

Achievement First Brooklyn Charter Schools

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

June 30, 2020

Achievement First Brooklyn Charter Schools

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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, 2020, 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, 2020, 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' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 November 2, 2020 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
November 2, 2020

Achievement First Brooklyn Charter Schools

**Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)**

Assets

	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 20,262,532	\$ 9,930,462
Restricted cash	350,000	350,000
Grants and other receivables	3,260,597	2,239,916
Prepaid expenses and other assets	84,515	1,013,081
Due from related party	-	1,411,160
Due from other school	-	18,456
Due from NYC Department of Education	<u>57,786</u>	<u>51,899</u>
Total current assets	<u>24,015,430</u>	<u>15,014,974</u>
Non-current assets		
Construction in process	2,299,000	1,939,280
Property and equipment, net	7,654,704	7,032,421
Lease acquisition costs, net	<u>4,544,925</u>	<u>4,771,338</u>
Total non-current assets	<u>14,498,629</u>	<u>13,743,039</u>
Total assets	<u><u>\$ 38,514,059</u></u>	<u><u>\$ 28,758,013</u></u>

Achievement First Brooklyn Charter Schools

**Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)**

Liabilities and Net Assets

	<u>2020</u>	<u>2019</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 1,593,157	\$ 3,328,753
Accrued salaries and other payroll related expenses	3,030,353	1,669,388
Due to related party	588,700	-
Due to other schools	10,336	-
Due to NYC Department of Education	166,229	354,683
Due to NYS Education Department - current portion	157,768	157,768
Deferred revenue	31,015	6,098
Loans payable - current portion	<u>753,334</u>	<u>947,730</u>
Total current liabilities	<u>6,330,892</u>	<u>6,464,420</u>
Current liabilities		
Due to NYS Education Department	315,536	473,304
Loans payable - net of current portion	<u>749,125</u>	<u>1,531,599</u>
Total long-term liabilities	<u>1,064,661</u>	<u>2,004,903</u>
Total liabilities	<u>7,395,553</u>	<u>8,469,323</u>
Net assets		
Without donor restrictions		
Undesignated	27,738,006	17,788,690
Board-designated reserve	3,380,000	2,500,000
With donor restrictions	<u>500</u>	<u>-</u>
Total net assets	<u>31,118,506</u>	<u>20,288,690</u>
Total liabilities and net assets	<u>\$ 38,514,059</u>	<u>\$ 28,758,013</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Statement of Activities and Changes in Net Assets Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Without donor restriction	With donor restriction	2020	2019
Change in unrestricted net assets				
Operating revenue				
State and local per pupil operating revenue	\$ 137,211,220	\$ -	\$ 137,211,220	\$ 124,957,023
Federal, state and local grants	6,511,362	-	6,511,362	6,162,849
Special education revenue	16,276,752	-	16,276,752	15,331,739
Total operating revenue	159,999,334	-	159,999,334	146,451,611
Expenses				
Program services	132,443,931	-	132,443,931	125,707,076
General and administrative	17,440,268	-	17,440,268	16,775,664
Fundraising	5,000	-	5,000	5,000
Total expenses	149,889,199	-	149,889,199	142,487,740
Surplus on school operations from government funding	10,110,135	-	10,110,135	3,963,871
Support and other revenue				
Contributions	209,108	500	209,608	328,429
In-kind contributions	432,842	-	432,842	589,890
Interest income	20,218	-	20,218	-
Other revenue	57,013	-	57,013	84,777
Total support and other revenue	719,181	500	719,681	1,003,096
Change in net assets	10,829,316	500	10,829,816	4,966,967
Net assets, beginning	20,288,690	-	20,288,690	15,321,723
Net assets, end	\$ 31,118,006	\$ 500	\$ 31,118,506	\$ 20,288,690

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Statement of Functional Expenses Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 11,960,620	\$ -	\$ 11,960,620	\$ 11,168,061
Instructional personnel	70,243,316	9,308,277	79,551,593	-	-	79,551,593	73,193,360
Total personnel services costs	70,243,316	9,308,277	79,551,593	11,960,620	-	91,512,213	84,361,421
Fringe benefits and payroll taxes	11,980,882	1,586,083	13,566,965	2,039,340	-	15,606,305	14,742,024
Retirement	925,522	122,314	1,047,836	156,922	-	1,204,758	1,303,286
Management company fees	15,748,746	1,719,845	17,468,591	919,664	5,000	18,393,255	16,816,358
Accounting/audit services	-	-	-	156,000	-	156,000	152,003
Other purchased/professional/consulting services	77,022	461,489	538,511	116,902	-	655,413	809,729
Repairs and maintenance	905,198	122,620	1,027,818	148,812	-	1,176,630	1,174,665
Insurance	393,196	52,381	445,577	67,019	-	512,596	476,093
Utilities	1,038,397	141,616	1,180,013	183,712	-	1,363,725	1,448,685
Supplies/materials	2,607,495	346,997	2,954,492	-	-	2,954,492	3,270,190
Equipment/furnishings	657,905	89,106	747,011	113,992	-	861,003	907,223
Staff development	1,158,348	152,369	1,310,717	95,516	-	1,406,233	1,822,195
Marketing/recruitment	46,759	6,389	53,148	-	-	53,148	107,971
Technology	3,572,037	476,157	4,048,194	148,614	-	4,196,808	3,716,754
Food service	1,541,805	209,400	1,751,205	-	-	1,751,205	2,105,695
Student services	1,626,390	212,361	1,838,751	-	-	1,838,751	2,663,489
Office expense	2,176,882	286,477	2,463,359	722,947	-	3,186,306	3,711,993
Depreciation and amortization	1,509,630	201,354	1,710,984	427,746	-	2,138,730	2,029,610
Other	473,026	62,422	535,448	114,801	-	650,249	631,005
Parental activities	179,541	24,177	203,718	-	-	203,718	216,753
Interest expense	-	-	-	67,661	-	67,661	20,598
Total expenses	<u>\$ 116,862,097</u>	<u>\$ 15,581,834</u>	<u>\$ 132,443,931</u>	<u>\$ 17,440,268</u>	<u>\$ 5,000</u>	<u>\$ 149,889,199</u>	<u>\$ 142,487,740</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Statement of Cash Flows Year Ended June 30, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 10,829,816	\$ 4,966,967
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,138,730	2,029,610
Accrued interest	(28,538)	19,981
Changes in operating assets and liabilities		
Grants and other receivables	(1,020,681)	1,097,603
Prepaid expenses and other assets	928,566	(237,825)
Due from related party	1,411,160	(829,350)
Due from other school	18,456	(17,949)
Due from NYC Department of Education	(5,887)	(51,899)
Accounts payable and accrued expenses	(2,087,782)	517,942
Accrued salaries and other payroll related expenses	1,360,965	81,466
Due to related party	588,700	-
Due to other schools	10,336	(14,650)
Due to NYC Department of Education	(188,454)	231,516
Due to NYS Education Department	(157,768)	(157,768)
Deferred revenue	24,917	(12,430)
Net cash provided by operating activities	<u>13,822,536</u>	<u>7,623,214</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(2,542,134)</u>	<u>(3,285,408)</u>
Net cash used in investing activities	<u>(2,542,134)</u>	<u>(3,285,408)</u>
Cash flows from financing activities		
Payments of long-term debt	(948,332)	(425,709)
Proceeds from long-term debt	<u>-</u>	<u>154,286</u>
Net cash provided by financing activities	<u>(948,332)</u>	<u>(271,423)</u>
Net increase in cash	10,332,070	4,066,383
Cash and restricted cash, beginning	<u>10,280,462</u>	<u>6,214,079</u>
Cash and restricted cash, end	<u>\$ 20,612,532</u>	<u>\$ 10,280,462</u>
Cash paid during the year for interest	<u>\$ 50,041</u>	<u>\$ 18,466</u>
Supplemental disclosure of cash flow information		
Transfer of construction in process to fixed assets	<u>\$ 2,051,325</u>	<u>\$ -</u>
Purchase of construction in process with accounts payable	<u>\$ 352,186</u>	<u>\$ 716,371</u>

See Notes to Financial Statements.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements

June 30, 2020

Note 1 - Nature of operations

Achievement First Brooklyn Charter Schools (the "School") 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 State University of New York ("SUNY") originally granted individual charters to the schools (Achievement First Apollo Charter School, Achievement First Aspire Charter School, Achievement First Brownsville Charter School, Achievement First Bushwick Charter School, Achievement First Crown Heights Charter School, Achievement First East New York Charter School and Achievement First Endeavor Charter School). These charters were valid for a term of five years and renewable upon expiration. Additional charters were subsequently granted to Achievement First Linden Charter School, Achievement First North Brooklyn Charter School and Achievement First Voyager Charter School. The supplemental schedules to the financial statements provide additional operating activity by charter. As of April 1, 2016, the schools were merged under one legal entity. The financial statements reflect the activities of the ten charter schools for the fiscal year ended June 30, 2020.

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, 2020, 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:

Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Board-designated net assets represent net assets established by the Board of Trustees, which represents funds without donor restrictions set aside for future needs of the School. 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, 2020

Net assets with donor restrictions are subject to donor- (or certain grantor-) imposed restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, 2020.

Cash and cash equivalents

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amount shown in the statement of cash flows:

	2020	2019
Cash	\$ 20,262,532	\$ 9,930,462
Restricted cash	350,000	350,000
Total	<u>\$ 20,612,532</u>	<u>\$ 10,280,462</u>

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 for federal or state funding. Grants receivable that are expected to be collected within one year, and recorded at net realizable value, are \$3,260,597 at June 30, 2020. The School has determined that no allowance for uncollectible accounts for receivables is necessary as of June 30, 2020. 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

The School reports unconditional promises to give as revenue when the promise is received. Conditional promises to give are recognized as revenue when the condition is met. Grants and contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as support increasing net assets without donor restrictions in the statement of activities.

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. 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, 2020

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 threshold for review of expenditures equal to or greater than \$3,000 for potential capitalization as a fixed asset. 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 loss recognized for the year ended June 30, 2020.

Functional allocation of expenses

The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's assessment. Health and retirement benefits and payroll taxes are allocated to programs based on the percentage of salary expense of the program to total salary expense.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2020

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, 2020. The School's federal tax returns prior to fiscal year 2017 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, 2020.

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, 2019, 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, 2020, the School had uninsured bank balances of \$21,395,950. The School limits its credit risk by selecting financial institutions considered to be highly creditworthy.

Subsequent events

Management has reviewed subsequent events through November 2, 2020, which is the date the financial statements were approved and available for issuance.

Note 3 - New accounting pronouncement

The School adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the School expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The School adopted ASU 2014-09 on July 1, 2019 using the modified retrospective method of transition for all contracts that were not completed as of that date.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2020

The School's revenue for reporting periods ended after June 30, 2019 are presented under the new guidance, which financial results for prior periods will continue to be reported in accordance with the prior guidance and the School's historical accounting policy. The School has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. Adopting the new standard did not have a material effect on the timing of the School's revenue recognition.

The School adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The School adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18"), to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the statement of financial position and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, cash and restricted cash as of June 30, 2019 and 2018 was increased from \$9,930,462 to \$10,280,462 and \$5,864,079 to \$6,214,079, respectively.

Note 4 - Liquidity

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2020, the School has \$18,962,346 of financial assets available to meet annual operating needs for the 2021 fiscal year as follows:

Cash	\$ 20,262,532
Grants and other receivables	3,260,597
Due from NYC Department of Education	<u>57,786</u>
Total financial assets	23,580,915
Less	
Due to related party	(588,700)
Due to other schools	(10,336)
Due to NYC Department of Education	(166,229)
Due to NYS Education Department	(473,304)
Board-designated reserve	<u>(3,380,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,962,346</u>

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2020

These financial assets are not subject to any grantor or contractual restrictions. The School supports its general operations primarily with Federal and State grants, which are recognized as purpose restrictions are met. The balances due to the NYC Department of Education and NYS Education Department represent advances received that are due back to the State based on the fiscal year reconciliation and do not represent operating expenses.

Note 5 - Concentrations

The School received approximately 86% of its operating revenue, which is subject to specific requirements, from per pupil funding from the NYCDOE during the year ended June 30, 2020.

The School's grants and other receivables consist of approximately 51% of per pupil funding from the State of New York and 45% from the Federal and State Departments of Education at June 30, 2020.

Note 6 - Agreement for School facilities

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, 2020, 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 7 - Property and equipment

The following is a summary of property and equipment at June 30, 2020:

Leasehold improvements	\$ 12,929,433
Furniture and fixtures	1,715,873
Computers and other hardware	654,835
Equipment	2,462,187
Software	39,143
Student computers and software	4,954
Musical instruments	23,320
	<hr/>
	17,829,745
Less accumulated depreciation	(10,175,041)
	<hr/>
	\$ 7,654,704

Depreciation expense was \$1,862,526 for the year ended June 30, 2020.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2020

Note 8 - 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 2012, NYSCA, the landlord, entered into an agreement to lease the building to Civic Builders for a 30-year term. Civic Builders entered into an agreement to sublease the building to AF Waverly LLC, of which Achievement First, Inc. ("AF") 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, 2020 was \$226,413 and accumulated amortization at June 30, 2020 was \$2,247,454. Amortization expense for each of the next five years is \$226,413.

Note 9 - Related party transactions

The School entered into an Academic and Business Services Agreement (the "Agreement") with 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 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, 2020, the School incurred management and ancillary services fees of \$18,393,255, 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 to AF at June 30, 2020 was \$588,700.

Note 10 - Due to/from other schools

The following amounts were due to related schools and consist of the following at June 30, 2020:

Achievement First Elm City Charter School	\$	2,664
Achievement First Hartford Charter School		3,245
Amistad Academy Charter School		4,132
Achievement First Providence Charter School		295
		<hr/>
	\$	10,336
		<hr/>

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2020

Note 11 - Loans payable

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, 2024. The outstanding balance due to Charter School Growth Fund at June 30, 2020 was \$1,395,578 including accrued interest of \$40,910. Interest expense of \$19,325 is included in interest expense on the statement of functional expenses.

Loan payable to Peak Demand Energy is non-interest bearing loan. The loan was established to pay for lighting costs related to school renovations. The loan is paid through monthly payments equal to the cost savings, quantified by the reduction in energy usage each month, which is approximately \$2,000 per month until the loan is paid in full in July 2024. The outstanding balance due to Peak Demand Energy at June 30, 2020 was \$106,881.

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

2021	\$	753,334
2022		253,334
2023		426,000
2024		26,000
2025		<u>2,881</u>
Subtotal		1,461,549
Plus accrued interest		<u>40,910</u>
	\$	<u><u>1,502,459</u></u>

Note 12 - Due to NYC Department of Education and the New York 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, 2020, an overpayment totaling \$57,786 had been made and an underpayment of \$166,229; an adjustment for this amount will be reflected in the third payment from NYCDOE in FY 2021. Additionally, the New York State Education Department informed the School during the year ended June 30, 2018, that an error had been made in the allocation of Title II funds available to districts throughout the State. As a result, \$788,840 was received by the School in excess of the State's recalculated grant allocation. During the year ended June 30, 2020, \$157,768 was repaid and the balance of \$473,304 will be repaid through an annual reduction in the grant allocation of \$157,768 for each of the next three years.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements

June 30, 2020

Note 13 - Operating leases

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

2021	\$	941,220
2022		754,012
2023		387,427
2024		183,063
2025		15,203
		<hr/>
		\$ 2,280,925
		<hr/>

The lease expense for the year ended June 30, 2020, was \$1,231,852.

A lease agreement between two related parties was executed on September 20, 2020 with Achievement First Brooklyn Charter Schools as the guarantor. The space will be sublet to Achievement First Brooklyn Charter Schools for a new charter school that will commence operation in the 2021-2022 school year.

Note 14 - 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 one 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 he or she become fully vested. For the year ended June 30, 2020, pension expense for the School was approximately \$1,205,000, which is included in retirement in the accompanying statement of functional expenses.

Note 15 - 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.

Achievement First Brooklyn Charter Schools

Notes to Financial Statements June 30, 2020

Note 16 - Contingencies

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally in early 2020 has caused business disruption domestically in the United States, the area in which the School operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the School expects this matter to negatively impact the School's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Note 17 - Conditional contribution

AF received a conditional grant in 2015 for expansion and minor repairs. During the year ended June 30, 2020, \$877,351 of the conditional contribution was recorded as grant revenues upon meeting certain conditions of the grant requirements. Since this grant represents a conditional promise to give, the remaining \$693,975 has not been recorded as contribution revenue until donor conditions are met.

AF received a conditional grant commencing April 2020 for expansion and minor repairs, of which they have allocated \$4,629,142 to the School. This grant is expected to cover periods through March 2025. Donor conditions specify that amounts must be spent on expenditures relevant to approved grant purpose. Since this grant represents a conditional promise to give, amounts will not be recognized as contribution revenue until donor conditions are met. No amounts were recorded as contribution revenue at June 30, 2020 related to this grant.

Supplementary Information

Achievement First Brooklyn Charter Schools

Supplemental Combining Schedule of Activities by Charter Year Ended June 30, 2020

	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	\$ 13,680,926	\$ 12,397,790	\$ 18,607,845	\$ 15,034,781	\$ 20,059,437	\$ 18,272,901	\$ 13,403,834	\$ 10,430,370	\$ 10,368,062	\$ 4,955,274	\$ 137,211,220
Federal, state and local grants	386,042	505,058	1,108,917	766,557	572,207	737,365	911,696	503,163	451,839	568,518	6,511,362
Special education revenue	1,143,232	1,061,039	1,963,770	3,122,050	2,824,720	1,679,841	1,759,486	1,126,884	1,180,608	415,122	16,276,752
Total operating revenue	15,210,200	13,963,887	21,680,532	18,923,388	23,456,364	20,690,107	16,075,016	12,060,417	12,000,509	5,938,914	159,999,334
Expenses											
Program services	11,692,592	10,230,127	18,339,920	15,835,197	20,011,243	18,442,680	13,245,891	9,256,474	9,480,324	5,909,483	132,443,931
General and administrative	1,498,230	1,539,821	2,369,083	1,833,749	2,800,155	2,253,018	1,651,091	1,260,407	1,189,396	1,045,318	17,440,268
Fundraising	-	41	-	86	2,070	1,075	1,728	-	-	-	5,000
Total expenses	13,190,822	11,769,989	20,709,003	17,669,032	22,813,468	20,696,773	14,898,710	10,516,881	10,669,720	6,954,801	149,889,199
Surplus (deficit) on school operations from government funding	2,019,378	2,193,898	971,529	1,254,356	642,896	(6,666)	1,176,306	1,543,536	1,330,789	(1,015,887)	10,110,135
Support and other revenue											
Contributions	5,532	850	31,391	22,800	29,736	25,559	75,369	1,650	6,096	10,625	209,608
In-kind contributions	38,370	4,689	47,857	27,526	95,709	88,521	45,220	42,968	38,555	3,427	432,842
Interest income	1,553	1,265	2,558	2,467	2,815	3,001	1,565	1,644	1,706	1,644	20,218
Other revenue	1,310	-	2,599	556	50,791	-	1,757	-	-	-	57,013
Total support and other revenue	46,765	6,804	84,405	53,349	179,051	117,081	123,911	46,262	46,357	15,696	719,681
Change in net assets	2,066,143	2,200,702	1,055,934	1,307,705	821,947	110,415	1,300,217	1,589,798	1,377,146	(1,000,191)	10,829,816
Net assets, beginning	5,653,351	2,730,555	1,639,462	2,286,693	1,273,184	1,290,790	2,972,009	1,982,720	2,252,938	(1,793,012)	20,288,690
Net assets, end	\$ 7,719,494	\$ 4,931,257	\$ 2,695,396	\$ 3,594,398	\$ 2,095,131	\$ 1,401,205	\$ 4,272,226	\$ 3,572,518	\$ 3,630,084	(\$ 2,793,203)	\$ 31,118,506

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Apollo Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,036,638	\$ -	\$ 1,036,638	\$ 1,043,985
Instructional personnel	6,611,267	544,557	7,155,824	-	-	7,155,824	6,799,678
Total personnel services costs	6,611,267	544,557	7,155,824	1,036,638	-	8,192,462	7,843,663
Fringe benefits and payroll taxes	1,152,593	94,937	1,247,530	180,725	-	1,428,255	1,375,608
Retirement	92,951	7,656	100,607	14,575	-	115,182	123,033
Management company fees	1,540,864	105,506	1,646,370	86,651	-	1,733,021	1,693,716
Accounting/audit services	-	-	-	13,565	-	13,565	13,218
Other purchased/professional/ consulting services	-	7,935	7,935	7,717	-	15,652	21,057
Repairs and maintenance	26,636	2,194	28,830	4,177	-	33,007	20,490
Insurance	31,535	2,597	34,132	4,945	-	39,077	38,761
Utilities	14,701	1,211	15,912	2,305	-	18,217	14,474
Supplies/materials	211,076	17,386	228,462	-	-	228,462	280,393
Equipment/furnishings	29,558	2,435	31,993	4,635	-	36,628	38,950
Staff development	131,718	10,849	142,567	11,556	-	154,123	185,535
Marketing/recruitment	1,144	95	1,239	-	-	1,239	6,009
Technology	302,411	24,907	327,318	11,693	-	339,011	330,508
Food service	40,594	3,344	43,938	-	-	43,938	60,510
Student services	208,944	17,210	226,154	-	-	226,154	328,504
Office expense	241,542	19,896	261,438	73,053	-	334,491	406,521
Depreciation and amortization	118,520	9,762	128,282	32,071	-	160,353	168,321
Other	49,245	4,056	53,301	11,624	-	64,925	55,738
Parental activities	9,941	819	10,760	-	-	10,760	38,573
Interest expense	-	-	-	2,300	-	2,300	5,048
Total expenses	\$ 10,815,240	\$ 877,352	\$ 11,692,592	\$ 1,498,230	\$ -	\$ 13,190,822	\$ 13,048,630

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Aspire Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,085,125	\$ -	\$ 1,085,125	\$ 894,835
Instructional personnel	5,376,804	782,192	6,158,996	-	-	6,158,996	5,209,399
Total personnel services costs	5,376,804	782,192	6,158,996	1,085,125	-	7,244,121	6,104,234
Fringe benefits and payroll taxes	893,621	130,000	1,023,621	180,347	-	1,203,968	1,094,324
Retirement	69,241	10,073	79,314	13,974	-	93,288	91,737
Management company fees	1,352,793	162,008	1,514,801	79,729	41	1,594,571	1,337,355
Accounting/audit services	-	-	-	13,565	-	13,565	13,218
Other purchased/professional/ consulting services	-	13,314	13,314	7,717	-	21,031	30,253
Repairs and maintenance	6,324	920	7,244	1,276	-	8,520	94,383
Insurance	27,527	4,004	31,531	5,555	-	37,086	32,272
Utilities	17,682	2,572	20,254	3,569	-	23,823	18,943
Supplies/materials	150,931	21,957	172,888	-	-	172,888	279,910
Equipment/furnishings	68,775	10,005	78,780	13,880	-	92,660	130,630
Staff development	101,637	14,786	116,423	11,278	-	127,701	116,955
Marketing/recruitment	5,256	765	6,021	-	-	6,021	13,644
Technology	387,089	56,310	443,399	17,655	-	461,054	307,840
Food service	44,389	6,457	50,846	-	-	50,846	45,925
Student services	111,869	16,274	128,143	-	-	128,143	158,905
Office expense	167,830	24,415	192,245	52,656	-	244,901	333,585
Depreciation and amortization	117,715	17,125	134,840	33,710	-	168,550	172,177
Other	35,807	5,209	41,016	9,474	-	50,490	47,636
Parental activities	14,362	2,089	16,451	-	-	16,451	14,759
Interest expense	-	-	-	10,311	-	10,311	3,000
Total expenses	\$ 8,949,652	\$ 1,280,475	\$ 10,230,127	\$ 1,539,821	\$ 41	\$ 11,769,989	\$ 10,441,685

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Brownsville Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,657,272	\$ -	\$ 1,657,272	\$ 1,514,865
Instructional personnel	9,680,009	1,326,253	11,006,262	-	-	11,006,262	9,905,163
Total personnel services costs	9,680,009	1,326,253	11,006,262	1,657,272	-	12,663,534	11,420,028
Fringe benefits and payroll taxes	1,642,452	225,032	1,867,484	281,138	-	2,148,622	1,945,901
Retirement	114,741	15,721	130,462	19,638	-	150,100	150,722
Management company fees	2,075,399	234,382	2,309,781	121,568	-	2,431,349	2,219,363
Accounting/audit services	-	-	-	20,348	-	20,348	19,827
Other purchased/professional/ consulting services	-	25,365	25,365	13,892	-	39,257	38,971
Repairs and maintenance	116,970	16,026	132,996	20,192	-	153,188	79,968
Insurance	43,342	5,939	49,281	7,432	-	56,713	53,412
Utilities	21,513	2,947	24,460	3,676	-	28,136	17,989
Supplies/materials	371,434	50,890	422,324	-	-	422,324	483,456
Equipment/furnishings	98,048	13,433	111,481	17,020	-	128,501	189,532
Staff development	202,585	27,757	230,342	14,924	-	245,266	372,984
Marketing/recruitment	6,737	923	7,660	-	-	7,660	4,774
Technology	456,983	62,610	519,593	13,268	-	532,861	434,255
Food service	434,213	59,492	493,705	-	-	493,705	765,921
Student services	234,096	32,073	266,169	-	-	266,169	401,251
Office expense	383,735	52,575	436,310	108,941	-	545,251	632,583
Depreciation and amortization	193,796	26,552	220,348	55,087	-	275,435	227,609
Other	60,939	8,349	69,288	14,637	-	83,925	82,665
Parental activities	14,608	2,001	16,609	-	-	16,609	3,019
Interest expense	-	-	-	50	-	50	-
Total expenses	\$ 16,151,600	\$ 2,188,320	\$ 18,339,920	\$ 2,369,083	\$ -	\$ 20,709,003	\$ 19,544,230

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Bushwick Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,274,160	\$ -	\$ 1,274,160	\$ 1,260,282
Instructional personnel	8,433,502	1,155,472	9,588,974	-	-	9,588,974	9,418,158
Total personnel services costs	8,433,502	1,155,472	9,588,974	1,274,160	-	10,863,134	10,678,440
Fringe benefits and payroll taxes	1,448,125	198,408	1,646,533	219,705	-	1,866,238	1,878,432
Retirement	140,779	19,288	160,067	23,004	-	183,071	206,887
Management company fees	1,945,405	219,711	2,165,116	113,958	86	2,279,160	2,007,887
Accounting/audit services	-	-	-	13,566	-	13,566	13,219
Other purchased/professional/ consulting services	-	22,619	22,619	15,088	-	37,707	32,450
Repairs and maintenance	93,160	12,764	105,924	16,147	-	122,071	94,174
Insurance	32,464	4,449	36,913	4,818	-	41,731	41,216
Utilities	17,300	2,370	19,670	2,535	-	22,205	25,164
Supplies/materials	321,000	43,980	364,980	-	-	364,980	391,659
Equipment/furnishings	68,441	9,376	77,817	6,233	-	84,050	151,481
Staff development	131,136	17,968	149,104	11,795	-	160,899	285,297
Marketing/recruitment	1,170	160	1,330	-	-	1,330	7,397
Technology	399,654	54,758	454,412	13,132	-	467,544	434,644
Food service	206,711	28,322	235,033	-	-	235,033	285,242
Student services	299,279	41,004	340,283	-	-	340,283	436,507
Office expense	243,781	33,399	277,180	90,953	-	368,133	541,317
Depreciation and amortization	59,986	8,219	68,205	17,052	-	85,257	70,196
Other	51,901	7,110	59,011	11,603	-	70,614	79,140
Parental activities	54,552	7,474	62,026	-	-	62,026	42,324
Total expenses	<u>\$ 13,948,346</u>	<u>\$ 1,886,851</u>	<u>\$ 15,835,197</u>	<u>\$ 1,833,749</u>	<u>\$ 86</u>	<u>\$ 17,669,032</u>	<u>\$ 17,703,073</u>

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Crown Heights Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,935,709	\$ -	\$ 1,935,709	\$ 1,769,050
Instructional personnel	10,684,860	1,463,929	12,148,789	-	-	12,148,789	11,822,618
Total personnel services costs	10,684,860	1,463,929	12,148,789	1,935,709	-	14,084,498	13,591,668
Fringe benefits and payroll taxes	1,832,362	251,051	2,083,413	331,958	-	2,415,371	2,416,744
Retirement	125,273	17,164	142,437	22,695	-	165,132	184,975
Management company fees	2,271,609	256,775	2,528,384	133,182	2,070	2,663,636	2,639,880
Accounting/audit services	-	-	-	20,348	-	20,348	19,826
Other purchased/professional/ consulting services	-	25,765	25,765	14,636	-	40,401	76,885
Repairs and maintenance	52,386	7,177	59,563	9,490	-	69,053	74,047
Insurance	85,598	11,728	97,326	15,507	-	112,833	107,029
Utilities	772,615	105,856	878,471	139,970	-	1,018,441	1,048,509
Supplies/materials	328,937	45,068	374,005	-	-	374,005	418,084
Equipment/furnishings	56,131	7,690	63,821	10,169	-	73,990	73,682
Staff development	139,336	19,091	158,427	9,281	-	167,708	252,211
Marketing/recruitment	12,753	1,747	14,500	-	-	14,500	17,347
Technology	452,967	62,061	515,028	17,852	-	532,880	564,989
Food service	28,409	3,892	32,301	-	-	32,301	25,831
Student services	352,382	48,280	400,662	-	-	400,662	538,376
Office expense	267,241	36,615	303,856	99,298	-	403,154	489,098
Depreciation and amortization	77,105	10,564	87,669	21,917	-	109,586	148,223
Other	74,053	10,146	84,199	18,143	-	102,342	100,100
Parental activities	11,105	1,522	12,627	-	-	12,627	26,278
Total expenses	<u>\$ 17,625,122</u>	<u>\$ 2,386,121</u>	<u>\$ 20,011,243</u>	<u>\$ 2,800,155</u>	<u>\$ 2,070</u>	<u>\$ 22,813,468</u>	<u>\$ 22,813,782</u>

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - East New York Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,562,280	\$ -	\$ 1,562,280	\$ 1,385,319
Instructional personnel	10,039,849	1,375,555	11,415,404	-	-	11,415,404	10,552,470
Total personnel services costs	10,039,849	1,375,555	11,415,404	1,562,280	-	12,977,684	11,937,789
Fringe benefits and payroll taxes	1,712,799	234,670	1,947,469	266,525	-	2,213,994	2,084,206
Retirement	153,358	21,012	174,370	23,864	-	198,234	212,707
Management company fees	2,017,450	227,959	2,245,409	118,236	1,075	2,364,720	2,226,612
Accounting/audit services	-	-	-	20,348	-	20,348	19,826
Other purchased/professional/ consulting services	929	97,450	98,379	11,720	-	110,099	203,996
Repairs and maintenance	54,694	7,494	62,188	8,511	-	70,699	31,669
Insurance	40,547	5,555	46,102	6,309	-	52,411	51,168
Utilities	19,100	2,617	21,717	2,972	-	24,689	19,097
Supplies/materials	410,336	56,220	466,556	-	-	466,556	441,130
Equipment/furnishings	52,942	7,254	60,196	8,238	-	68,434	55,652
Staff development	114,809	15,729	130,538	7,976	-	138,514	202,109
Marketing/recruitment	6,246	856	7,102	-	-	7,102	17,878
Technology	443,449	60,759	504,208	21,830	-	526,038	436,952
Food service	217,833	29,845	247,678	-	-	247,678	214,289
Student services	237,814	32,583	270,397	-	-	270,397	363,081
Office expense	280,131	38,380	318,511	88,614	-	407,125	385,325
Depreciation and amortization	293,537	40,217	333,754	83,439	-	417,193	458,018
Other	75,491	10,344	85,835	18,606	-	104,441	108,146
Parental activities	6,040	827	6,867	-	-	6,867	10,418
Interest expense	-	-	-	3,550	-	3,550	5,550
Total expenses	\$ 16,177,354	\$ 2,265,326	\$ 18,442,680	\$ 2,253,018	\$ 1,075	\$ 20,696,773	\$ 19,485,618

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Endeavor Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,041,317	\$ -	\$ 1,041,317	\$ 1,006,081
Instructional personnel	6,546,051	896,871	7,442,922	-	-	7,442,922	7,576,755
Total personnel services costs	6,546,051	896,871	7,442,922	1,041,317	-	8,484,239	8,582,836
Fringe benefits and payroll taxes	1,106,171	151,556	1,257,727	175,965	-	1,433,692	1,502,675
Retirement	98,063	13,436	111,499	15,600	-	127,099	153,949
Management company fees	1,510,417	170,772	1,681,189	88,575	1,728	1,771,492	1,688,421
Accounting/audit services	-	-	-	13,565	-	13,565	13,218
Other purchased/professional/ consulting services	76,093	126,358	202,451	19,822	-	222,273	251,480
Repairs and maintenance	433,119	59,342	492,461	68,899	-	561,360	651,836
Insurance	71,200	9,755	80,955	11,326	-	92,281	80,598
Utilities	147,015	20,142	167,157	23,387	-	190,544	268,943
Supplies/materials	192,467	26,370	218,837	-	-	218,837	306,547
Equipment/furnishings	19,516	2,674	22,190	3,105	-	25,295	19,527
Staff development	80,628	11,047	91,675	8,376	-	100,051	117,541
Marketing/recruitment	870	119	989	-	-	989	5,205
Technology	332,664	45,579	378,243	8,304	-	386,547	280,774
Food service	414,311	56,765	471,076	-	-	471,076	632,869
Student services	74,117	10,155	84,272	-	-	84,272	185,878
Office expense	153,686	21,057	174,743	46,130	-	220,873	205,853
Depreciation and amortization	286,349	39,233	325,582	81,395	-	406,977	285,449
Other	32,153	4,406	36,559	6,989	-	43,548	63,262
Parental activities	4,718	646	5,364	-	-	5,364	16,732
Interest expense	-	-	-	38,336	-	38,336	-
Total expenses	\$ 11,579,608	\$ 1,666,283	\$ 13,245,891	\$ 1,651,091	\$ 1,728	\$ 14,898,710	\$ 15,313,593

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Linden Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 862,947	\$ -	\$ 862,947	\$ 854,831
Instructional personnel	4,771,508	653,743	5,425,251	-	-	5,425,251	4,684,644
Total personnel services costs	4,771,508	653,743	5,425,251	862,947	-	6,288,198	5,539,475
Fringe benefits and payroll taxes	836,674	114,632	951,306	151,316	-	1,102,622	939,192
Retirement	48,003	6,577	54,580	8,682	-	63,262	77,234
Management company fees	1,193,318	134,766	1,328,084	69,899	-	1,397,983	1,212,878
Accounting/audit services	-	-	-	13,565	-	13,565	13,217
Other purchased/professional/ consulting services	-	110,283	110,283	8,316	-	118,599	115,707
Repairs and maintenance	43,261	5,927	49,188	7,824	-	57,012	57,454
Insurance	24,389	3,341	27,730	4,411	-	32,141	27,754
Utilities	10,534	1,443	11,977	1,905	-	13,882	16,620
Supplies/materials	264,021	36,173	300,194	-	-	300,194	305,177
Equipment/furnishings	96,897	13,276	110,173	17,524	-	127,697	111,004
Staff development	93,593	12,823	106,416	5,232	-	111,648	119,175
Marketing/recruitment	11,124	1,524	12,648	-	-	12,648	20,571
Technology	325,334	44,573	369,907	16,583	-	386,490	321,318
Food service	17,754	2,432	20,186	-	-	20,186	33,304
Student services	55,757	7,639	63,396	-	-	63,396	81,536
Office expense	154,379	21,152	175,531	53,015	-	228,546	303,509
Depreciation and amortization	79,711	10,921	90,632	22,658	-	113,290	130,303
Other	33,610	4,605	38,215	8,516	-	46,731	28,989
Parental activities	9,478	1,299	10,777	-	-	10,777	15,866
Interest expense	-	-	-	8,014	-	8,014	3,000
Total expenses	<u>\$ 8,069,345</u>	<u>\$ 1,187,129</u>	<u>\$ 9,256,474</u>	<u>\$ 1,260,407</u>	<u>\$ -</u>	<u>\$ 10,516,881</u>	<u>\$ 9,473,283</u>

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - North Brooklyn Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 800,064	\$ -	\$ 800,064	\$ 765,636
Instructional personnel	5,072,935	695,041	5,767,976	-	-	5,767,976	4,532,915
Total personnel services costs	5,072,935	695,041	5,767,976	800,064	-	6,568,040	5,298,551
Fringe benefits and payroll taxes	853,982	117,004	970,986	134,683	-	1,105,669	924,220
Retirement	59,443	8,144	67,587	9,375	-	76,962	69,788
Management company fees	1,191,901	134,606	1,326,507	69,816	-	1,396,323	1,166,715
Accounting/audit services	-	-	-	13,565	-	13,565	13,217
Other purchased/professional/ consulting services	-	18,253	18,253	7,717	-	25,970	14,829
Repairs and maintenance	80,081	10,972	91,053	12,630	-	103,683	6,068
Insurance	24,044	3,294	27,338	3,792	-	31,130	25,815
Utilities	10,443	1,431	11,874	1,647	-	13,521	11,855
Supplies/materials	217,268	29,768	247,036	-	-	247,036	204,860
Equipment/furnishings	77,848	10,666	88,514	12,278	-	100,792	64,879
Staff development	99,138	13,583	112,721	8,355	-	121,076	108,222
Marketing/recruitment	1,281	176	1,457	-	-	1,457	10,176
Technology	249,741	34,218	283,959	8,128	-	292,087	327,796
Food service	29,321	4,017	33,338	-	-	33,338	29,799
Student services	26,017	3,565	29,582	-	-	29,582	102,830
Office expense	145,741	19,968	165,709	61,570	-	227,279	230,373
Depreciation and amortization	122,541	16,789	139,330	34,832	-	174,162	204,131
Other	32,694	4,480	37,174	7,944	-	45,118	38,025
Parental activities	52,708	7,222	59,930	-	-	59,930	41,288
Interest expense	-	-	-	3,000	-	3,000	3,000
Total expenses	\$ 8,347,127	\$ 1,133,197	\$ 9,480,324	\$ 1,189,396	\$ -	\$ 10,669,720	\$ 8,896,437

See Independent Auditor's Report.

Achievement First Brooklyn Charter Schools

Supplemental Schedule of Functional Expenses - Voyager Year Ended June 30, 2020

	Program services			General and administrative	Fundraising	2020 Total	2019 Total
	Regular education	Special education	Total program services				
Personnel services costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 705,108	\$ -	\$ 705,108	\$ 673,177
Instructional personnel	3,026,531	414,664	3,441,195	-	-	3,441,195	2,691,560
Total personnel services costs	3,026,531	414,664	3,441,195	705,108	-	4,146,303	3,364,737
Fringe benefits and payroll taxes	502,103	68,793	570,896	116,978	-	687,874	580,722
Retirement	23,670	3,243	26,913	5,515	-	32,428	32,254
Management company fees	649,590	73,360	722,950	38,050	-	761,000	623,531
Accounting/audit services	-	-	-	13,565	-	13,565	13,217
Other purchased/professional/ consulting services	-	14,147	14,147	10,277	-	24,424	24,101
Repairs and maintenance	(1,433)	(196)	(1,629)	(334)	-	(1,963)	64,576
Insurance	12,550	1,719	14,269	2,924	-	17,193	18,068
Utilities	7,494	1,027	8,521	1,746	-	10,267	7,091
Supplies/materials	140,025	19,185	159,210	-	-	159,210	158,974
Equipment/furnishings	89,749	12,297	102,046	20,910	-	122,956	71,886
Staff development	63,768	8,736	72,504	6,743	-	79,247	62,166
Marketing/recruitment	178	24	202	-	-	202	4,970
Technology	221,745	30,382	252,127	20,169	-	272,296	277,678
Food service	108,270	14,834	123,104	-	-	123,104	12,005
Student services	26,115	3,578	29,693	-	-	29,693	66,621
Office expense	138,816	19,020	157,836	48,717	-	206,553	183,829
Depreciation and amortization	160,370	21,972	182,342	45,585	-	227,927	165,183
Other	27,133	3,717	30,850	7,265	-	38,115	27,304
Parental activities	2,029	278	2,307	-	-	2,307	7,496
Interest expense	-	-	-	2,100	-	2,100	1,000
Total expenses	\$ 5,198,703	\$ 710,780	\$ 5,909,483	\$ 1,045,318	\$ -	\$ 6,954,801	\$ 5,767,409

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, 2020, 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 November 2, 2020.

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") as a basis for designing 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 financial statements. 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 November 2, 2020.

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
November 2, 2020.

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, 2020. 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, 2020.

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
November 2, 2020

Achievement First Brooklyn Charter Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

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		0021-20-4324 0021-20-4555 0021-20-4940 0021-20-4375 0021-20-5085 0021-20-5000 0021-20-4304 0021-20-4308 0021-20-4326		
Title I Grants to Local Educational Agencies (LEAs)	84.010	0021-20-5265	\$ -	\$ 3,236,755
		0147-20-4324 0147-20-4555 0147-20-4940 0147-20-4375 0147-20-5085 0147-20-5000 0147-20-4304 0147-20-4308 0147-20-4326		
Title II Supporting Effective Instruction State Grants	84.367	0147-20-5265	-	514,848
Title III English Language Acquisition State Grants	84.365	029-20-4324	-	53,938
		0204-20-4555 0204-20-4940 0204-20-4375 0204-20-4324 0204-20-4304 0204-20-4308 0204-20-4326 0204-20-5000 0204-20-5085		
Title IV Student Support and Academic Enrichment Program	84.424	0204-20-5265	-	207,175
Special Education Cluster (IDEA) Special Education Grants to States (IDEA, Part B) - Total Special Education Cluster (IDEA)	84.027	Not applicable	-	960,605

Achievement First Brooklyn Charter Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Passed through Achievement First, Inc. Charter Schools	84.282	Not applicable	<u>-</u>	<u>877,351</u>
Total U.S. Department of Education			<u>-</u>	<u>5,850,672</u>
U.S. Department of Agriculture Passed through New York State Education Department Child Nutrition Cluster National School Lunch Program (NSLP)	10.555	Not applicable	<u>-</u>	<u>1,499,709</u>
Total Child Nutrition Cluster			<u>-</u>	<u>1,499,709</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 7,350,381</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, 2020

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, 2020. 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, 2020**

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>
10.555	Child Nutrition

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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