53,807	7,371	61,178	12,831	-	74,009	52,858
Parental activities	24,717	3,386	28,103	-	-	28,103	19,350
Total expenses	\$ 13,732,662	\$ 1,921,863	\$ 15,654,525	\$ 2,085,420	\$ 2,070	\$ 17,742,015	\$ 18,027,704

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - East New York
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,077,244	\$ -	\$ 1,077,244	\$ 1,060,786
Instructional personnel	7,034,736	963,826	7,998,562	-	-	7,998,562	7,475,618
Total personnel services costs	7,034,736	963,826	7,998,562	1,077,244	-	9,075,806	8,536,404
Fringe benefits and payroll taxes	1,269,602	173,948	1,443,550	194,417	-	1,637,967	1,472,969
Retirement	137,532	18,843	156,375	21,060	-	177,435	155,634
Management company fees	1,452,631	164,172	1,616,803	85,151	1,075	1,703,029	1,615,583
Accounting/audit services	-	-	-	22,251	-	22,251	27,997
Other purchased/professional/ consulting services	48,075	108,515	156,590	15,670	-	172,260	155,585
Repairs and maintenance	114,501	15,688	130,189	17,534	-	147,723	67,319
Insurance	31,461	4,310	35,771	4,818	-	40,589	34,349
Utilities	11,098	1,521	12,619	1,699	-	14,318	18,412
Supplies/materials	255,647	35,026	290,673	-	-	290,673	420,427
Equipment/furnishings	11,174	1,531	12,705	1,711	-	14,416	12,534
Staff development	121,120	16,596	137,716	11,132	-	148,848	164,148
Marketing/recruitment	13,496	1,850	15,346	-	-	15,346	11,569
Technology	449,331	61,562	510,893	17,765	-	528,658	381,419
Food service	146,906	20,127	167,033	-	-	167,033	237,612
Student services	203,940	27,942	231,882	-	-	231,882	192,302
Office expense	203,194	27,840	231,034	61,918	-	292,952	306,963
Depreciation and amortization	324,850	44,507	369,357	92,339	-	461,696	435,434
Other	37,391	5,122	42,513	8,091	-	50,604	58,717
Parental activities	6,065	831	6,896	-	-	6,896	5,490
Interest expense	-	-	-	2,324	-	2,324	1,418
Total expenses	\$ 11,872,750	\$ 1,693,757	\$ 13,566,507	\$ 1,635,124	\$ 1,075	\$ 15,202,706	\$ 14,312,285

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Endeavor
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,276,978	\$ -	\$ 1,276,978	\$ 1,260,098
Instructional personnel	8,416,493	1,198,547	9,615,040	-	-	9,615,040	9,694,056
Total personnel services costs	8,416,493	1,198,547	9,615,040	1,276,978	-	10,892,018	10,954,154
Fringe benefits and payroll taxes	1,494,256	204,727	1,698,983	225,643	-	1,924,626	1,877,915
Retirement	160,434	21,981	182,415	24,227	-	206,642	228,912
Management company fees	1,741,740	196,896	1,938,636	102,124	1,728	2,042,488	2,034,342
Accounting/audit services	-	-	-	23,469	-	23,469	30,744
Other purchased/professional/consulting services	74,649	153,763	228,412	18,323	-	246,735	235,033
Repairs and maintenance	459,075	62,898	521,973	69,324	-	591,297	581,797
Insurance	80,768	11,066	91,834	12,197	-	104,031	106,054
Utilities	626,881	85,889	712,770	94,663	-	807,433	833,959
Supplies/materials	266,958	36,576	303,534	-	-	303,534	414,033
Equipment/furnishings	24,524	3,360	27,884	3,703	-	31,587	49,944
Staff development	200,631	27,489	228,120	11,971	-	240,091	221,941
Marketing/recruitment	5,995	821	6,816	-	-	6,816	9,979
Technology	325,638	44,614	370,252	12,266	-	382,518	469,621
Food service	574,803	78,753	653,556	-	-	653,556	628,421
Student services	179,117	24,541	203,658	-	-	203,658	274,447
Office expense	187,283	25,659	212,942	59,805	-	272,747	281,755
Depreciation and amortization	208,902	28,622	237,524	59,381	-	296,905	295,287
Other	36,864	5,050	41,914	7,326	-	49,240	55,056
Parental activities	12,002	1,644	13,646	-	-	13,646	7,658
Total expenses	\$ 15,077,013	\$ 2,212,896	\$ 17,289,909	\$ 2,001,400	\$ 1,728	\$ 19,293,037	\$ 19,591,052

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - Linden Elementary
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 543,945	\$ -	\$ 543,945	\$ 534,173
Instructional personnel	2,959,638	405,498	3,365,136	-	-	3,365,136	2,547,845
Total personnel services costs	2,959,638	405,498	3,365,136	543,945	-	3,909,081	3,082,018
Fringe benefits and payroll taxes	541,213	74,152	615,365	99,469	-	714,834	488,935
Retirement	53,367	7,312	60,679	9,808	-	70,487	56,013
Management company fees	726,894	82,091	808,985	42,578	-	851,563	644,325
Accounting/audit services	-	-	-	9,333	-	9,333	11,175
Other purchased/professional/ consulting services	-	102,203	102,203	1,750	-	103,953	7,910
Repairs and maintenance	67,785	9,287	77,072	12,458	-	89,530	45,828
Insurance	16,426	2,251	18,677	3,019	-	21,696	15,957
Utilities	8,752	1,199	9,951	1,608	-	11,559	8,137
Supplies/materials	218,923	29,995	248,918	-	-	248,918	252,922
Equipment/furnishings	45,490	6,233	51,723	8,361	-	60,084	75,727
Staff development	74,775	10,245	85,020	7,011	-	92,031	94,210
Marketing/recruitment	20,357	2,789	23,146	-	-	23,146	-
Technology	208,839	28,613	237,452	8,944	-	246,396	182,610
Food service	23,543	3,226	26,769	-	-	26,769	31,662
Student services	51,297	7,028	58,325	-	-	58,325	61,035
Office expense	150,462	20,615	171,077	50,960	-	222,037	185,975
Depreciation and amortization	53,507	7,331	60,838	15,209	-	76,047	76,047
Other	7,937	1,087	9,024	1,703	-	10,727	9,349
Parental activities	6,980	956	7,936	-	-	7,936	5,622
Interest expense	-	-	-	2,082	-	2,082	1,861
Total expenses	<u>\$ 5,236,185</u>	<u>\$ 802,111</u>	<u>\$ 6,038,296</u>	<u>\$ 818,238</u>	<u>\$ -</u>	<u>\$ 6,856,534</u>	<u>\$ 5,337,318</u>

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - North Brooklyn
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 438,703	\$ -	\$ 438,703	\$ 449,053
Instructional personnel	2,944,916	403,484	3,348,400	-	-	3,348,400	2,352,845
Total personnel services costs	2,944,916	403,484	3,348,400	438,703	-	3,787,103	2,801,898
Fringe benefits and payroll taxes	509,854	69,855	579,709	75,953	-	655,662	490,239
Retirement	46,513	6,373	52,886	6,929	-	59,815	56,388
Management company fees	702,263	79,309	781,572	41,135	-	822,707	606,769
Accounting/audit services	-	-	-	9,333	-	9,333	11,176
Other purchased/professional/consulting services	-	4,931	4,931	3,500	-	8,431	6,987
Repairs and maintenance	54,796	7,508	62,304	8,163	-	70,467	3,290
Insurance	15,678	2,148	17,826	2,335	-	20,161	14,797
Utilities	6,009	823	6,832	895	-	7,727	8,342
Supplies/materials	118,453	16,229	134,682	-	-	134,682	141,111
Equipment/furnishings	19,053	2,610	21,663	2,838	-	24,501	66,876
Staff development	54,266	7,435	61,701	5,419	-	67,120	46,004
Marketing/recruitment	16,178	2,217	18,395	-	-	18,395	15,976
Technology	185,034	25,350	210,384	4,679	-	215,063	188,744
Food service	21,483	2,943	24,426	-	-	24,426	23,016
Student services	29,359	4,023	33,382	-	-	33,382	12,183
Office expense	132,676	18,178	150,854	43,638	-	194,492	119,116
Depreciation and amortization	73,245	10,035	83,280	20,820	-	104,100	126,224
Other	9,277	1,271	10,548	1,733	-	12,281	21,013
Parental activities	35,198	4,822	40,020	-	-	40,020	37,415
Interest expense	-	-	-	2,152	-	2,152	-
Total expenses	\$ 4,974,251	\$ 669,544	\$ 5,643,795	\$ 668,225	\$ -	\$ 6,312,020	\$ 4,797,564

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

**Supplemental Schedule of Functional Expenses - First Voyager
Year Ended June 30, 2018**

	Program services			General and administrative	Fundraising	2018 Total	2017 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 354,126	\$ -	\$ 354,126	\$ 200,294
Instructional personnel	1,300,437	178,174	1,478,611	-	-	1,478,611	603,862
Total personnel services costs	1,300,437	178,174	1,478,611	354,126	-	1,832,737	804,156
Fringe benefits and payroll taxes	233,008	31,924	264,932	63,451	-	328,383	136,906
Retirement	17,673	2,421	20,094	4,813	-	24,907	14,177
Management company fees	357,529	40,377	397,906	20,942	-	418,848	205,928
Accounting/audit services	-	-	-	9,333	-	9,333	10,263
Other purchased/professional/ consulting services	-	4,390	4,390	3,500	-	7,890	3,700
Repairs and maintenance	27,007	3,700	30,707	7,354	-	38,061	1,635
Insurance	7,093	972	8,065	1,932	-	9,997	4,630
Utilities	2,214	303	2,517	603	-	3,120	3,104
Supplies/materials	73,798	10,111	83,909	-	-	83,909	55,983
Equipment/furnishings	29,703	4,070	33,773	8,088	-	41,861	63,083
Staff development	42,549	5,830	48,379	2,969	-	51,348	16,519
Marketing/recruitment	2,866	393	3,259	-	-	3,259	6,621
Technology	144,157	19,751	163,908	10,285	-	174,193	122,002
Food service	6,171	846	7,017	-	-	7,017	6,236
Student services	37,549	5,145	42,694	-	-	42,694	14,230
Office expense	61,985	8,492	70,477	26,982	-	97,459	55,845
Depreciation and amortization	92,492	12,672	105,164	26,291	-	131,455	25,883
Other	5,840	800	6,640	1,614	-	8,254	4,334
Parental activities	7,392	1,013	8,405	-	-	8,405	2,498
Interest expense	-	-	-	-	-	-	982
Total expenses	<u>\$ 2,449,463</u>	<u>\$ 331,384</u>	<u>\$ 2,780,847</u>	<u>\$ 542,283</u>	<u>\$ -</u>	<u>\$ 3,323,130</u>	<u>\$ 1,558,715</u>

See Independent Auditor's Report.

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

To the Board of Trustees
Achievement First Brooklyn Charter Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Achievement First Brooklyn Charter Schools (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Achievement First Brooklyn Charter Schools in a separate letter dated October 31, 2018.

Purpose of this Report

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

CohnReznick LLP

Hartford, Connecticut
October 31, 2018

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, 2018. 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, 2018.

Report on Internal Control over Compliance

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

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

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

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



Hartford, Connecticut
October 31, 2018

Achievement First Brooklyn Charter Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

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				
		0021-18-4324		
		0021-18-4555		
		0021-18-4940		
		0021-18-4375		
		0021-18-5085		
		0021-18-5000		
		0021-18-4304		
		0021-18-4308		
Title I Grants to Local Educational Agencies (LEAs)	84.010	0021-18-4326		
		0021-18-5265	\$ -	\$ 2,771,028
		0147-18-4324		
		0147-18-4555		
		0147-18-4940		
		0147-18-4375		
		0147-18-5085		
		0147-18-5000		
		0147-18-4304		
		0147-18-4308		
Supporting Effective Instruction State Grants	84.367	0147-18-4326		
		0147-18-5265	-	422,225
Special Education Cluster (IDEA)				
Special Education Grants to				
States (IDEA, Part B) - Total				
Special Education				
Cluster (IDEA)	84.027	Not applicable	-	784,301
Passed through Achievement First, Inc.				
Charter Schools	84.282	Not applicable	-	450,689
Total U.S. Department of Education			-	4,428,243

Achievement First Brooklyn Charter Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

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	\$ -	\$ 135,715
National School Lunch				
Program (NSLP)	10.555	Not applicable	<u>-</u>	<u>838,580</u>
Total Child Nutrition Cluster			<u>-</u>	<u>974,295</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 5,402,538</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, 2018

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, 2018. 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, 2018**

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
84.027	Special Education 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

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

cohnreznick.com