QUEEN CITY ACADEMY CHARTER SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

QUEEN CITY ACADEMY CHARTER SCHOOL

Queen City Academy Charter School
Board of Trustees
Plainfield, New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

OF THE

QUEEN CITY ACADEMY CHARTER SCHOOL

PLAINFIELD, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by

Queen City Academy Charter School
Finance Department

And

Barre & Company, CPAs

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Secretary, State Board of Education

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INTRODUCTORY SECTION

The Queen City Academy Charter School
815 West 7th Street
Plainfield, New Jersey 07060
Phone 908.753.4700 Fax 908.753.4816
www.queencity.edu

September 18, 2009

Honorable President and
Members of the Board of Trustees
The Queen City Academy Charter School
815 West 7th Street
Plainfield, New Jersey 07063

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Queen City Academy Charter School (Charter School) for the fiscal year ended June 30, 2009. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Queen City Academy Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;

- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, as amended, the U.S. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*", and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An elected nine-member Board of Education (the "Board") serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Lead Person is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The school Business Administrator/Board Secretary is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES:

The Queen City Academy Charter School is an independent reporting entity within the criteria adopted by the GASB as established by NGCA Statement No. 3. All funds and account groups of The Queen City Academy Charter School are included in this report. The Queen City Academy Charter School Board of Trustees and its school constitute the District's entity.

The District provided a full range of educational services appropriate to regular students grade levels K through 8. The Queen City Academy Charter School completed the 2008-2009 fiscal year with an enrollment of 229 regular students. The following details the changes in the student enrollment of The Queen City Academy Charter School.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2000-2001	**72**	
2001-2002	**121.6**	**41%**
2002-2003	**177**	**32%**
2003-2004	**177**	**0%**
2004-2005	**198**	**12%**
2005-2006	**213**	**7%**
2006-2007	**243**	**12%**
2007-2008	**228**	**-6%**
2008-2009	**228**	**0%**

2. ECONOMIC CONDITION AND OUTLOOK:

The City of Plainfield tax rate has been stable or slightly increased over the past several years. Economic development activities are evident in the downtown area. The housing market for existing homes has seen a decline in recent times, as has the rest of the state. The Queen City Academy Charter School occupies a space in a suburban type location in the western end of Plainfield.

3. MAJOR INITIATIVES:

The School facilities consist of fifteen classrooms, a music room, an art room, a Title I room, a gymnasium, an auditorium, nurse's office, two small offices, a lunchroom, and school offices.

Instructional Staff consisted of the following:

1-Kindergarten
1-First Grade
2-Second Grade
1-Third Grade
1-Fourth Grade
2-Fifth Grade
3-Sixth Grade
2-Seventh Grade
3-Eighth Grade
3-Title One Teacher/Basic Skills
1-Art Instructor
1-Spanish Instructor
1-Dance Instructor
1-Physical Education Instructor
1-Music Instructor
1-Computer Instructor
2-Cassroom Assistants
1-Nurse

MAJOR INITIATIVES (CONTINUED):

Consultants were hired for Child Study Team services, for staff evaluations, and for professional development.

The charter school's curriculum was reviewed and refined throughout the year in order to ensure alignment with the New Jersey Core Curriculum Content Standards.

Students in grades 1-2 were administered the NJPASS during the month of June. Students in grades 3-8 were administered by NJASK for their respective grades.

4. INTERNAL ACCOUNTING CONTROLS:

Management of The Queen City Academy Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of The Queen City Academy Charter School are protected from loss, theft or misuse and to ensure that the adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: The cost of control should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, The Queen City Academy Charter School also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by The Queen City Academy Charter School management.

As part of The Queen City Academy Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that The Queen City Academy Charter School has compiled with applicable laws and regulations.

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality in which the students attending QCA reside. Annual appropriated budget are adopted for the general fund by the voters of the respective municipalities and the QCA budget is approved by the Board of Trustees of The Queen City Academy Charter School.

BUDGETARY CONTROLS (CONTINUED):

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2009.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of The Queen City Academy Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

FINANCIAL INFORMATION AT FISCAL YEAR END:

As demonstrated by the various statements and schedules included in the financial section of this report, The Queen City Academy Charter School continues to meet its responsibility for sound financial management.

7. DEBT ADMINISTRATION:

At June 30, 2009 the Charter School had no outstanding debt. The Queen City Academy Charter School has no immediate plans to incur debt.

8. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Queen City Academy Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, and fidelity bonds. The Board participates in the NJSBA Insurance Group.

10. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, *"Audits of State, Local Governments and Non-Profit Organization*" and State Treasury Circular Letter 04-04 OMB, *"Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid."* The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

11. ACKNOWLEDGEMENTS:

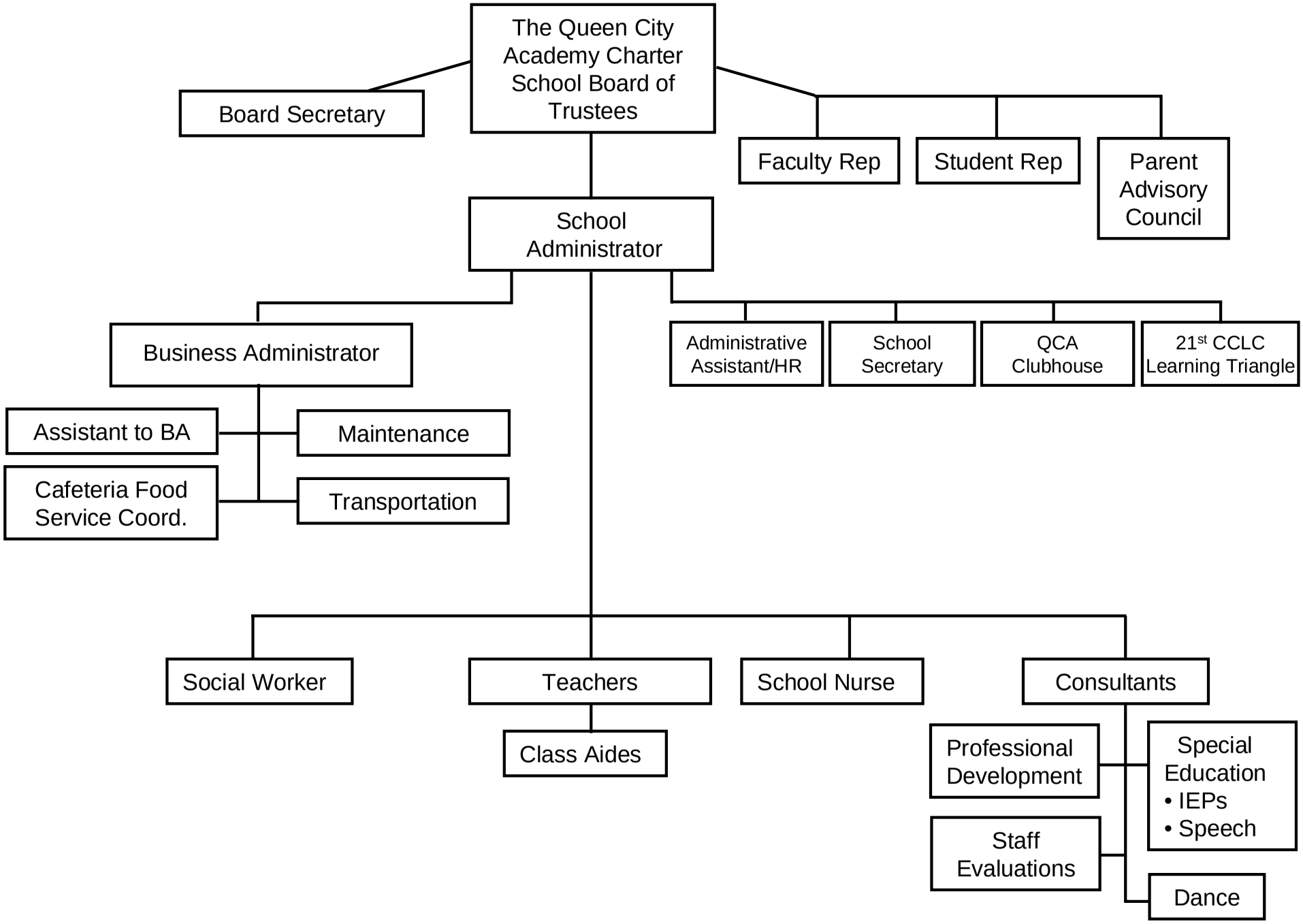
We would like to express appreciation to the members of The Queen City Academy Charter School Board of Trustees for their commitment to provide fiscal accountability to the citizens and taxpayers of the respective communities of Plainfield and North Plainfield and thereby contributing their full support to the maintenance of the school district's financial operation.

Respectfully submitted,

RaShawn M. Adams
Chief Academic Officer/Director

Philip J. Acosta
Business Administrator/Board Secretary

The Queen City Academy Charter School Organization Chart



QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2009

MEMBERS OF THE BOARD OF TRUSTEES	TERM EXPIRES
Julie Jerome, President	2009
J. Aneesah Allen, Vice President	2009
Cornethia McCloud, Corporate Secretary	2009
Cyril Mitchell, Corporate Treasurer	2011
Eugene Dudley	2011
Gayle Jones	2012
Brian Kramer	2009
Omowale Morgan	2011
Mark Sharp	2012

OTHER OFFICIALS

RaShawn M. Adams, Chief School Administrator/Director

Philip J. Acosta, School Business Administrator/Board Secretary

Patricia MacKenzie, Treasurer of School Monies

QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue
Union, New Jersey 07083

Attorney

Perez & Bombelyn, P.C
402 Livingston Road
New Brunswick, New Jersey 08034

Official Depository

TD Bank North
(Formerly Commerce Bank)
1701 Route 70 East
Cherry Hill, New Jersey 08034

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 303
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Queen City Academy Charter School
County of Union
Plainfield, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Trustees of the Queen City Academy Charter School in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2009, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Queen City Academy Charter School Board of Trustees 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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, business-type activities, each major fund and the aggregate remaining fund information of the Queen City Academy Charter School Board of Trustees, in the County of Union, State of New Jersey, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, 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 a report

dated September 18, 2009 on our consideration of the Queen City Academy Charter School Board of Trustees internal control over financial reporting and 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. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be in considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information on pages 15 and 65 respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Queen City Academy Charter School Board of Trustees' basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

September 18, 2009

REQUIRED SUPPLEMENTARY INFORMATION – PART I

QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2009 UNAUDITED

The discussion and analysis of Queen City Academy Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2008-2009) and the prior year (2007-2008) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2009 are as follows:

- General revenues accounted for $2,796,469 in revenue or 97% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $95,094 or 3% percent of total revenues of $2,891,563.

- The Charter School had $2,617,522 in expenses; only $95,094 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $2,796,469 were not adequate to provide for these programs.

- Among governmental funds, the General Fund had $2,652,878 in revenues and $2,382,447 in expenditures. The General Fund's fund balance increased $270,431 from 2008. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Queen City Academy Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Queen City Academy Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

Statement of Net Assets and the Statement of Activities

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

Statement of Net Assets and the Statement of Activities (Continued)

In the *Statement of Net Assets* and the *Statement of Activities*, the Charter School is divided into two kinds of activities:

- Governmental Activities — All of the Charter School's programs and services are reported here including instruction, administration, support services and capital outlay.

- Business-Type Activities — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. 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. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds are reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 38 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Assets* provides the perspective of the Charter School as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net assets were $457,413 for 2009 and $183,372 for 2008.

Governmental Activities

The Charter School's total revenues were $2,823,381 for June 30, 2009 and $3,236,571 for 2008, this includes $92,331 for 2009 and $85,789 for 2008 of state reimbursed TPAF social security contributions.

The total cost of all program and services was $2,554,349 for 2009 and $3,213,598 for 2008. Instruction comprises 50% for 2009 and 57% for 2008 of Charter School expenditures.

Business-Type Activities

Revenues for the Charter School's business-type activities (food service and clubhouse program) were comprised of charges for services and federal and state reimbursements.

FOOD SERVICE

- Revenues exceeded expenses by $4,379 for 2009 and $7,527 for 2008.
- Charges for services represent $9,413 for 2009 and $11,237 for 2008 of revenue. This represents amounts paid by patrons for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, and state snack program were $58,127 for 2009 and $60,684 for 2008.

CLUBHOUSE

- Revenues exceeded expenses by $630 for 2009 and expenses exceeded revenues by $18,568 for 2008.
- Charges for services represent $630 for 2009 and $31,820 for 2008 of revenue. This represents amounts paid by parents for the before and after school hours care program.

Governmental Activities

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents school equipment purchased under the $2,000 threshold.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to $2,823,381 for 2009 and $3,236,571 for 2008 and expenditures were $2,552,950 for 2009 and $3,212,200 for 2008. The net change in fund balance was most significant in the general fund, an increase of $270,431 for 2009 and $24,371 for 2008.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2009, and the amount and percentage of increases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2008	Percent of Increase/ (Decrease)
Local Sources	$ 442,371	15.67%	$ (218,835)	-33.10%
State Sources	2,210,507	78.29%	321,178	17.00%
Federal Sources	170,503	6.04%	(515,533)	-75.15%
Total	$ 2,823,381	100.00%	$ (413,190)	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2009, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2008	Percent of Increase/ (Decrease)
Instruction	$ 1,100,580	43.11%	$ (397,450)	-26.53%
Administration	692,489	27.13%	(20,301)	-2.85%
Support Services	752,477	29.47%	(248,903)	-24.86%
Capital Outlay	7,404	0.29%	7,404	0.00%
Total	$ 2,552,950	100.00%	$ (659,250)	

The Charter School's Funds (Continued)

Changes in expenditures were the results of varying factors. Current expense increased due to salary increases, additional staff and students, and increased health benefits and utility costs.

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the Charter School revised the annual operating budget in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

Capital Assets (Net of Depreciation)

The Charter School had $8,007 invested in building improvements at the end of the fiscal year 2009.

For the Future

The Queen City Academy Charter School is currently in good financial condition. There are several grants that will continue to impact the future of the school; the No Child Left Behind Grant (NCLB) and the Individuals with Disabilities Education Act Grant (IDEA). The Queen City Academy Charter School continues to provide a quality education experience and will increase the use of technology, utilizing new laptop computers purchased for classroom learning. The Charter School and its administration will continue to seek sound financial methods to insure that the operation of the Charter School remains efficient, while providing strong academic programming.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Philip J. Acosta, School Business Administrator/Board Secretary at Queen City Academy Charter School, 815 West 7th Street, Plainfield, New Jersey 07063.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL–WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

QUEEN CITY ACADEMY CHARTER SCHOOL
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 450,464	$ 21,827	$ 472,291
Interfund Receivables	69,505		69,505
Receivables	4,834	10,736	15,570
Capital Assets, Net	7,347	660	8,007
Total Assets	532,150	33,223	565,373
LIABILITIES:			
Interfund Payable	36,416	8,740	45,156
Payable to State Government	53,531		53,531
Accounts Payable		391	391
Deferred Revenue	8,882		8,882
Total Liabilities	98,829	9,131	107,960
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	7,347	660	8,007
Restricted for:			
Other Purposes	10,274		10,274
Unrestricted	415,700	23,432	439,132
Total Net Assets	$ 433,321	$ 24,092	$ 457,413

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

QUEEN CITY ACADEMY CHARTER SCHOOL
Statement of Activities
For The Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets: Governmental Activities	Net (Expense) Revenue and Changes In Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes In Net Assets: Total
GOVERNMENTAL ACTIVITIES:								
Instruction	$ 1,100,846	$ 178,906	$ -	$ 26,924	$ -	$ (1,252,828)	$ -	$ (1,252,828)
Administration	414,982	66,372				(481,354)		(481,354)
Support Services	752,477	33,362				(785,839)		(785,839)
Capital Outlay	7,404					(7,404)		(7,404)
Total Governmental Activities	2,275,709	$ 278,640	-	26,924	-	(2,527,425)	-	(2,527,425)
BUSINESS-TYPE ACTIVITIES:								
Food Service/Clubhouse	63,173		10,043	58,127			4,997	4,997
Total Business-Type Activities	63,173		10,043	58,127	-	-	4,997	4,997
Total Primary Government	$ 2,338,882		$ 10,043	$ 85,051	$ -	$ (2,527,425)	$ 4,997	$ (2,522,428)
GENERAL REVENUES								
General Purposes						$ 429,122	$ -	$ 429,122
Federal and State Aid Not Restricted						2,354,086		2,354,086
Investment Earnings						1,027	12	1,039
Miscellaneous Income						12,222		12,222
Total General Revenues						2,796,457	12	2,796,469
Change in Net Assets						269,032	5,009	274,041
Net Assets - Beginning						164,289	19,083	183,372
Net Assets - Ending						$ 433,321	$ 24,092	$ 457,413

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

SECTION B – FUND FINANCIAL STATEMENTS

The individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

QUEEN CITY ACADEMY CHARTER SCHOOL
Governmental Funds
Combining Balance Sheet
June 30, 2009

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	$ 384,124	$ 66,340	$ 450,464
Receivables:			
Interfund Receivables	69,505		69,505
Other Receivables	4,834		4,834
Total Assets	$ 458,463	$ 66,340	$ 524,803
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	$ -	$ 36,416	$ 36,416
Intergovernmental Accounts Payable	32,489	21,042	53,531
Deferred Revenue		8,882	8,882
Total Liabilities	32,489	66,340	98,829
Fund Balances:			
Reserved For:			
Encumbrances	10,274		10,274
Unreserved:			
General Fund	415,700		415,700
Total Fund Balances	425,974	-	425,974
Total Liabilities and Fund Balances	$ 458,463	$ 66,340	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is $13,990 and the accumulated depreciation is $6,643.	7,347
Net Assets of Governmental Activities	$ 433,321

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

QUEEN CITY ACADEMY CHARTER SCHOOL
Governmental Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
For The Fiscal Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	$ 429,122	$ -	$ 429,122
Interest on Investments	1,027		1,027
Miscellaneous	12,222		12,222
Total Local Sources	442,371	-	442,371
State Sources	2,210,507		2,210,507
Federal Sources		170,503	170,503
Total Revenues	2,652,878	170,503	2,823,381
EXPENDITURES:			
Instruction	965,834	134,746	1,100,580
Administration	692,489		692,489
Support Services	716,720	35,757	752,477
Capital Outlay	7,404		7,404
Total Expenditures	2,382,447	170,503	2,552,950
NET CHANGE IN FUND BALANCES	270,431	-	270,431
FUND BALANCE, JULY 1	155,543	-	155,543
FUND BALANCE, JUNE 30	$ 425,974	$ -	$ 425,974

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

QUEEN CITY ACADEMY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Fiscal Year Ended June 30, 2009

Total net change in fund balances - governmental fund (from B-2)	$ 270,431
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current fiscal year.	
Depreciation Expense	(1,399)
Change in net assets of governmental activities	$ 269,032

The accompanying Notes to Basic Financial Statements are integral part of this statement.

PROPRIETARY FUNDS

QUEEN CITY ACADEMY CHARTER SCHOOL
Proprietary Fund
Combining Statement of Fund Net Assets
June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Food Service	Clubhouse	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 17,187	$ 4,640	$ 21,827
Intergovernmental Accounts Receivable:			
Federal	10,316		10,316
State	420		420
Total Current Assets	27,923	4,640	32,563
Noncurrent Assets:			
Machinery and Equipment	2,199		2,199
Less Accumulated Depreciation	(1,539)		(1,539)
Total Noncurrent Assets	660	-	660
Total Assets	28,583	4,640	33,223
LIABILITIES:			
Interfund Accounts Payable		8,740	8,740
Accounts Payable	391		391
Total Liabilities	391	8,740	9,131
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	660		660
Unrestricted	27,532	(4,100)	23,432
Total Net Assets	$ 28,192	$ (4,100)	$ 24,092

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

QUEEN CITY ACADEMY CHARTER SCHOOL
Proprietary Fund
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Food Service	Clubhouse	Totals
OPERATING REVENUES:			
Charges for Services:			
Daily Sales Reimbursable Program	$ 9,413	$ -	$ 9,413
Program Fees		630	630
Total Operating Revenues	9,413	630	10,043
OPERATING EXPENSES:			
Supplies and Materials	332		332
Depreciation Expense	439		439
Cost of Sales	62,371		62,371
Miscellaneous Expenses	31		31
Total Operating Expenses	63,173	-	63,173
OPERATING INCOME (LOSS)	(53,760)	630	(53,130)
NONOPERATING REVENUES:			
Interest Earned	12		12
State Source:			
State School Breakfast Program	102		102
State School Lunch Program	2,156		2,156
Federal Source:			
National School Snack Program	3,130		3,130
National School Breakfast Program	1,548		1,548
National School Lunch Program	51,191		51,191
Total Nonoperating Revenues	58,139	-	58,139
CHANGE IN NET ASSETS	4,379	630	5,009
TOTAL NET ASSETS, JULY 1	23,813	(4,730)	19,083
TOTAL NET ASSETS, JUNE 30	$ 28,192	$ (4,100)	$ 24,092

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

QUEEN CITY ACADEMY CHARTER SCHOOL
Proprietary Fund
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Food Service	Clubhouse	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 9,091	$ 630	$ 9,721
Cash Payments to Suppliers and Employees	(62,343)		(62,343)
Net Cash Provided by (Used In) Operating Activities	(53,252)	630	(52,622)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash Received From State And Federal Reimbursements	58,127		58,127
Net Cash Provided By Noncapital Financing Activities	58,127	-	58,127
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Deposits and Investments	12		12
Net Cash Provided By Investing Activities	12	-	12
Net Increase In Cash And Cash Equivalents	4,887	630	5,517
Cash And Cash Equivalents, Beginning Of Year	12,300	4,010	16,310
Cash And Cash Equivalents, End Of Year	$ 17,187	$ 4,640	$ 21,827
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:			
Operating Loss Used In Operating Activities	$ (53,760)	$ 630	$ (53,130)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:			
Depreciation	439		439
Change In Assets And Liabilities:			
Increase In Receivables From Other Governments	(322)		(322)
Increase In Accounts Payable	391		
Net Cash Used In Operating Activities	$ (53,252)	$ 630	$ (53,013)

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

QUEEN CITY ACADEMY CHARTER SCHOOL
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2009

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
ASSETS:			
Cash and Cash Equivalents	$ 9,277	$ 5,882	$ 27,556
Interfund Accounts Receivable	1		50
Total Assets	9,278	5,882	$ 27,606
LIABILITIES:			
Interfund Accounts Payable			$ 24,400
Accounts Payable	1,583		
Accrued Salaries and Benefits			15
Payroll Deductions and Withholdings			1,451
Due to Student Groups			1,740
Total Liabilities	1,583	-	$ 27,606
NET ASSETS:			
Reserved Fund Balance	7,695	5,882	
Total Net Assets	$ 7,695	$ 5,882	

The accompanying Notes to Basic Financial Statements are integral part of this statement.

QUEEN CITY ACADEMY CHARTER SCHOOL
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2009

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
ADDITIONS:		
Interest Income	$ 34	$ 24
Contributions	52,631	
Total Additions	52,665	24
DEDUCTIONS:		
Payment of Claims	38,382	
Payment of Scholarships		1,000
Total Deductions	38,382	1,000
CHANGE IN NET ASSETS	14,283	(976)
NET ASSETS, JULY 1	(6,588)	6,858
NET ASSETS, JUNE 30	$ 7,695	$ 5,882

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Queen City Academy Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The Queen City Academy Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, is the

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

B. Basis of Presentation, Basis of Accounting

The Charter School's basic financial statements consist of Charter School-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

Charter school-wide Statements: The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not applicable.

Debt Service Fund: Not applicable.

The Charter School reports the following proprietary fund:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Enterprise (Clubhouse) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the before and after school care operations. The before and after care school program fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing care to the students on a continuing basis are financed or recovered primarily through user charges.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes Student Activities Fund, Payroll and Payroll Agency Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School–wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	$ 170,503
Adjustments:	
Less Encumbrances at June 30, 2009	(230)
Plus Encumbrances at June 30, 2008	230
Total Revenues and Expenditures (GAAP Basis)	$ 170,503

D. Encumbrances Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenues fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances Accounting (Continued)

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

E. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School – wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is $2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

Asset Class	Estimated Useful Lives
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & Computer Equipment	5-10

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are recorded as deferred revenue.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School – wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

> The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
c. Bonds or other obligations of the charter school.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of June 30, 2009, cash and cash equivalents and investments of the District consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	$ 384,124	$66,340	$ 21,827	$ 42,715	$515,006

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2009 was $515,006 and the bank balance was $612,550. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Risk Category (Continued)

Category 3 — Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2009, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2009, the Charter school had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2009 consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	$ -	$ 420
Federal Aid	-	10,316
Other	4,834	4,834
Gross Receivables	4,834	15,570
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	$ 4,834	$ 15,570

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2009:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 69,505	$ -
Special Revenue Fund		36,416
Proprietary Fund		8,740
Fiduciary Fund	51	24,400
Total	$ 69,556	$ 69,556

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 13,990	$ -	$ -	$ 13,990
Totals at Historical Cost	13,990	-	-	13,990
Less Accumulated Depreciation For:				
Machinery and Equipment	5,244	1,399	-	6,643
Total Accumulated Depreciation	5,244	1,399	-	6,643
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	8,746	(1,399)	-	7,347
Government Activity Capital Assets, Net	$ 8,746	$ (1,399)	$ -	$ 7,347
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 2,199	$ -	$ -	$ 2,199
Less Accumulated Depreciation	(1,100)	(439)	-	(1,539)
Enterprise Fund Capital Assets, Net	$ 1,099	$ (439)	$ -	$ 660

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to $2,000. The previous threshold was $500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the School has removed from their records assets with a historical cost greater than $500 but not greater than $2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense of $1,399 was charged to governmental expenses as follows:

Instruction	$ 266
Administration	1,133
	$ 1,399

NOTE 6: RENTAL LEASES

The school leased space at 815 West 7th Street, Plainfield, New Jersey under a lease agreement for five (5) years commencing August 1, 2004 and ending July 31, 2009. The lease requires annual rental payments of $306,000 and a proportionate share of utilities. The school also has an option to renew for an additional five (5) year term with annual rental payments of $333,600. Total rental payments amounted to $306,000 for the year ended June 30, 2009. Future minimum lease payments are as follows:

Fiscal Year	Amount
2010	$ 25,500
Total minimum lease payments	$ 25,500

NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASES

The Charter School is leasing a copier with monthly payments in the amount of $298 which expires October 2010. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2009:

Fiscal Year	Amount
2010	$ 3,576
2011	1,192
Total minimum lease payments	$ 4,768

NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASES (CONTINUED)

In January 2009, the school replaced an old copier machine with a new one under a new lease agreement requiring monthly installments in the amount of $123 for five (5) years. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2009:

Fiscal Year	Amount
2010	$ 1,478
2011	1,478
2012	1,478
2013	1,478
2014	986
Total minimum lease payments	$ 6,898

Total lease payments made during the year ended June 30, 2009 were $4,861.

NOTE 8: PENSION PLANS

Description of Plans

All required employees of the school are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

NOTE 8: PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the

NOTE 8: PENSION PLANS (CONTINUED)

month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the School is a noncontributing employer of TPAF.

NOTE 8: PENSION PLANS (CONTINUED)

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	$18,542	100%	$18,542
06/30/08	$22,544	80%	$18,035
06/30/07	$17,440	60%	$10,464

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	None	100%	None
06/30/08	None	100%	None
06/30/07	None	100%	None

NOTE 9: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

NOTE 9: POST-RETIREMENT BENEFITS (CONTINUED)

The State made post-retirement (PRM) contributions of $592.7 million for TPAF and $224.3 million for PERS in fiscal year 2008.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in fiscal year 2008.

NOTE 10: RISK MANAGEMENT

The charter 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.

Property and Liability Insurance

The charter school maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The following table is a summary of the Charter School's contributions, employee contributions, reimbursements to the State for benefits aid and the ending balance of the District's trust fund for the current and previous two years:

NOTE 10: RISK MANAGEMENT (CONTINUED)

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2008-2009	$ 49,295	$ 3,336	$ 38,382	$ 7,695
2007-2008	41,427	4,108	54,852	(6,588)
2006-2007	36,153	29,780	20,098	15,481

NOTE 11: FUND BALANCE APPROPRIATED

General Fund

Of the $425,974 General Fund fund balance in the fund financial statements at June 30, 2009, $10,274 is reserved for encumbrances; and $415,700 is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

QUEEN CITY ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
"Local Levy" Local Share-Charter School Aid	$ 428,230	$ 892	$ 429,122	$ 429,122	$ -
Total Local Sources	428,230	892	429,122	429,122	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	1,990,564	24,152	2,014,716	2,014,716	-
Special Education	52,395	(25,471)	26,924	26,924	-
Security Aid	71,225	2,044	73,269	73,269	-
Other State Aid		3,267	3,267	3,267	-
Total Categorical Aid	2,114,184	3,992	2,118,176	2,118,176	-
Other Sources:					
Interest Income				1,027	1,027
Donations and Contributions				94	94
Miscellaneous Revenue				12,128	12,128
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				92,331	92,331
Total Other Sources	-	-	-	105,580	105,580
Total Revenues	2,542,414	4,884	2,547,298	2,652,878	105,580
EXPENDITURES:					
Instruction:					
Salaries of Teachers	955,145	(18,861)	936,284	776,494	159,790
Other Salaries for Instruction	49,558	11,473	61,031	61,031	-
Purchased Prof/Tech Services	65,000	(22,158)	42,842	42,572	270
General Supplies	65,000	(15,262)	49,738	49,023	715
Textbooks	18,750	7,919	26,669	26,669	-
Miscellaneous	10,000	45	10,045	10,045	-
Total Instruction	1,163,453	(36,844)	1,126,609	965,834	160,775
Administration:					
Salaries - General Administration	244,900		244,900	240,144	4,756
Salaries of Secretarial/Clerical Assistants	72,000	32,070	104,070	70,570	33,500
Total Benefits Cost	255,960	27,512	283,472	186,309	97,163
Purchases Prof/Tech Services	70,500	(12,458)	58,042	56,364	1,678
Other Purchased Services	10,600	(692)	9,908	9,863	45
Communications/Telephone	12,500	(1,421)	11,079	10,594	485
Supplies and Materials	14,000	(4,986)	9,014	8,800	214
Miscellaneous Expenses	13,000	5,684	18,684	17,514	1,170
Total Administration	693,460	45,709	739,169	600,158	139,011

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

QUEEN CITY ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued From Prior Page)					
Support Services:					
Salaries	$ 145,500	$ 10,680	$ 156,180	$ 156,180	$ -
Rental of Land and Buildings	306,000		306,000	306,000	-
Other Purchased Services	116,000	1,089	117,089	116,891	198
Insurance for Property, Liability and Fidelty	35,000	(2,786)	32,214	32,214	-
Supplies and Materials	5,000	8,211	13,211	13,210	1
Energy Costs (Heat and Electricity)	55,000	22,362	77,362	77,362	-
Miscellaeous Expenses	3,000	15,639	18,639	14,863	3,776
Total Support Services	665,500	55,195	720,695	716,720	3,975
Capital Outlay:					
Non-Instructional Equipment	20,000	(15,988)	4,012	2,729	1,283
Miscellaneous Expenses		5,000	5,000	4,675	325
Total Capital Outlay	20,000	(10,988)	9,012	7,404	1,608
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				92,331	(92,331)
Total Expenditures	2,542,413	53,072	2,595,485	2,382,447	213,038
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	(48,188)	(48,187)	270,431	318,618
FUND BALANCE, JULY 1	155,543	-	155,543	155,543	-
FUND BALANCE, JUNE 30	$ 155,544	$ (48,188)	$ 107,356	$ 425,974	$ 318,618
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures:					
Budgeted Fund Balance	$ 155,544	$ (48,188)	$ 107,356	$ 425,974	$ 318,618
Total	$ 155,544	$ (48,188)	$ 107,356	$ 425,974	$ 318,618

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

QUEEN CITY ACADEMY CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	$ 181,165	$ 41,078	$ 222,243	$ 170,503	$ (51,740)
Total Revenues	181,165	41,078	222,243	170,503	(51,740)
EXPENDITURES:					
Instruction:					
Salaries	120,228		120,228	120,228	-
Purchased Prof/Tech Services	15,457	18,395	33,852	12,330	21,522
General Supplies	4,831	1,401	6,232	2,188	4,044
Total Instruction	140,516	19,796	160,312	134,746	25,566
Support Services:					
Personal Services - Employee Benefits	30,057		30,057	14,839	15,218
Other Purchased Prof/Tech Services	10,258	10,500	20,758	14,495	6,263
Other Purchased Services		10,312	10,312	5,733	4,579
Supplies and Materials	334	203	537	690	(153)
Miscellaneous Expenditures		267	267		267
Total Support Services	40,649	21,282	61,931	35,757	26,174
Total Expenditures	181,165	41,078	222,243	170,503	51,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

QUEEN CITY ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Budget To GAAP Reconciliation
Note to RSI
For the Fiscal Year Ended June 30, 2009

Note A - Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

		General Fund		Special Revenue Fund
Sources/Inflows of Resources				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	**[C-1]**	$ 2,652,878	**[C-2]**	$ 170,503
Difference - Budget to GAAP				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	**[B-2]**	$ 2,652,878	**[B-2]**	$ 170,503
Uses/Outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	**[C-1]**	$ 2,382,447	**[C-2]**	$ 170,503
Differences - Budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	**[B-2]**	$ 2,382,447	**[B-2]**	$ 170,503

OTHER SUPPLEMENTARY INFORMATION

SECTION E – SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

QUEEN CITY ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2009

	NCLB Title I	I.D.E.A. Part B	I.D.E.A. Part B Preschool	NCLB Title V	NCLB Title II Part A	NCLB Title II Part D	NCLB Title IV	Twenty First Century Carryover	Grand Total
REVENUE SOURCES:									
Federal	$ 114,053	$ 37,411	$ 1,401	$ 703	$ 10,371	$ 1,031	$ 1,987	$ 3,546	$ 170,503
Total Revenues	114,053	37,411	1,401	703	10,371	1,031	1,987	3,546	170,503
EXPENDITURES:									
Instruction:									
Salaries	86,728	33,500							120,228
Purchased Prof/Tech Services	1,873				8,184	773	1,500		12,330
General Supplies	787		1,401						2,188
Total Instruction	89,388	33,500	1,401	-	8,184	773	1,500	-	134,746
Support Services:									
Personal Services - Employee Benefits	10,928	3,911							14,839
Other Purchased Prof/Tech Services	13,737			500		258			14,495
Other Purchased Services					2,187			3,546	5,733
Supplies and Materials				203			487		690
Total Support Services	24,665	3,911	-	703	2,187	258	487	3,546	35,757
Total Expenditures	114,053	37,411	1,401	703	10,371	1,031	1,987	3,546	170,503
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

SECTION G – PROPRIETARY FUND DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the charter school's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND B-6.

SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

Agency Funds are used to account for assets held by the school as an agent for individuals, private organizations, other governments and/or other funds.

Payroll Fund – This agency fund is used to account for the payroll transactions of the school.

QUEEN CITY ACADEMY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2009

	Trust			Agency			
	Unemployment Compensation	Private Purpose Scholarship	Total Trust Fund	Payroll Agency	Net Payroll	Student Activities	Total Agency Fund
ASSETS:							
Cash and Cash Equivalents	$ 9,277	$ 5,882	$ 15,159	$ 21,837	$ 4,029	$ 1,690	$ 27,556
Interfund Accounts Receivable	1		1			50	50
Total Assets	9,278	5,882	15,160	$ 21,837	$ 4,029	$ 1,740	$ 27,606
LIABILITIES:							
Liabilities:							
Interfund Accounts Payable				$ 20,386	$ 4,014	$ -	$ 24,400
Accounts Payable	1,583		1,583				
Accrued Salaries and Benefits					15		15
Payroll Deductions and Withholdings				1,451			1,451
Due to Student Groups						1,740	1,740
Total Liabilities	1,583	-	1,583	$ 21,837	$ 4,029	$ 1,740	$ 27,606
NET ASSETS:							
Reserved Fund Balance	7,695	5,882	13,577				
Total Net Assets	$ 7,695	$ 5,882	$ 13,577				

QUEEN CITY ACADEMY CHARTER SCHOOL
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2009

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Total Trusts
ADDITIONS:			
Interest Income	$ 34	$ 24	$ 58
Contributions	52,631		52,631
Total Additions	52,665	24	52,689
DEDUCTIONS:			
Payment of Claims	38,382		38,382
Payment of Scholarships		1,000	1,000
Total Deductions	38,382	1,000	39,382
CHANGE IN NET ASSETS	14,283	(976)	13,307
NET ASSETS, JULY 1	(6,588)	6,858	270
NET ASSETS, JUNE 30	$ 7,695	$ 5,882	$ 13,577

QUEEN CITY ACADEMY CHARTER SCHOOL
Fiduciary Fund
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2009

	Balance July 1, 2008	Cash Receipts	Cash Disbursements	Balance June 30, 2009
Student Groups	$ 72	$ 17,551	$ 15,883	$ 1,740
Totals	$ 72	$ 17,551	$ 15,883	$ 1,740

QUEEN CITY ACADEMY CHARTER SCHOOL
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
For The Fiscal Year Ended June 30, 2009

	Balance July 1, 2008	Cash Receipts	Cash Disbursements	Balance June 30, 2009
Interfund Accounts Payable	$ 30,186	$ 43,720	$ 53,520	$ 20,386
Payroll Deductions and Withholdings	10,908	632,795	642,252	1,451
Totals	$ 41,094	$ 676,515	$ 695,772	$ 21,837

STATISTICAL SECTION

(UNAUDITED)

Queen City Academy Charter School has been in operation for six (6) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for six (6) years are available and have been presented. Each year thereafter, an additional year's data will be included until ten years.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the charter school's financial performance and well being have changed over time.

Revenue Capacity (Not Applicable To Charter School)

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the district provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

QUEEN CITY ACADEMY CHARTER SCHOOL
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	2009	2008	2007	2006
Governmental Activities				
Invested in capital assets, net of related debt	$ 7,347	$ 8,746	$ 10,145	$ 12,827
Restricted	10,274	-	-	-
Unrestricted	415,700	155,543	131,172	169,313
Total Governmental Activities Net Assets	$ 433,321	$ 164,289	$ 141,317	$ 182,140
Business-Type Activities				
Invested in capital assets, net of related debt	$ 660	$ 1,099	$ 1,539	$ 1,979
Restricted	-	-	-	-
Unrestricted	23,432	17,984	28,585	22,759
Total Business-Type Activities Net Assets	$ 24,092	$ 19,083	$ 30,124	$ 24,738
Charter School-wide				
Invested in capital assets, net of related debt	$ 8,007	$ 9,845	$ 11,684	$ 14,806
Restricted	10,274	-	-	-
Unrestricted	439,132	173,527	159,757	192,072
Total Charter School-wide Net Assets	$ 457,413	$ 183,372	$ 171,441	$ 206,878

Source: Charter School's Records

QUEEN CITY ACADEMY CHARTER SCHOOL
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,			
	2009	2008	2007	2006
Expenses				
Governmental Activities:				
Instruction	$ 1,279,752	$ 1,692,061	$ 1,961,535	$ 1,211,291
Administration	481,354	491,705	468,219	690,369
Support Services	785,839	1,029,833	938,971	1,142,988
Capital Outlay	7,404	-	830	-
Total Governmental Activites Expenses	2,554,349	3,213,599	3,369,555	3,044,648
Business-Type Activities:				
Food Service/Clubhouse	63,173	114,782	83,236	73,639
Total Business-Type Activites Expenses	63,173	114,782	83,236	73,639
Total Charter School Expenses	$ 2,617,522	$ 3,328,381	$ 3,452,791	$ 3,118,287
Program Revenues				
Governmental Activities:				
Charges for Services	$ -	$ -	$ -	$ -
Operating Grants and Contributions	26,924	23,208	34,535	21,516
Capital Grants and Contributions	-	-	-	-
Total Governmental Activites Expenses	26,924	23,208	34,535	21,516
Business-Type Activities:				
Charges for Services	10,043	42,481	35,292	47,250
Operating Grants and Contributions	58,127	60,684	53,017	42,887
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activites Expenses	68,170	103,165	88,309	90,137
Total Charter School Program Revenues	$ 95,094	$ 126,373	$ 122,844	$ 111,653
Net (Expense)/Revenue				
Governmental Activities	$ (2,527,425)	$ (3,190,391)	$ (3,335,020)	$ (3,023,132)
Business-Type Activities	4,997	(11,617)	5,073	16,498
Total Charter School-wide Net Expense	$ (2,522,428)	$ (3,202,008)	$ (3,329,947)	$ (3,006,634)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
General Purposes	$ 429,122	$ 653,283	$ 504,808	$ 546,308
Federal and State Aid Not Restricted	2,354,086	2,552,157	2,751,502	2,235,437
Investment Earnings	1,027	3,013	7,184	7,447
Miscellaneous Income	12,222	4,910	31,986	42,937
Total Governmental Activities	2,796,457	3,213,363	3,295,480	2,832,129
Business-Type Activities:				
Investment Earnings	12	-	313	-
Miscellaneous Income	-	576	-	-
Total Business-Type Activities	12	576	313	-
Total Charter School-wide	$ 2,796,469	$ 3,213,939	$ 3,295,793	$ 2,832,129
Change in Net Assets				
Governmental Activities	$ 269,032	$ 22,972	$ (39,540)	$ (191,003)
Business-Type Activities	5,009	(11,041)	5,386	16,498
Total Charter School	$ 274,041	$ 11,931	$ (34,154)	$ (174,505)

QUEEN CITY ACADEMY CHARTER SCHOOL
Fund Balances - Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	2009	2008	2007	2006
General Fund				
Reserved	$ 10,274	$ -	$ -	$ -
Unreserved	415,700	155,543	131,172	169,313
Total General Fund	$ 425,974	$ 155,543	$ 131,172	$ 169,313
All Other Governmental Funds				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Total All Other Governmental Funds	$ -	$ -	$ -	$ -

Source: Charter School's Records

QUEEN CITY ACADEMY CHARTER SCHOOL
Changes in Fund Balances - Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	2009	2008	2007	2006
Revenues:				
Local Sources:				
Local Tax Levy	$ 429,122	$ 653,283	$ 504,808	$ 546,308
Interest In Investments	1,027	3,013	7,184	7,447
Miscellaneous	12,222	4,910	31,986	42,937
State Sources	2,210,507	1,889,329	2,000,286	1,508,076
Federal Sources	170,503	686,036	785,751	748,877
Total Revenues	2,823,381	3,236,571	3,330,015	2,853,645
Expenditures:				
Instruction	1,100,580	1,498,030	1,698,786	1,210,009
Administration	692,489	712,790	698,327	690,369
Support Services	752,477	1,001,380	970,213	1,142,988
Capital Outlay	7,404	-	830	2,350
Total Expenditures	2,552,950	3,212,200	3,368,156	3,045,716
Net Change in Fund Balance	$ 270,431	$ 24,371	$ (38,141)	$ (192,071)

Source: Charter School records

QUEEN CITY ACADEMY CHARTER SCHOOL
General Fund - Other Local Revenue by Source
Last Four Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Donations	Interest	Miscellaneous Revenue	Total
2009	$ -	$ 1,027	$ 12,222	$ 13,249
2008	-	3,013	4,910	7,923
2007	-	7,184	31,986	39,170
2006	-	7,447	42,937	50,384

Source: Charter School's Records

OPERATING INFORMATION

QUEEN CITY ACADEMY CHARTER SCHOOL
Full-Time Equivalent Charter School Employees by Function
Last Four Fiscal Years

Function	2009	2008	2007	2006
Instruction	26	26	26	23
Administrative	3	3	2	2
Support Services	3	3	2	2
Food Service	1	1	1	1
Total	33	33	31	28

Source: Charter School Personnel Records

QUEEN CITY ACADEMY CHARTER SCHOOL
Operating Statistics
Last Four Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil	Percentage Change	Teaching Staff [b]	Pupil/ Teacher Ratio	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2009	237.0	$ 2,545,546	$ 10,741	-22.09%	29	1:9	229.0	217.0	-1.75%	94.76%
2008	233.0	3,212,200	13,786	-0.51%	26	1:9	233.0	221.0	-3.86%	94.85%
2007	243.0	3,367,326	13,857	-3.02%	26	1:9	242.0	229.0	11.98%	94.63%
2006	213.0	3,043,366	14,288	0.00%	23	1:9	213.0	205.0	100.00%	96.24%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

a Operating expenditures equal total expenditures less debt service and capital outlay.
b Teaching staff includes only full-time equivalents of certified staff.
c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

QUEEN CITY ACADEMY CHARTER SCHOOL
School Building Information
Last Four Fiscal Years

	2009	2008	2007	2006
Charter School Building				
Lower School				
Square Feet	27,000	27,000	27,000	27,000
Capacity (students)	260	260	260	260
Enrollment	243	243	243	243

Number of Schools at June 30, 2008
Lower School = 1
Upper School = 1

Source: Charter School's Records

QUEEN CITY ACADEMY CHARTER SCHOOL
Insurance Schedule
June 30, 2009

	Coverage	Deductible
Package:		
Property		
Contents - All Risk	$ 150,000	$ 1,000
Boiler & Machinery	100,000,000	5,000
Electronic Data Processing	150,000	1,000
Crime: Blanket Faithful Performance	50,000	500
Depositors' Forgery	50,000	500
Money & Securities	25,000	500
Money Orders & Counterfeit	25,000	500
Board Treasurer	137,000	1,000
Board Secretary/BA	137,000	1,000
General Liability	1,000,000	
Products/Completed Operations Aggregate	1,000,000	
Annual Aggregate for Child Molestation/Sexual Abuse	3,000,000	
Each Occurrence for Personal Injury/Advertising Injury	1,000,000	
Each Claim for Employee Benefits Liability	1,000,000	
Premise Medical Payments Per Person	1,000	100
Premise Medical Payments Per Accident	10,000	
Automobile Liability: Hired and Non Owned	1,000,000	
Student Accident: Gold Plan	5,000,000	
School Leaders E & O		
Coverage A	1,000,000	5,000
Coverage B	100,000	5,000
Coverage B Annual Aggregate	300,000	
Umbrella - Per Occurrence (SIR)	1,000,000	10,000
Workers Compensation		
Each Incident	2,000,000	

Source: Charter School's Records

SINGLE AUDIT SECTION

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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*

Honorable President and
Members of the Board of Trustees
Queen City Academy Charter School
County of Union
Plainfield, New Jersey

We have audited the financial statements of the Board of Trustees of Queen City Academy Charter School, in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 18, 2009. 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; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

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

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Queen City Academy Charter School Board of Trustees' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Queen City Academy Charter School Board of Trustees, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

September 18, 2009

BARRE & COMPANY
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable President and
Members of the Board of Trustees
Queen City Academy Charter School
County of Union
Plainfield, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the Queen City Academy Charter School, in the County of Union, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2009. Queen City Academy Charter School Board of Trustees major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Queen City Academy Charter School Board of Trustees management. Our responsibility is to express an opinion on the Queen City Academy Charter School Board of Trustee's compliance based on our audit.

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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.*

Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, 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 or state program occurred.

An audit includes examining, on a test basis, evidence about the Queen City Academy Charter School Board of Trustees 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. Our audit does not provide a legal determination of Queen City Academy Charter School Board of Trustees compliance with those requirements.

In our opinion, the Board of Trustees of Queen City Academy Charter School, in the County of Union, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2009.

Internal Control over Compliance

The management of the Board of Trustees of the Queen City Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Queen City Academy Charter School Board of Trustees internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Queen City Academy Charter School Board of Trustees internal control over compliance.

A *control deficiency* in an entity's internal over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of a control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance

with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to e material weaknesses, as defined above. Queen City Academy Charter School Board of Trustees responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. We did not audit Queen City Academy Charter School Board of Trustees response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Queen City Academy Charter School Board of Trustees, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

September 18, 2009

QUEEN CITY ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June, 30, 2009

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2008 Accounts Receivable/ Due to Grantor	Balance at June 30, 2008 Deferred Revenue	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2009 Accounts Receivable	Balance at June 30, 2009 Deferred Revenue	Balance at June 30, 2009 Due to Grantor
U.S. Department of Education															
Passed-through State Department of Education															
Special Revenue Fund:															
Title I	84.010	NCLB760009	$ 123,974	9/1/08	8/31/09	$ -	$ -	$ -	$ 90,948	$ (85,435)	$ -	$ -	$ -	$ 5,513	$ -
Title I Carryover	84.010	NCLB760008	142,972	9/1/07	8/31/08		30,836			(28,618)					2,218
Title I Carryover	84.010	NCLB 2007	115,184	9/1/06	8/31/07	2,413									2,413
Title II Part A	84.281	NCLB760009	8,184	9/1/08	8/31/09				8,184	(8,184)					
Title II Part A Carryover	84.281	NCLB760008	10,312	9/1/07	8/31/08		10,312			(2,186)					8,126
Title II Part A Carryover	84.281	NCLB 2008	8,473	9/1/06	8/31/07	1				(1)					
Title II Part D	84.281	NCLB760009	1,031	9/1/08	8/31/09				1,031	(1,031)					
Title II Part D Carryover	84.281	NCLB760008	910	9/1/07	8/31/08		910								910
Title IV	84.186	NCLB760009	1,834	9/1/08	8/31/09				1,834	(1,834)					
Title IV Carryover	84.186	NCLB 2007	3,236	9/1/06	8/31/07	153				(153)					
Title V Carryover	84.298	NCLB760008	703	9/1/07	8/31/08		703			(703)					
Title V Carryover	84.298	NCLB 2007	697	9/1/06	8/31/07	37									37
I.D.E.A. Part B Basic	84.027	IDEA760009	45,572	9/1/08	8/31/09				40,780	(37,411)				3,369	
I.D.E.A. Part B Preschool Carryover	84.027	IDEA760008	1,496	9/1/07	8/31/08		1,401			(1,401)					
Twenty First Century Learning Program Carryover	84.287C	034-5060-074	525,271	9/1/07	8/31/08		3,456			(3,352)					104
Twenty First Century Learning Program Carryover	84.287C	034-5060-076	-	9/1/05	8/31/06	6,876									6,876
Twenty First Century Learning Program Carryover	84.287C	034-5060-077	-	9/1/04	8/31/05	552				(194)					358
Total Special Revenue Fund						10,032	47,618	-	142,777	(170,503)	-	-	-	8,882	21,042
U.S. Department of Agriculture															
Passed-through State Department of Education															
Enterprise Fund:															
School Breakfast Program	10.553	N/A	1,548	7/1/08	6/30/09				1,238	(1,548)			(310)		
School Breakfast Program	10.553	N/A	2,263	7/1/07	6/30/08	(429)	-		429						
School Snack Program		N/A	3,130	7/1/08	6/30/09				2,645	(3,130)			(485)		
School Snack Program		N/A	7,243	7/1/07	6/30/08	(88)	-		88						
National School Lunch Program	10.555	N/A	51,191	7/1/08	6/30/09				41,670	(51,191)			(9,521)		
National School Lunch Program	10.555	N/A	48,829	7/1/07	6/30/08	(9,458)	-		9,458						
Total Enterprise Fund						(9,975)	-	-	55,528	(55,869)	-	-	(10,316)	-	-
Total Federal Financial Awards						$ 57	$47,618	$ -	$ 198,305	$ (226,372)	$ -	$ -	$ (10,316)	$ 8,882	$ 21,042

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

QUEEN CITY ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June, 30, 2009

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2008 Deferred Revenue (Accounts Receivable)	Balance at June 30, 2008 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2009 (Accounts Receivable)	Balance at June 30, 2009 Interfund Payable/ Deferred Revenue	Balance at June 30, 2009 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:															
General Fund:															
"Local Levy" State Share - Charter School Aid	09-495-034-5068-003	$ 2,014,716	7/1/08	6/30/09	$ -	$ -	$ -	$ 2,014,716	$ (2,014,716)	$ -	$ -	$ -	$ -	$ -	$ 2,014,716
Special Education Aid	09-495-034-5120-011	26,924	7/1/08	6/30/09				26,924	(26,924)						26,924
Security Aid	09-495-034-5120-084	73,269	7/1/08	6/30/09				73,269	(73,269)						73,269
Other State Aid	N/A	3,267	7/1/08	6/30/09				3,267	(3,267)						3,267
Reimbursed TPAF - Social Security	09-495-034-5095-002	92,331	7/1/08	6/30/09				92,331	(92,331)						92,331
Total General Fund								2,210,507	(2,210,507)						2,210,507
State Department of Agriculture															
Enterprise Fund:															
School Breakfast Program	09-100-010-3350-067	102	7/1/08	6/30/09				82	(102)		(20)				102
School Breakfast Program	08-100-010-3350-067	158	7/1/07	6/30/08	(28)			28							
National School Lunch Program (State Share)	09-100-010-3360-067	2,156	7/1/08	6/30/09				1,756	(2,156)		(400)				2,156
National School Lunch Program (State Share)	08-100-010-3360-067	2,190	7/1/07	6/30/08	(410)			410							
Total Enterprise Fund					(438)			2,276	(2,258)		(420)				2,258
Total State Financial Assistance					$ (438)	$ -	$ -	$ 2,212,783	$ (2,212,765)	$ -	$ (420)	$ -	$ -	$ -	$ 2,212,765

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

QUEEN CITY ACADEMY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2009

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees, Queen City Academy Charter School. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

QUEEN CITY ACADEMY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2009

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to GAAP basis is none for the general fund and none for the special revenue fund. See Note 1 (The Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	$ -	$ 2,210,507	$ 2,210,507
Special Revenue Fund	170,503	-	170,503
Food Service Fund	55,869	2,258	58,127
Total Awards & Financial Assistance	$ 226,372	$ 2,212,765	$ 2,439,137

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Queen City Academy Charter School has no loan balances outstanding at June 30, 2009.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2009. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2009.

QUEEN CITY ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements		Unqualified
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Noncompliance material to basic financial statements noted?	_____ Yes	__X__ No

Federal Awards Section

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Type of auditors' report issued on compliance for major programs		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	_____ Yes	__X__ No

Identification of major state programs:

CFDA Number(s)	Name of Federal Program
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:		$300,000
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No

QUEEN CITY ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section I – Summary of Auditor's Results (Cont'd)

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:		$300,000
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No
Type of auditors' report issued on compliance for major programs		Unqualified
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	_____ Yes	__X__ No

Identification of major state programs:

GMIS Number(s)	Name of State Program
09-495-034-5120-022	Local Levy – State Share

QUEEN CITY ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

Finding

There were no matters reported.

QUEEN CITY ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section III –Federal Awards and State Financial Assistance
Findings and Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

QUEEN CITY ACADEMY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

STATUS OF PRIOR YEAR FINDINGS

There were no matters reported.