

Achievement House Charter School

**Financial Statements
And
Independent Auditor's Report**

Year Ended June 30, 2015

**Achievement House Charter School
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Year Ended June 30, 2015**

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Independent Auditor's Report

To the Board of Trustees
Achievement House Charter School
Exton, Pennsylvania

We have audited the accompanying financial statements of the governmental activities and the major fund of Achievement House Charter School (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 opinions 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 of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Achievement House Charter School as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

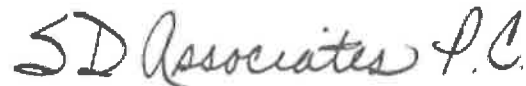
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Achievement House Charter School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 December 30, 2015, on our consideration of Achievement House Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Achievement House Charter School's internal control over financial reporting and compliance.



Certified Public Accountants
Elkins Park, Pennsylvania

December 30, 2015

Achievement House Charter School Management's Discussion and Analysis June 30, 2015

The Board of Trustees of Achievement House Charter School (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- The School adopted GASB 68 for the year ended June 30, 2015 and is accordingly reporting its share of the June 30, 2014 total PSERS pension liability calculated to be \$17,614,000 (see Note 11).
- Total revenues decreased by approximately \$2,041,000 due mainly to decreases in local education agency assistance of \$1,709,000 and decrease in State subsidies as a result of the discontinuance of the PSERS subsidy of approximately \$535,000 net of federal subsidy increases of approximately \$198,000.
- At the close of the current fiscal year, the School reports an ending general fund balance of \$1,142,122. This balance was the result of a \$89,384 deficit for the year ended June 30, 2015.
- The School's unrestricted cash balance at June 30, 2015 was \$1,492,390, representing an increase of \$1,222,084 from June 30, 2014.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, supplementary information and single audit requirements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

**Achievement House Charter School
Management's Discussion and Analysis
June 30, 2015**

Overview of the Financial Statements (Continued)

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's two kinds of funds, governmental and proprietary, use different accounting approaches.

Most of the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

The governmental fund budgetary comparison schedule is presented for purposes of additional analysis. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Government-Wide Financial Analysis

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34 which requires a comparative analysis of current and prior periods.

	2015	2014
Assets		
Current assets	\$ 2,702,052	\$ 2,784,727
Capital assets, net	631,497	812,717
	3,333,549	3,597,444
 Deferred Outflows of Resources	 4,003,991	 907,570

**Achievement House Charter School
Management's Discussion and Analysis
June 30, 2015**

Government-Wide Financial Analysis (Continued)

Liabilities		
Current liabilities	1,589,565	1,569,765
Long-term liabilities	17,614,000	14,561,636
	<u>19,203,565</u>	<u>16,131,401</u>
Deferred Inflows of Resources	<u>1,259,000</u>	<u>-</u>
Net Position	<u>\$ (13,125,025)</u>	<u>\$(11,626,387)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by \$13,125,025 as of June 30, 2015, an increase of \$1,498,638 from June 30, 2014.

The School's revenues are predominately local school district's funds based on the student enrollment. For the year ended June 30, 2015, the School's total expenditures of \$12,750,589 exceeded revenues of \$11,251,951 by \$1,498,638, an increase of \$1,671,248 as compared to the preceding year.

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Local educational agency assistance	\$ 10,595,179	\$ 12,304,004
State sources	31,848	549,741
Federal sources	614,457	433,814
General revenues		
Other sources	10,467	5,824
Total revenues	<u>11,251,951</u>	<u>13,293,383</u>
Expenditures		
Instruction	5,900,207	6,238,802
Support services	6,412,548	6,339,109
Noninstructional services	22,673	37,260
Depreciation and amortization	411,465	500,403
Interest expense	3,696	5,199
Total expenditures	<u>12,750,589</u>	<u>13,120,773</u>
Change in net position	(1,498,638)	172,610
Prior period adjustments (Note 11)	-	(13,624,430)
Net position, beginning	<u>(11,626,387)</u>	<u>1,825,433</u>
Net position, ending	<u>\$ (13,125,025)</u>	<u>\$(11,626,387)</u>

Achievement House Charter School Management's Discussion and Analysis June 30, 2015

Governmental Fund

The focus of the School's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental fund (the General Fund) reported an ending fund balance of \$1,142,122.

Budget Variations

The actual revenues represent a decrease from budgeted revenues of \$1,176,649 due mainly to a decrease in school district revenue of approximately \$1,225,000 net of Federal and State source increases of approximately \$57,000.

Actual expenditures increased \$1,078,339 from the budget due to increases (decreases) as follows:

Instructional services	\$ (963,994)
Support services	542,485
Noninstructional services	(11,136)
Capital outlay	(665,935)
Debt service	20,241
	<u>\$ (1,078,339)</u>

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the School's investment in capital assets for its governmental activities totaled \$631,497 (net of accumulated depreciation and amortization). This investment in capital assets includes computer equipment, furniture and fixtures, vehicle, building and leasehold improvements.

Major capital assets purchases during the year included computer equipment of \$230,245.

Long-Term Debt

The School has a capital lease obligation of \$29,635 as of June 30, 2015. Additional information on the School's long-term debt can be found in Note 6 of this report.

Achievement House Charter School Management's Discussion and Analysis June 30, 2015

Economic Factors and Next Year's Budgets and Rates

The School's primary source of revenue, the per student subsidy provided by local school districts, will decrease by approximately \$3,000,000 for fiscal year 2015-2016 due to decreased enrollment. The school closed several learning centers at the end of the 2014-2015 school year which resulted in lower student enrollment for the 2015-2016 school year. The school had an average daily membership (ADM) of 865 in 2014-2015 and anticipates an ADM of 565 in 2015-2016. The school has made proportional reductions in expenditures to remain financially stable.

The fiscal and operational stability of our Commonwealth's charter schools is directly linked to the State of Pennsylvania's Budget and shifting political realities. This issue manifests itself most clearly in the way that the state determines each charter school's per pupil allotment which is calculated by student's school district of residence and form PDE-363. The PDE 363 uses a "state-determined" formula to calculate per pupil allotments. Though the charter school concept is widely recognized as a viable and necessary educational model, the issue concerning how charter schools are funded will likely remain controversial in the foreseeable future.

The State of Pennsylvania does not have an approved budget as of the date of this audit report. The School utilizes the state as a way to collect outstanding receivables from local districts that do not pay the School directly. As a result of the state budget impasse, this process of collecting receivables had stopped subsequent to August 2015. The state made funds available to school districts and charter schools in early January of 2016, despite the lack of an approved state budget. The School has prepared for this impasse and has demonstrated effective and efficient operations over the last several years. Despite the budget impasse and with continued limited district payments, the School is anticipating the ability to meet the financial needs of operations.

Future Events that will Financially Impact the School

In addition to those listed in the above economic factors, the school adopted an alternative plan for employees that do not participate in PSERS. This plan is a defined contribution plan with mandatory contribution of 5% for the school. This rate is significantly less than the 2015/2016 PSERS employer rate.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Business Office, Achievement House Charter School, 600 Eagleview Boulevard, First Floor, Exton PA 19341.

Achievement House Charter School
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,492,390
Local educational agencies receivable	880,217
Subsidies receivable	161,500
Prepaid expenses	79,809
Property and equipment, net	631,497
Deposits	88,136
Total assets	3,333,549
Deferred Outflows of Resources	
Deferred outflows related to pensions	4,003,991
Liabilities	
Accounts payable	109,847
Accrued expenses	1,422,723
Deferred rent	27,360
Capital lease obligation, current portion	29,635
Net pension liability	17,614,000
Total liabilities	19,203,565
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,259,000
Net Position	
Invested in capital assets, net of related debt	601,862
Unrestricted	(13,726,887)
Total net position	\$ (13,125,025)

See accompanying notes to financial statements.

Achievement House Charter School
Statement of Activities
June 30, 2015

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 5,900,207	\$ 5,027,792	\$ 628,636	\$ (243,779)
Support services	6,412,548	5,567,387	17,669	(827,492)
Noninstructional services	22,673	-	-	(22,673)
Depreciation and amortization	411,465	-	-	(411,465)
Interest expense	3,696	-	-	(3,696)
Total governmental activities	<u>12,750,589</u>	<u>10,595,179</u>	<u>646,305</u>	<u>(1,509,105)</u>
General Revenues				
				<u>10,467</u>
				(1,498,638)
				<u>(11,626,387)</u>
				<u>\$ (13,125,025)</u>

See accompanying notes to financial statements.

**Achievement House Charter School
Balance Sheet-Governmental Funds
June 30, 2015**

	General Fund
Assets	
Cash and cash equivalents	\$ 1,492,390
Local educational agencies receivable, net of allowance for doubtful accounts	880,217
Subsidies receivable	161,500
Prepaid expenses	79,809
Deposits	88,136
Total assets	\$ 2,702,052
Liabilities	
Accounts payable	\$ 109,847
Accrued expenses	1,422,723
Deferred rent	27,360
Total liabilities	1,559,930
Fund Balances	
Nonspendable	167,945
Assigned	1,000,000
Unassigned	(25,823)
Total fund balances	1,142,122
	\$ 2,702,052

See accompanying notes to financial statements.

**Achievement House Charter School
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2015**

Total Fund Balance for Governmental Funds	\$ 1,142,122
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Computer equipment	3,147,502	
Furniture and fixtures	171,397	
Vehicles	13,136	
Building	87,931	
Leasehold improvements	83,518	
Accumulated depreciation and amortization	(2,871,987)	
		631,497

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year end consist of:

Capital lease obligation	(29,635)
Net pension liability	(17,614,000)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	4,003,991
Deferred inflows related to pensions	(1,259,000)

Total Net Position of Governmental Activities	\$ (13,125,025)
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See accompanying notes to financial statements.

Achievement House Charter School
Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Funds
Year Ended June 30, 2015

	General Fund
Revenues	
Local education agency assistance	\$ 10,595,179
Federal sources	614,457
State sources	31,848
Other sources	10,467
Total revenues	11,251,951
Expenditures	
Instruction	5,253,698
Support services	5,817,537
Noninstructional services	19,614
Capital outlay	230,245
Debt service	20,241
Total expenditures	11,341,335
Net Change in Fund Balance	(89,384)
Fund Balance - Beginning of Year	1,231,506
Fund Balance - End of Year	\$ 1,142,122

See accompanying notes to financial statements.

**Achievement House Charter School
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (89,384)

Capital outlays and deferred charges are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays and deferred charges exceeds depreciation in the current period.

Capital outlays	230,245	
Depreciation and amortization expense	<u>(411,465)</u>	(181,220)

The governmental funds report note proceeds as financing sources, while repayment of note principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. The net effect of these differences in the treatment of notes payable is as follows:

Principal payments on long-term debt	16,545
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Governmental funds report School pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

School pension contributions	1,017,609	
Cost of benefits earned net of employee contributions	<u>(2,262,188)</u>	

Change in Net Position of Governmental Activities	<u>\$ (1,498,638)</u>
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See accompanying notes to financial statements.

Achievement House Charter School

Notes to Financial Statements

June 30, 2015

Note 1 Background and Summary of Significant Accounting Policies

Achievement House Charter School (the School) is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997. The mission of the School is to leverage technology on behalf of students who need a more personalized approach to education to maximize their potential and meet the highest performance standards. This mission is accomplished through a uniquely individualized learning program that combines the best in virtual education with very real connections among students, family, teachers, and the community. The School's charter, which renews every five years, is through June 30, 2017.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance) report on the School's general fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The funds utilized by the School and brief descriptions of their accounting purposes are as follows:

Governmental Fund - The fund listed below is the fund through which most governmental functions are furnished.

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues include a per-student subsidy from local school districts as well as federal and state grants. Internally dedicated resources are reported as general revenues rather than as program revenues.

Method of Accounting

The School has adopted the provision of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements – and Managements' Discussion and Analysis – for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These calculations are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on asset use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position typically includes unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed for the included program.

Fund Balances - Governmental Funds

The School elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Type Definition* during the year ended June 30, 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Balances - Governmental Funds (Continued)

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The School classified prepaid expenses and security deposits as being nonspendable as these items are not expected to be converted to cash.
- Restricted - included amounts restricted by external sources, such as creditors or grantors, or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees.
- Assigned - includes amounts that the School intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The School assigned \$750,000 for future expenditures associated with rising state pension costs, \$150,000 for curriculum development and \$100,000 for technology hardware needs.
- Unassigned - includes all amounts that are not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Concentration of Credit Risk

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's limit of \$250,000 with financial institutions. Under Pennsylvania Act 72, financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. The School's accounts are covered by this Act.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School established a threshold of \$1,500 for capitalization of depreciable assets. Similar items purchased in the same timeframe and items related to the same project or purchase can be pooled together for capitalization and depreciation. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets; computer equipment (3 years), furniture and equipment (7 years) and a vehicles (5 years). Leasehold improvements and the capital leases are amortized over the term of their respective lease terms.

Advertising Costs

All costs associated with advertising and promotions are recorded as expenditures in the year incurred.

Deferred Rent

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent on the statement of net position.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. The School adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management evaluated the School's tax positions and concluded that the School had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The School files a Return of Organizations Exempt from Income Tax annually. The School's returns for 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk," provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Employer Contributions:

The School's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$1,017,609 for the year ended June 30, 2015.

Note 2 Cash and Cash Equivalents

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a policy for custodial credit risk. As of June 30, 2015, \$1,543,020 of the School's bank balance of \$1,293,020 was uninsured and collateralized by the pledging bank.

Note 3 Receivables

Receivables as of June 30, 2015 consist primarily of subsidies from local, federal and state authorities. All federal and state subsidies receivables are considered collectible due to the stable condition of these programs. The School recorded a reserve of \$75,000 to provide for possible uncollectible receivables from certain school districts. The \$75,000 was applied against Local Agency Assistance revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds and Program Revenues on the Statement of Activities for the year ended June 30, 2015.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	July 1, 2014	Additions	Deletions	June 30, 2015
Computer equipment	\$ 2,917,257	\$ 230,245	\$ -	\$ 3,147,502
Furniture and fixtures	171,397	-	-	171,397
Vehicle	13,136	-	-	13,136
Building	87,931	-	-	87,931
Leasehold improvements	83,518	-	-	83,518
	3,273,239	230,245	-	3,503,484
Accumulated depreciation & amortization	2,460,522	411,465	-	2,871,987
	\$ 812,717	\$ (181,220)	\$ -	\$ 631,497

Depreciation and amortization expense was \$411,465 for the year ended June 30, 2015.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 5 Line of Credit

The School has a \$1,000,000 revolving line of credit (the Line) with Penn Liberty Bank (the Bank). The entire Line was available at June 30, 2014 and interest is payable at the Wall Street Journal prime rate plus 1%, with a 4.5% interest rate floor. The Line is secured by all assets, tangible and intangible, of the School. The Line is due February 27, 2016.

Note 6 Commitments

Operating Lease Obligations

The School leases multiple facilities in Pennsylvania, including two long-term leases for the Exton and Oakmont facilities, under various operating leases expiring through June, 2019. In addition to the basic rent, the School is required to pay its proportionate share of occupancy costs, utilities, and maintenance. Rent expense was \$576,089 for the year ended June 30, 2015.

Rent expense on the two long-term operating leases, which are being recognized on the straight-line basis, was \$391,886 for the year ended June 30, 2015. Rent paid was \$383,600 for the year ended June 30, 2015. The cumulative difference between rent paid and rent calculated on the straight-line basis is \$27,360 and is reflected on the statement of net position as deferred rent.

The following is a schedule of future minimum lease payments required as of June 30, 2015:

Year Ending June 30,		
2016	\$	390,713
2017		373,050
2018		305,838
2019		312,950
	\$	1,382,551

Capital Lease Obligation

Property costing \$80,229 with a net book value of \$29,904 is held under a capital lease, with interest at 9.55% per annum. The following is a schedule of future minimum lease payments required as of June 30, 2015:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 18,194	\$ 2,047	\$ 20,241
2017	11,441	368	11,809
	\$ 29,635	\$ 2,415	\$ 32,050

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 6 Commitments (Continued)

Operating Lease Obligation (Continued)

Changes in capital lease obligations are as follows:

Balance, July 1, 2014	\$	46,180
Additions		-
Repayments of principal		(16,545)
<hr/>		
Balance, June 30, 2015	\$	29,635

Interest expense on capital leases was \$3,696 for the year ended June 30, 2015.

Note 7 Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the School reported a liability of \$17,614,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School's proportion was .0665% percent, which was a decrease of .0106% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$2,262,188. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 1,259,000
Changes in proportions	2,969,000	-
Difference between employer contributions and proportionate share of total contributions	17,382	-
Contributions subsequent to the measurement date	1,017,609	-
<hr/>		
	\$ 4,003,991	\$ 1,259,000

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 7 Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$1,017,609 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:			
	2016	\$	405,188	
	2017		405,188	
	2018		405,188	
	2019		405,188	
	2020		106,630	

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disables Tables (male and female) with age set back 7 years for males and 3 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 7 Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 7 Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School's proportionate share of the net pension liability	\$21,970,000	\$17,614,000	\$ 13,894,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

Note 8 Grants

The School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 9 Risk Management

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage of the School's policies.

Note 10 Litigation

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect of the financial position of the School.

Achievement House Charter School
Notes to Financial Statements
June 30, 2015

Note 11 Change in Accounting Principle

During the current year the School implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement changes the accounting for pensions by recording the School's portion of net pension liability and deferred inflows and outflows related to pensions. As a result of implementing this statement, a prior period adjustment is required for the beginning net pension liability and deferred outflows for the School's contributions made during fiscal year 2014. The effect is a reduction in the net position of governmental activities and business-type activities of \$13,624,430, as detailed below:

	Governmental Activities
Beginning net position as previously reported at June 30, 2014	\$ 1,998,043
Prior period adjustment-implementation of GASB 68:	
Net pension liability	(14,532,000)
Deferred outflows - School's contributions made during fiscal year 2014	907,570
Total prior period adjustment	(13,624,430)
Net position as restated, July 1, 2014	\$ (11,626,387)

Required Supplementary Information

**Achievement House Charter School
Governmental Fund Budgetary Comparison Schedule
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Revenues/ Expenditures</u>	<u>Variance With Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local educational agency assistance	\$ 11,820,600	\$ 11,820,600	\$ 10,595,179	\$ (1,225,421)
Federal sources	588,000	588,000	614,457	26,457
State sources		-	31,848	31,848
Other sources	20,000	20,000	10,467	(9,533)
Total revenues	<u>12,428,600</u>	<u>12,428,600</u>	<u>11,251,951</u>	<u>(1,176,649)</u>
Expenditures				
Instruction	6,217,692	6,217,692	5,253,698	963,994
Support service	5,275,052	5,275,052	5,817,537	(542,485)
Noninstructional services	30,750	30,750	19,614	11,136
Capital outlay	896,180	896,180	230,245	665,935
Debt service	-	-	20,241	(20,241)
Total expenditures	<u>12,419,674</u>	<u>12,419,674</u>	<u>11,341,335</u>	<u>1,078,339</u>
Net Change in Fund Balance	<u>8,926</u>	<u>8,926</u>	<u>(89,384)</u>	<u>(98,310)</u>
Fund Balance, Beginning	<u>1,231,506</u>	<u>1,231,506</u>	<u>1,231,506</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,240,432</u>	<u>\$ 1,240,432</u>	<u>\$ 1,142,122</u>	<u>\$ (98,310)</u>

See accompanying notes to financial statements.

**Achievement House Charter School
Schedule of the School's Proportionate Share of the Net
Pension Liability**

Last 10 Fiscal Years*

	6/30/2014	6/30/2013
School's proportion of the net pension liability	0.0445%	0.0355%
School's proportionate share of the net pension liability	\$ 17,614,000	\$ 14,532,000
School's covered-employee payroll	\$ 5,672,312	\$ 4,561,478
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.53%	318.58%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.49%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to financial statements.

**Achievement House Charter School
Schedule of School Contributions
Pension Plan**

Last 10 Fiscal Years*

	6/30/2015
Contractually required contribution	\$ 1,060,757
Contributions in relation to the contractually required contribution	<u>1,060,757</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's covered-employee payroll	\$ 5,353,018
Contributions as a percentage of covered-employee payroll	19.82%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to financial statements.

**Achievement House Charter School
Notes to Required Supplementary Information
Year Ended June 30, 2015**

Note 1 Changes in Benefit Terms

None.

Note 2 Changes in Assumptions

None.

Other Reports Required By Government Auditing Standards

**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 House Charter School
Exton, Pennsylvania

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 the governmental activities and the major fund of Achievement House Charter School (the School) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon, dated December 30, 2015.

Internal Control Over Financial Reporting

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

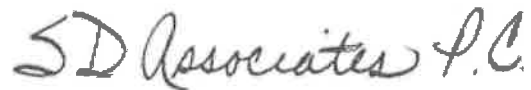
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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 of the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Elkins Park, Pennsylvania

December 30, 2015

Single Audit Requirements

**Achievement House Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal Grantor/ Pass-Through Grantor	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period	Program or Award	Total Received for the Year	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue 6/30/2014
U.S. Department of Education								
Pass-Through PA Department of Education								
Title I - Improving Basic Programs	84.010	013-151050	7/1/14-9/30/15	\$ 349,888	\$ 327,650	\$ 349,888	\$ 349,888	\$ 22,238
Title I - Program Improvement-Set Aside	84.010	042-141050	6/17/14-9/30/15	59,699	44,774	59,699	59,699	14,925
					372,424	409,587	409,587	37,163
Title II - Improving Teacher Quality	84.367	020-151050	7/1/14-9/30/15	13,273	13,273	13,273	13,273	-
Pass-Through Chester County Intermediate Unit								
Individuals with Disabilities Education Act Part B	84.027	N/A	7/1/14-6/30/15	191,597	68,702	191,597	191,597	122,895
Total Federal Awards				\$ 454,399	\$ 614,457	\$ 614,457	\$ 614,457	\$ 160,058

See notes to schedule of expenditures of federal awards.

Achievement House Charter School
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Achievement House Charter School (the School) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the balance sheet, revenues, expenditures, or changes in fund balances of governmental funds of the School.

Note 2 Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

To the Board of Trustees
Achievement House Charter School
Exton, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Achievement House Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the School's 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 the School's compliance.

Opinion on Each major Federal Program

In our opinion, the School 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, 2015.

Report on Internal Control Over Compliance

Management of the School 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 the School's 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 OMB Circular A-133, 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 the School's 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 a 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Elkins Park, Pennsylvania

December 30, 2015

Achievement House Charter School

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

A. Summary of Audit Results

1. The Independent Auditor's Report expresses an unqualified opinion on the basic financial statements of Achievement House Charter School.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements of Achievement House Charter School which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The independent auditor's report on compliance for the major federal award programs for Achievement House Charter School expresses an unqualified opinion.
6. There were no audit findings, which were required to be reported in accordance with Section 501(a) of OMB Circular A-133.
7. The program tested as a major program was Title I, CFDA #84.010.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Achievement House Charter School did not qualify as a low-risk auditee.

B. Findings-Financial Statement Audit

There were no findings relating to the financial statements which are required to be reported in accordance with *Generally Accepted Governmental Auditing Standards (GAGAS)*.

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

There were no findings and questioned costs for federal awards, which would include audit findings as defined in OMB Circular A-133.