

**Achievement House Charter School**  
**Financial Statements**  
**And**  
**Independent Auditors' Report**  
**Year Ended June 30, 2011**

**Achievement House Charter School**  
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**Year Ended June 30, 2011**

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**Siegal & Drossner, PC**  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

## **Independent Auditors' 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, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Achievement House Charter School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2011, 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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.

*Siegel & Drossner, P.C.*

Certified Public Accountants  
Elkins Park, Pennsylvania

December 22, 2011

# Achievement House Charter School Management's Discussion and Analysis June 30, 2011

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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, 2011. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

## **Financial Highlights**

- At the close of the current fiscal year, the School reports an ending fund balance of \$1,377,902. This balance was the result of a \$383,962 deficit for the year ended June 30, 2011.
- The School's cash balance at June 30, 2011 was \$577,821, representing a decrease of \$160,474 from June 30, 2010.
- The School's revenue from the local school districts increased approximately \$1,930,000 from the year ended June 30, 2010.

## **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 three components: Management's Discussion and Analysis (this section), the basic financial statements and supplementary information.

### ***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 assets* presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

### ***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 has only one fund type, the governmental general fund.

**Achievement House Charter School  
Management's Discussion and Analysis  
June 30, 2011**

**Overview of the Financial Statements (Continued)**

*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.

**Government-Wide Financial Analysis**

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

	2011	2010
<b>Assets</b>		
Other assets	\$ 2,086,432	\$ 2,062,101
Capital assets, net	1,006,082	688,997
	3,092,514	2,751,098
 <b>Liabilities</b>	 717,425	 415,454
 <b>Net Assets</b>	 \$ 2,375,089	 \$ 2,335,644

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$2,375,089 as of June 30, 2011, an increase of \$39,445 from June 30, 2010.

The School's revenues are predominately local school district's funds based on the student enrollment. For the year ended June 30, 2011, the School's total revenues of \$6,929,205 exceeded expenditures of \$6,889,760 by \$39,445, a decrease of \$1,562,694 as compared to the preceding year.

	2011	2010
<b>Revenues</b>		
Program revenues		
Local educational agency assistance	\$ 6,396,943	\$ 4,464,224
Other local sources	13,286	2,310
State sources	172,488	90,397
Federal sources	346,488	370,751
Total revenues	6,929,205	4,927,682

**Achievement House Charter School  
Management's Discussion and Analysis  
June 30, 2011**

**Government-Wide Financial Analysis (Continued)**

<b>Expenditures</b>		
Instruction	2,798,383	1,718,586
Support services	3,665,799	1,377,335
Noninstructional services	43,652	17,373
Debt service	4,262	5,279
Depreciation-unallocated	377,664	203,970
Total expenditures	<u>6,889,760</u>	<u>3,322,543</u>
Change in net assets	39,445	1,605,139
Net assets, beginning	<u>2,335,644</u>	<u>730,505</u>
Net assets, ending	<u>\$ 2,375,089</u>	<u>\$ 2,335,644</u>

**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 \$1,377,902.

**Budget Variations**

The actual revenues represent an increase from budgeted revenues of \$2,020,561 due mainly to an increase in local educational agency assistance.

Actual expenditures increased \$2,423,612 from the budget, due mainly to an increase in support services of \$2,118,197, an increase in capital outlay of \$124,750, and an increase in debt service of \$103,081.

**Capital Asset and Debt Administration**

***Capital Assets***

As of June 30, 2011, the School's investment in capital assets for its governmental activities totaled \$1,006,082 (net of accumulated depreciation). This investment in capital assets includes a building, leasehold improvements, furniture, and computer and office equipment.

Major capital asset purchases during the year included the following:

- Capital expenditures of \$506,755 for computer equipment
- Capital expenditures of \$62,232 for leasehold improvements
- Capital expenditures of \$37,831 for furniture and fixtures

**Achievement House Charter School  
Management's Discussion and Analysis  
June 30, 2011**

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**Capital Asset and Debt Administration (Continued)**

*Capital Assets (Continued)*

- Capital expenditures of \$87,931 for a building

Additional information on the School's capital assets can be found in Note 4 of this report.

*Long-Term Debt*

The School has various capital leases for the purchase of office equipment and computers. Additional information can be found in Note 6 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The School's primary source of revenue, the per student subsidy provided by the local school districts, will increase by approximately \$2,000,000 for fiscal year 2011-2012, due to an increase in student enrollment.

**Future Events that will Financially Impact the School**

The School anticipates adding more student centers across the State. This will require initial investments of staff, facility, and materials. The School is also planning for a decrease in the average per student pupil subsidy from local districts for the 2012-2013 school year.

**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 Chief Executive Officer, Achievement House Charter School, 600 Eagleview Boulevard, First Floor, Exton, PA 19341.



**Achievement House Charter School**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 577,821
Federal subsidies receivable	106,833
State subsidies receivable	50,962
Local subsidies receivable	1,255,874
Prepaid expenses	85,086
Total current assets	2,076,576
Deposits	9,856
Capital assets, net	1,006,082
	3,092,514
<b>Liabilities</b>	
Current liabilities	
Accounts payable	281,639
Accrued expenses	426,891
Capital lease obligations, current portion	8,895
Total current liabilities	717,425
<b>Net Assets</b>	
Invested in capital assets, net of related debt	997,187
Restricted for capital projects	100,000
Unrestricted	1,277,902
	\$ 2,375,089

See accompanying notes to financial statements.

**Achievement House Charter School  
Statement of Activities  
Year Ended June 30, 2011**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
Instruction	2,798,383	\$ -	\$ 3,205,160	406,777
Support services	3,665,799	-	3,710,759	44,960
Noninstructional services	43,652	7,122	-	(36,530)
Depreciation and amortization	377,664	-	-	(377,664)
Interest expense	4,262	-	-	(4,262)
Total governmental activities	<u>\$ 6,889,760</u>	<u>\$ 7,122</u>	<u>\$ 6,915,919</u>	33,281
<b>General Revenues</b>				
Other revenue				<u>6,164</u>
<b>Change in net assets</b>				39,445
<b>Net Assets - Beginning of Year</b>				<u>2,335,644</u>
<b>Net Assets - End of Year</b>				<u>\$ 2,375,089</u>

See accompanying notes to financial statements.

**Achievement House Charter School  
Balance Sheet-Governmental Fund  
June 30, 2011**

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 577,821
Federal subsidies receivable	106,833
State subsidies receivable	50,962
Local subsidies receivable	1,255,874
Prepaid Expenses	85,086
Total current assets	2,076,576
Security deposit	9,856
Total assets	\$ 2,086,432
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 281,639
Accrued expenses	426,891
Total current liabilities	708,530
Total liabilities	708,530
<b>Fund Balance</b>	
Nonspendable	85,086
Restricted for capital projects	100,000
Unassigned	1,192,816
Total fund balances	1,377,902
Total liabilities and fund balances	\$ 2,086,432

See accompanying notes to financial statements.

**Achievement House Charter School**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**June 30, 2011**

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<b>Total Fund Balance for Governmental Funds</b>	\$	1,377,902
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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:

Leasehold improvements	75,733	
Building	87,931	
Furniture and fixtures	37,832	
Machinery and equipment	1,576,199	
Accumulated depreciation and amortization	(771,613)	
		1,006,082

Long-term liabilities that pertain to governmental funds, including notes payable, 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 assets. Balances at year end are:

Capital lease obligations		(8,895)
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<b>Total Net Assets of Governmental Activities</b>	\$	2,375,089
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**Achievement House Charter School**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-**  
**Governmental Funds**  
**Year Ended June 30, 2011**

	General Fund
<b>Revenues</b>	
Program revenues	
Local educational agency assistance	\$ 6,396,943
Other sources	13,286
State sources	172,488
Federal sources	346,488
Total revenues	6,929,205
<b>Expenditures</b>	
Instruction	2,798,383
Support service	3,673,301
Noninstructional services	43,652
Capital outlay	694,750
Debt service	103,081
Total expenditures	7,313,167
<b>Excess of Revenues Over Expenditures</b>	(383,962)
<b>Fund Balance - Beginning of Year</b>	1,761,864
<b>Fund Balance - End of Year</b>	\$ 1,377,902

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, 2011**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (383,962)

Capital outlays 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 exceeds depreciation in the current period.

Capital outlays	694,750	
Depreciation and amortization expense	(377,664)	
	317,086	317,086

The governmental funds report note proceeds as financing sources, while repayment of note principal is reported as an expenditure. In the statement of net assets, 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:

Write off of capital lease obligations	7,501	
Principal payments on capital lease obligations	98,820	
	106,321	

**Change in Net Assets of Governmental Activities** **\$ 39,445**

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**Achievement House Charter School**  
**Notes to Financial Statements**  
**June 30, 2011**

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**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 will terminate June 30, 2012.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets 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 statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. 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.

**Achievement House Charter School**  
**Notes to Financial Statements**  
**June 30, 2011**

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

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

The government reports the following major governmental fund:

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

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 assets, a statement of activities and changes in net assets. It requires the classification of net assets 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 assets 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 assets consists of constraints placed on net 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 assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.



**Achievement House Charter School**  
**Notes to Financial Statements**  
**June 30, 2011**

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

**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:

- 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 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.
- 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. The School only has a general fund budget; therefore, the original budget filed and accepted by the Pennsylvania Department of Education is the final budget as well.

**Achievement House Charter School**  
**Notes to Financial Statements**  
**June 30, 2011**

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**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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity of three months or less.

**Advertising Costs**

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

**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 FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, for the year ended June 30, 2010. 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 2006, 2007, 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

**Note 2 Cash and Cash Equivalents**

The School's cash and cash equivalents balance at June 30, 2011, was \$576,910. The actual amount of cash on deposit in the School's bank accounts at June 30, 2011 was \$666,114. Of the amount held at the bank, \$270,275 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$395,839 was uninsured and uncollateralized at June 30, 2011.

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School's uninsured deposits may not be returned. The School does not have a policy for custodial credit risk.

**Achievement House Charter School**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 3 Receivables**

Receivables as of June 30, 2011 consist primarily of subsidies from federal, state, and local authorities. Receivables are shown net of an allowance for uncollectible accounts of \$6,000.

**Note 4 Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance, 7/1/2010	Additions	Deletions	Balance, 6/30/2011
Computer equipment	\$ 1,069,445	\$ 506,755	\$ -	\$ 1,576,200
Furniture and fixtures	-	37,831	-	37,831
Building	-	87,931	-	87,931
Leasehold improvements	13,500	62,232	-	75,732
	1,082,945	694,749	-	1,777,694
Less: accumulated depreciation & amortization	393,948	377,664		771,612
	\$ 688,997	\$ 317,085	\$ -	\$ 1,006,082

Depreciation and amortization expense for the year ended June 30, 2011 was \$377,664.

**Note 5 Funding**

The School receives funding from the from various local districts on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis. The Commonwealth of Pennsylvania makes contributions on behalf of the charter school for the employer's share of retirement payments and social security payments.

**Note 6 Commitments**

**Operating Lease Obligations**

The School leases multiple facilities in Pennsylvania 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 \$148,161 for the year ended June 30, 2011.

Future minimum lease payments as of June 30, 2011 are as follows:

**Achievement House Charter School**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 Commitments (Continued)**

Year Ending June 30,	
2012	\$ 106,987
2013	252,442
2014	277,388
2015	284,500
2016	291,613
2017 and thereafter	917,513
	\$ 2,130,443

**Capital Lease Obligations**

Computer equipment costing \$565,837 with a net book value of \$163,631 are held under capital leases, with interest rates ranging from 6.88% to 8% per annum. Future minimum lease payments as of June 30, 2011 are \$8,998 for the year ending June 30, 2012, consisting of \$8,895 principal and \$103 interest.

Changes in capital lease obligations are as follows:

Balance, July 1, 2010	\$ 115,217
Additions	-
Repayments of principal	(106,322)
	\$ 8,895

Interest expense on capital leases was \$4,262 for the year ended June 30, 2011.

**Note 7 Retirement Plan**

The School contributes to the Public School Employees' Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Pennsylvania Public School Employees' Retirement System, which provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 P.A.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

**Achievement House Charter School**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 7 Retirement Plan (Continued)**

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. The rate of contribution for employees ranges from 5.25% - 7.5% depending upon classification and elections of employees. The School's contribution is 5.64%. In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania will pay school entities for contributions made to the System based on the formula in Act 29 of 1994, but not less than one-half of the school entities contributions. The School's contributions to the Plan were \$150,172, \$62,720, and \$92,273, for the years ended June 30, 2011, 2010, and 2009, respectively, which equals 100% of the contractually required contribution as set by State statutes.

**Note 8 Grants**

The School participates in numerous local, 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, 2011 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 have been no significant reduction in insurance coverage of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past year.

**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.

**Supplementary Information**

**Achievement House Charter School  
Governmental Fund Budgetary Comparison Schedule  
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u> <u>Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Revenues/ Expenditures</u>	
<b>Revenues</b>				
Local educational agency assistance	\$ 4,590,000	\$ 4,590,000	\$ 6,396,943	\$ 1,806,943
Other sources	2,500	2,500	13,286	10,786
State sources	91,000	91,000	172,488	81,488
Federal sources	225,144	225,144	346,488	121,344
Total revenues	<u>4,908,644</u>	<u>4,908,644</u>	<u>6,929,205</u>	<u>2,020,561</u>
<b>Expenditures</b>				
Instruction	2,739,451	2,739,451	2,798,383	(58,932)
Support service	1,555,104	1,555,104	3,673,301	(2,118,197)
Noninstructional services	25,000	25,000	43,652	(18,652)
Capital outlay	570,000	570,000	694,750	(124,750)
Debt service	-	-	103,081	(103,081)
Total expenditures	<u>4,889,555</u>	<u>4,889,555</u>	<u>7,313,167</u>	<u>(2,423,612)</u>
<b>Excess of Revenues Over Expenditures</b>	19,089	19,089	(383,962)	(403,051)
<b>Fund Balance, Beginning</b>	<u>1,761,864</u>	<u>1,761,864</u>	<u>1,761,864</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ 1,780,953</u>	<u>\$ 1,780,953</u>	<u>\$ 1,377,902</u>	<u>\$ (403,051)</u>

See accompanying notes to financial statements.

**Other Reports Required By Government Auditing Standards**





**Siegal & Drossner, PC**  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

**Independent Auditors' Report on Compliance  
and on Internal Control over Financial Reporting  
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 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, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon, dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as Finding 11-01, that we consider to be a significant deficiency in internal control over financial reporting. 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.

## 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*.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Siegel & Drossner, P.C.*

Certified Public Accountants  
Elkins Park, Pennsylvania

December 22, 2011