



***Burch Charter School of
Excellence***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

PREPARED BY

BURCH CHARTER SCHOOL OF EXCELLENCE

BURCH CHARTER SCHOOL OF EXCELLENCE

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Burch Charter School of Excellence
100 Linden Avenue · Irvington, NJ 07111 · (973) 373-3223

October 09, 2011

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Burch Charter School of Excellence (the “Charter School”) for the fiscal year ended June 30, 2011.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. 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 fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor’s report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey OMB’s Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”. Information related to this single audit, including the auditor’s report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Burch Charter School of Excellence is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

The Charter School provides a full range of educational services appropriate to grade levels Kindergarten through fifth grade. These include regular as well as special education and health and nutrition services that support the total education of the student and their families. The Charter School completed the 2010-2011 fiscal year with an average daily enrollment of 212 students, which is 52 students more than the average daily enrollment of 160 for the school year 2009-2010. The following details the changes in student enrollment of the school during the last three years of operations.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2010-2011	212	32.50%
2009-2010	160	48.15%
2008-2009	108	N/A

2) ECONOMIC CONDITION AND OUTLOOK

The Charter School is located in the Township of Irvington in the County of Essex, within the State of New Jersey. Irvington's population stands at 53,926 and is 81% African American; 9% White and 10% other races. The township is strategically located at the intersection of the Garden State Parkway and Interstate Route 280 which connects to the NJ Turnpike, and maintains a strong commercial and industrial base.

The Irvington Public School System (from which the Charter School draws students) has three (3) secondary schools (one (1) high school and two (2) middle schools), eight (8) elementary schools and two (2) Early Childhood Centers. In and around the township are several technical, secretarial, health care schools and a two (2) year public colleges. Several four (4) year colleges namely Seton Hall University, Rutgers University, Kean College and New Jersey Institute of Technology are conveniently located in communities adjacent to the township.

A variety of housing options are available ranging from large high-rise apartments to small single family homes. Several modern senior citizens complexes are also available in the township to provide housing with security and health services to the regions' elderly residents.

3) MAJOR INITIATIVES

The curriculum of the Burch Charter School of Excellence is aligned with the New Jersey core curriculum Content Standards. In 2010-2011, our third first year of operation, we enrolled 216 students—54 in Kindergarten and 54 in first grade, 54 in second grade and 54 in third grade

Our third grade students took the 2011 NJ ASK 3 in May 2011. For the 2011-2012 school year, we will enroll 270 students in grades K, 1, 2, 3 and 4. Our third year students will be in fourth grade during the 2011-2012 school year and will take the NJ ASK 4 in the spring of 2012.

As we begin our preparation for state testing in the spring of 2011, we plan to have our students practice with a variety of commercial standardized preparation materials. Our strategies will include time in our daily schedules for test taking skills and preparation. Our student-teacher ratio of eighteen to one will enable teachers to plan instructional strategies to address the academic needs and challenges for all of our students. In addition, there is extra support from teacher assistants who are assigned to each class in kindergarten through second grade.

The New Jersey Department of Education awarded us the No Child Left Behind (NCLB) and I.D.E.A Programs during the year ended June 30, 2011.

In the spring of 2011, we formed a partnership with the Girl Scouts Heart of New Jersey. Girl Scouts is a program dedicated to enhancing courage, character and confidence among girls in grades Kindergarten through 12th grade. At each level, the girls engage in traditional troops or programs that incorporate health and fitness, diversity, skills, and financial literacy and money management.

4) INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

4) INTERNAL ACCOUNTING CONTROLS - CONTINUED

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School's Board of Trustees.

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

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the Charter School 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. Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the fiscal year is reflected in the financial section.

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. No reservation of fund balance was made at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORT

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the 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.

7) **FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END**

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 schedule presents a summary of the General Fund, and Special revenue funds for the fiscal year ended June 30, 2011. The 34% increase in revenue is primarily due to increase in enrollment as a result of projected expansion plan of the Charter School.

**SUMMARY OF THE GENERAL FUND
 AND SPECIAL REVENUE FUND REVENUES**

<u>Revenue</u>	<u>2011</u>	<u>2010</u>	<u>Increase/ (decrease)</u>	<u>% Change</u>
Local sources	\$ 449,417	\$ 346,928	\$ 102,489	29.54%
State sources	2,310,030	1,640,705	669,325	40.79%
Federal sources	272,931	274,050	(1,119)	-0.41%
	<u>\$ 3,032,378</u>	<u>\$ 2,261,683</u>	<u>\$ 770,695</u>	<u>34.08%</u>

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2011. The slight increase in expenditures is consistent with the increase in enrollment, however, the rate of increase in expenditure is significantly lower than the rate of increase in revenue.

**SUMMARY OF THE GENERAL FUND
 AND SPECIAL REVENUE FUND EXPENDITURES**

<u>Expenditures</u>	<u>2011</u>	<u>2010</u>	<u>Increase/ (decrease)</u>	<u>% Change</u>
Instruction	\$ 1,069,192	\$ 860,093	\$ 209,099	24.31%
Administrative	655,818	694,144	(38,326)	-5.52%
Support	739,740	603,828	135,912	22.51%
Capital Outlay	-	34,964	(34,964)	-100.00%
Total	<u>\$ 2,464,750</u>	<u>\$ 2,193,029</u>	<u>\$ 271,721</u>	<u>12.39%</u>

The Charter School ended the fiscal year ended June 30, 2011 with a general surplus of \$722,069.

8) CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”).

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds 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, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation (see J-18).

10) OTHER INFORMATION

Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA. 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 Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.

The auditor’s report on the general-purpose financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

11) **ACKNOWLEDGMENTS**

We would like to express our appreciation to the members of the Burch Charter School of Excellence Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the City of Irvington and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

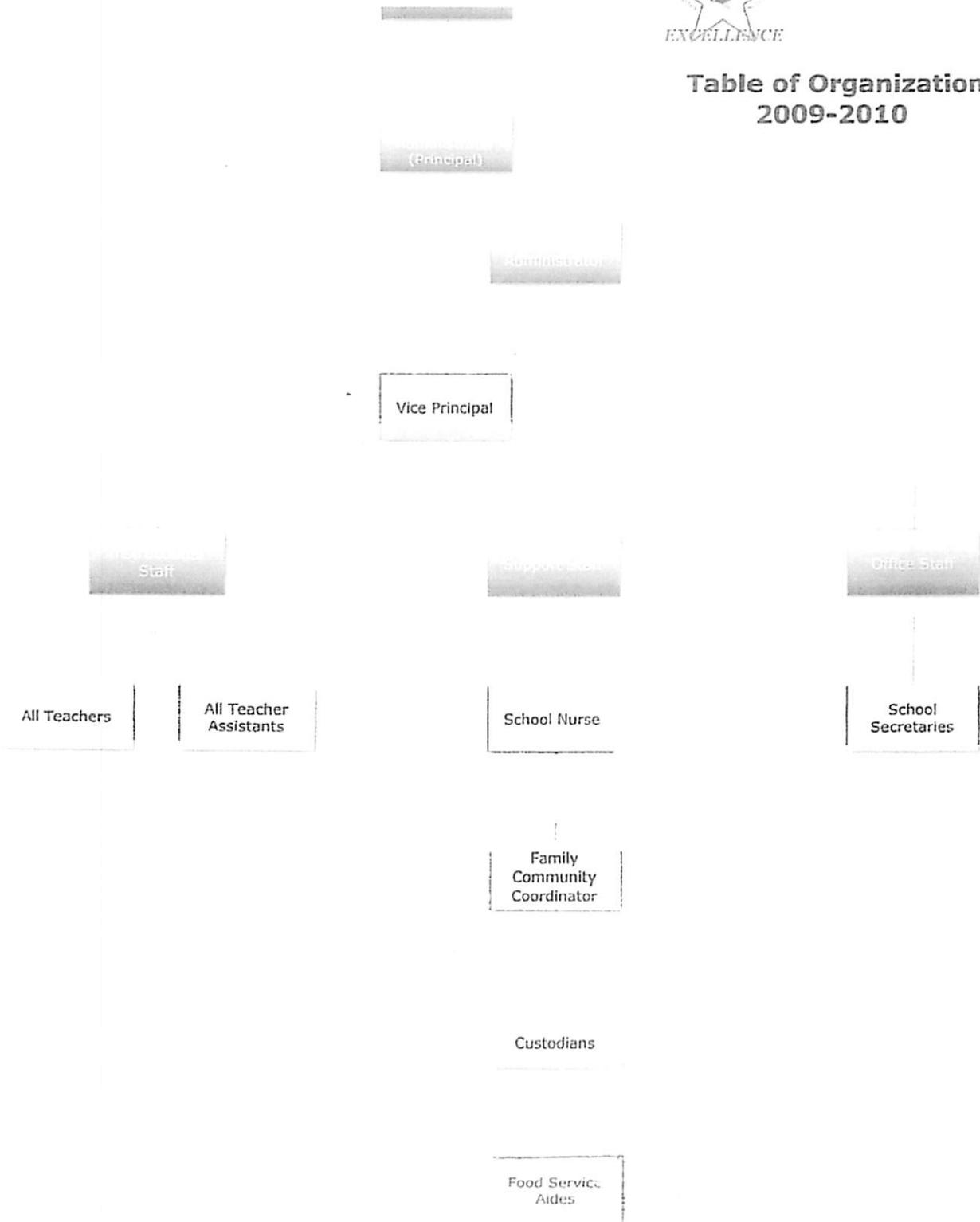
Respectfully submitted,

Dorian Dorsey

Dr. Dorian Dorsey
Principal



Table of Organization 2009-2010



ROSTER OF OFFICIALS

JUNE 30, 2011

Members of Board of Trustees

OFFICERS

Joseph C. Rouse, Sr. President

Paulita Martindale, Vice President

Beverly Canady, Secretary

Heather Martindale, Board Member

Carolyn Heath, Board Member

ADMINISTRATION

Dr. Dorian Dorsey, School Administrator

Joel Jullien, CPA, School Business Administrator

Frank Glien, CPA, Treasurer of School Monies

BURCH CHARTER SCHOOL OF EXCELLENCE

CONSULTANTS AND ADVISORS

Independent Auditors

Olugbenga Olabintan
Certified Public Accountant/Consultant
137 Camden Road, Suite # 3
Newark, New Jersey 07103

Attorney

Chandra R. Cole, Esq.
Attorney At Law
40 East Park Street
Newark, New Jersey 07102

Official Depository

Wells Fargo Bank
Irvington, New Jersey 07111

FINANCIAL SECTION

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Trustees
Burch Charter School of Excellence
County of Essex
Irvington, New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of the Burch Charter School of Excellence., (the "Charter School") in Essex County, State of New Jersey, as of and for the year ended June 30, 2011, which collectively comprise the charter school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; auditing standards 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 and Regulatory Compliance, Department of Education, State of New Jersey*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of Burch Charter School of Excellence, as of June 30, 2011, and the respective changes in financial positions, and where applicable cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT - CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 09, 2011, on our consideration of the Burch Charter School of Excellence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read with the report in considering the results of our audit.

The Management Discussion and Analysis on pages 15 through 22 and Budgetary Comparison Information on pages 63 through 66 are not a required part of the basic financial statements but are supplementary information required by accounting principle generally accepted by United States of America. We have applied certain limited procedures which consisted of principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burch Charter School of Excellence's basic financial statements. The accompanying introductory section, other supplementary information including combining fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by, U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, 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. The introductory section, financial schedules and statistical section 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.

Olugbenga Olabintan, CPA

October 09, 2011
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant


Olugbenga Olabintan, CPA

Licensed Public School Accountant
#20CS00230200

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENTS DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Introduction

This section of the Burch Charter School of Excellence's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting Model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, an amendment to GASB Statement No 21 and No 34, issued in June 2001, and; in GASB Statement No 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The fiscal year ended June 30, 2011 was the third full year of operations for the Charter School.
- In total, net assets of governmental activities increased \$552,372 to \$759,572 which represents a 266.59% increase from fiscal year 2010. Business-type activities, which represent food service operations ended the fiscal year with \$-0- net assets which did not change from the fiscal year 2010. However, the Charter School continued to record deficits in the Food Service Program which were financed by Board approved transfers from the General Fund.
- General Revenues accounted for \$2,759,447 in revenue or 88.12 percent of total revenues of \$3,131,619. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$372,172 or 11.88 percent of total revenues.
- The Charter School had \$2,449,157 expenses related to governmental activities; \$272,931 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$2,728,598 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2011, of \$722,069.

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Burch Charter School of Excellence as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Burch Charter School of Excellence, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activity, the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Reporting the Charter School as a Whole

Statement of Net Assets and Statements of Activities

While this report contains the fund 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 asks the question, "how did we do financially during fiscal year 2011?" The statements of Net Assets and the Statement of Activities answer this question. These Statements include all the Charter

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Statement of Net Assets and Statement of Activities-continued

School's assets and liabilities is using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service program-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 major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. 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 statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Governmental Funds- Continued

Governmental fund information helps determine whether there are more or less 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 the 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.

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. Net assets may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$759,572 at the close of 2011. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current Assets	\$ 766,757	\$ 358,015	\$ 19,013	\$ 7,105	\$ 785,770	\$ 365,120
Capital Assets, net	37,503	52,759			37,503	52,759
Total Assets	804,260	410,774	19,013	7,105	823,273	417,879
Liabilities						
Current Liabilities	44,688	203,574	19,013	7,105	63,701	210,679
Long Term Liabilities	-	-			-	-
Total Liabilities	44,688	203,574	19,013	7,105	63,701	210,679
Net Assets						
Invested in						
Capital Assets	37,503	52,759			37,503	52,759
(net of related debt)	-	-			-	-
Unrestricted	722,069	154,441	-		722,069	154,441
Total Net Assets	\$ 759,572	\$ 207,200	\$ -	\$ -	\$ 759,572	\$ 207,200

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

The largest portion of the Charter School's net assets is its current assets. The Charter School uses these current assets to provide services.

The total net assets of the Charter School increased by \$552,372 during the current fiscal year ended June 30, 2011. The majority of the increase is attributable to a surplus of \$567,628 in the General Fund.

The table that follows reflects the change in net assets for fiscal year 2011.

	Governmental		Business		Total	
	Activities		Type		Activities	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charge for Services			\$5,619	\$7,344	\$5,619	\$7,344
Operating grants and Contributions	\$272,931	\$239,086	93,622	76,547	366,553	315,633
Capital grants and Contributions	-	34,964	-	-	-	34,964
Total Program Revenues	272,931	274,050	99,241	83,891	372,172	357,941
General Revenues:						
Local Aid	444,453	322,881			444,453	322,881
Federal and State Aid	2,310,030	1,640,705			2,310,030	1,640,705
Miscellaneous	4,964	24,047			4,964	24,047
Transfers	(30,849)	(21,856)	30,849	21,856	-	-
Total general Revenues	2,728,598	1,965,777	30,849	21,856	2,759,447	1,987,633
Total Revenues	3,001,529	2,239,827	130,090	105,747	3,131,619	2,345,574
Expenses:						
Instructions	1,069,192	854,093			1,069,192	854,093
Administrative & Support Services	1,379,965	1,282,116			1,379,965	1,282,116
Unallocated Depreciation	-	15,255			-	15,255
Food Service			130,090	105,747	130,090	105,747
Total Expenses	2,449,157	2,151,464	130,090	105,747	2,579,247	2,257,211
Change in Net Assets	\$ 552,372	\$ 88,363	\$ -	\$ -	\$ 552,372	\$ 88,363

Operating grants and contributions increased by 12.96% percent during the year. Total general revenues increased by \$786,045 or 33.51% which is consistent with the increase in enrollment during the year. Total expenses increased by \$322,036 or 12.49%.

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2011.

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,069,192	\$ 866,720
Administrative & Support Services	1,364,709	1,294,250
Unallocated Depreciation	-	-
Total Expenses	\$ 2,433,901	\$ 2,160,970

Business-Type Activity

The business-type activity of the Charter School consists of the food service program only. The program had revenues of \$130,090 (which includes a transfer from the General Fund of \$30,849 to cover deficit) and operating expenses of \$130,090 for fiscal year 2011. The Charter School intended to have food services be self operating without assistance from the General Fund, however, in the current year operating deficit of \$(30,849) was funded by transfer from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3,032,378 and expenditures of \$2,464,750. The positive change in fund balance for the year reflects that the Charter School was able to meet its current costs.

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

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.

During the course of fiscal 2011, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$2,759,269, which included a local tax levy of \$444,453. Expenditures and other financing uses were budgeted at \$2,335,151. The Charter School anticipated budgeted fund balance of \$264,675 in its 2010-2011 budget year. General Fund revenues were higher than expenditures by \$110,234. Actual revenues and other financing sources were \$2,759,447 and expenditures were \$12,191,819.

The State of New Jersey reimbursed the Charter School \$61,721 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members. This unbudgeted amount was included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2011, the Charter School had funds invested in capital assets in its governmental activities. The table below reflects fiscal year 2011 balances:

	Governmental Activities	Business Type Activities	Total
Equipment	\$ 76,276	\$ -	\$ 76,276
Less Accumulated Depreciation	(38,773)	-	(38,773)
Totals	\$ 37,503	\$ -	\$ 37,503

The Charter School's 2011-2011 budget projects spending approximately \$-0- for capital projects.

Long-term debt

At June 30, 2011, the Charter School did not have any long term debt.

**BURCH CHARTER SCHOOL OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2011-2012. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. Amounts available for appropriation in the general fund budget are \$3,197,673, a 16% increase from the amount budgeted in the current fiscal year. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

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 reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

**BURCH CHARTER SCHOOL OF EXCELLENCE
Business Office
100 Linden Avenue
Irvington, New Jersey 07111**

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

This Statement of Net Assets and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Assets presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities.

BURCH CHARTER SCHOOL OF EXCELLENCE

A-1

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 617,510	\$ 9,939	\$ 627,449
Accounts receivable	130,234	9,074	139,308
Interfund receivables	19,013		19,013
Capital assets, net	<u>37,503</u>		<u>37,503</u>
Total assets	<u><u>\$ 804,260</u></u>	<u><u>\$ 19,013</u></u>	<u><u>\$ 823,273</u></u>
Liabilities			
Accounts payable	\$ 44,688		\$ 44,688
Interfunds payables		<u>\$ 19,013</u>	<u>19,013</u>
Total liabilities	<u>44,688</u>	<u>19,013</u>	<u>63,701</u>
Net assets			
Invested in capital assets	37,503		37,503
Unrestricted			-
Undesignated	<u>722,069</u>	-	<u>722,069</u>
Total net assets	<u>759,572</u>	-	<u>759,572</u>
Total liabilities & net assets	<u><u>\$ 804,260</u></u>	<u><u>\$ 19,013</u></u>	<u><u>\$ 823,273</u></u>

See accompanying notes to financial statements.

BURCH CHARTER SCHOOL OF EXCELLENCE

A-2

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Salaries	\$ 824,123		\$ 75,000	\$ (749,123)		\$ (749,123)
Purchased prof & educational service	8,939		-	(8,939)		(8,939)
Other purchased services	23,926			(23,926)		(23,926)
General educational supplies	199,321		127,472	(71,849)		(71,849)
Instructional text and books	11,167			(11,167)		(11,167)
Other instructional expenses	1,716		-	(1,716)		(1,716)
Administrative & Support services:						
Salaries	406,576			(406,576)		(406,576)
Unallocated total benefit costs	233,190		10,958	(222,232)		(222,232)
Professional /Technical service	173,298		58,062	(115,236)		(115,236)
Other Purchased Services	81,882		-	(81,882)		(81,882)
Rent on land and buildings	300,000			(300,000)		(300,000)
Communications and Telephones	12,405			(12,405)		(12,405)
Insurance-fidelity, liability property	18,077			(18,077)		(18,077)
Supplies and materials	51,709		1,439	(50,270)		(50,270)
Interest on current loans	2,328			(2,328)		(2,328)
Energy	76,449			(76,449)		(76,449)
Miscellaneous expenses	6,072		-	(6,072)		(6,072)
Transportation other than to/fro schc	2,723			(2,723)		(2,723)
Unallocated depreciation	15,256			(15,256)		(15,256)
Total governmental activities	<u>2,449,157</u>		<u>272,931</u>	<u>(2,176,226)</u>		<u>(2,160,970)</u>
Business-type activities:						
Food service	130,090	\$ 5,619	93,622		\$ (30,849)	(30,849)
Total business-type activities	<u>130,090</u>	<u>5,619</u>	<u>93,622</u>	<u>-</u>	<u>(30,849)</u>	<u>(30,849)</u>
Total primary government	<u>\$ 2,579,247</u>	<u>\$ 5,619</u>	<u>\$ 366,553</u>	<u>(2,176,226)</u>	<u>(30,849)</u>	<u>(2,191,819)</u>
General revenues, transfers and special items:						
Local sources				444,453	-	444,453
State sources				2,310,030		2,310,030
Miscellaneous				4,964		4,964
Transfers				(30,849)	30,849	-
Total general revenues, transfers and special items				<u>2,728,598</u>	<u>30,849</u>	<u>2,759,447</u>
Change in net assets				552,372	-	567,628
Net assets - beginning				207,200	-	207,200
Net assets - ending				<u>\$ 759,572</u>	<u>\$ -</u>	<u>\$ 774,828</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

The government funds statements tell how general government services were financed in the short-term as well as what remains for future spending. The governmental funds statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides.

FUND FINANCIAL STATEMENTS

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditure /expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary.

BURCH CHARTER SCHOOL OF EXCELLENCE
Governmental Funds

B-1

Balance Sheet

June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 617,510		\$ 617,510
Accounts receivable:			-
State	28,943		28,943
Federal	-	\$ 98,225	98,225
Other	3,066	-	3,066
Interfund receivable	112,259	-	112,259
Total assets	<u>\$ 761,778</u>	<u>\$ 98,225</u>	<u>\$ 860,003</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 39,709	\$ 4,979	\$ 44,688
Interfund payables	-	93,246	93,246
Total liabilities	<u>39,709</u>	<u>98,225</u>	<u>137,934</u>
Fund balances:			
Unreserved:	722,069	-	722,069
Total fund balances	<u>722,069</u>	<u>-</u>	<u>722,069</u>
Total liabilities and fund balances	<u>\$ 761,778</u>	<u>\$ 98,225</u>	
	-		
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 funds.			
		Cost of capital assets	76,276
		Accumulated depreciation	<u>(38,773)</u>
			<u>37,503</u>
Net assets of governmental activities - A-1			<u>\$ 759,572</u>

See accompanying notes to financial statements.

BURCH CHARTER SCHOOL OF EXCELLENCE
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues			
Local Sources:			
Local tax levy	\$ 444,453		\$ 444,453
Contributions			-
Miscellaneous	4,964		4,964
Total revenues -local sources	<u>449,417</u>		<u>449,417</u>
State sources	2,248,309		2,248,309
Federal sources		\$ 272,931	272,931
TPAF-Social Security	61,721	-	61,721
	<u>2,759,447</u>	<u>272,931</u>	<u>3,032,378</u>
Expenditures			
Current expense:			
Instruction:			
Salaries	749,123	75,000	824,123
Purchased prof & educational services	8,939	-	8,939
Other purchased services	23,926		23,926
General educational supplies	71,849	127,472	199,321
Instructional text and books	11,167		11,167
Other instructional expenses	1,716	-	1,716
Administrative cost:			-
Salaries	201,760	-	201,760
Total benefit costs	160,511	10,958	171,469
Professional /Technical service	95,501	58,062	153,563
Other purchased services	31,066	-	31,066
Communications and Telephones	12,405		12,405
Supplies and materials	14,046	1,439	15,485
Interest on current loans	2,328		2,328
Miscellaneous expenses	6,021		6,021
Support services:			-
Salaries	204,816		204,816
Purchased prof tech services	19,735		19,735
Other purchased services	50,816		50,816
Rent on land and buildings	300,000		300,000
Insurance-fidelity, liability property	18,077		18,077
Supplies and materials	36,224		36,224
Energy	76,449		76,449
Transportation other than to/fro school	2,723		2,723
Miscellaneous expenses	51		51
Food Services - Transfer to cover deficit	30,849		30,849
Capital outlay:			-
Instructional equipment	-	-	-
Non-instructional equipment	-	-	-
TPAF-Social Security	61,721	-	61,721
	<u>2,191,819</u>	<u>272,931</u>	<u>2,464,750</u>
Excess (deficiency) of revenues over (under) expenditures	567,628	-	567,628
Fund balances, beginning of year	154,441	-	154,441
Fund balances, end of year	<u>\$ 722,069</u>	<u>\$ -</u>	<u>\$ 722,069</u>

See accompanying notes to financial statements.

BURCH CHARTER SCHOOL OF EXCELLENCE
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2011

B-3

Total net change in fund balances - governmental funds (B-2) **\$ 567,628**

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, in 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 capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

	\$	(15,256)	
Depreciation expense			
Capital outlays		-	
			(15,256)

Change in net assets of governmental activities (A-2) **\$ 552,372**

See accompanying notes to financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounting principles are those similar to businesses in the private sector. The Charter School's food service operations, After Care/Summer Instructional Programs are accounted for in the Enterprise Fund where the intent of the Charter School is that the costs of providing goods or services be financed through user charges.

BURCH CHARTER SCHOOL OF EXCELLENCE
Proprietary Funds

B-4

Statement of Net Assets

June 30, 2011

	<u>Food Services</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 9,939
Accounts receivable:	
Federal	8,930
State	144
Other	
Interfund receivable - General Fund	
Total current assets	<u>\$ 19,013</u>
 Liabilities	
Current liabilities	
Accounts payable	\$ -
Interfund payable - General Fund	19,013
Total current liabilities	<u>\$ 19,013</u>
 Net assets	
Unrestricted	-
Total net assets	<u>\$ -</u>

See accompanying notes to financial statements.

**BURCH CHARTER SCHOOL OF EXCELLENCE
Proprietary Funds**

B-5

Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2011

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Parent fees	
Daily sales - nonreimbursable programs	\$ 5,619
Miscellaneous revenue	
Total Operating revenues	<u>5,619</u>
Operating expenses:	
Cost of sales	102,850
Salaries	26,809
Employee benefits	
Professional /Technical service	
Supplies and materials	431
Depreciation	
Miscellaneous	
Total operating expenses	<u>130,090</u>
Operating loss	<u>(124,471)</u>
Nonoperating revenues:	
State sources:	-
State School Breakfast Program	-
State School Lunch Program	1,577
Federal sources:	-
National School Lunch Program	71,216
National School Breakfast Program	10,063
Fresh Fruits & Vegetables	10,766
Total nonoperating revenues	<u>93,622</u>
Net income/(loss) before contributions & transfers	(30,849)
Other financing sources:	
Operating transfer in - Board contribution	30,849
	<u>30,849</u>
Change in net assets	-
Total net assets-beginning of year	<u>-</u>
Total net assets-end of year	<u>\$ -</u>

See accompanying notes to financial statements.

BURCH CHARTER SCHOOL OF EXCELLENCE
Proprietary Fund

B-6

Statement of Cash Flows

Year ended June 30, 2011

Cash flows from operating activities

Operating loss	\$ (124,471)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(249)
Increase in due to General Fund	20,568
Decrease in accounts payable	(7,105)
Net cash used in operating activities	<u>(111,257)</u>

Cash flows from noncapital financing activities

Cash received from state reimbursements	1,577
Cash received from federal reimbursements	92,045
Operating subsidies and transfers from other funds	30,849
Net cash provided by noncapital financing activities	<u>124,471</u>

Cash flows from investing activities

Net increase in cash and cash equivalents	13,214
Cash and cash equivalents, beginning	(3,275)
Cash and cash equivalents, ending	<u>\$ 9,939</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Fiduciary funds statements provide information about financial relationships in which the Charter School acts solely as trustee or agent for the benefit of others, to whom the resources in question belong.

BURCH CHARTER SCHOOL OF EXCELLENCE
Fiduciary Funds

B-7

Statement of Fiduciary Net Assets

June 30, 2011

	Student Activity Fund	Agency Fund Payroll	<u>TOTAL</u>
Assets			
Cash and cash equivalents	\$ 100	\$ 13,153	\$ 13,253
Total assets	<u>\$ 100</u>	<u>\$ 13,153</u>	<u>\$ 13,253</u>
Liabilities and fund balances			
Liabilities:			
Payroll deductions and withholdings	\$ -	\$ 13,153	\$ 13,153
Interfund payable	100	-	100
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
	<u>100</u>	<u>13,153</u>	<u>13,253</u>
Net Assets			
Total liabilities and net assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 100</u>	<u>\$ 13,153</u>	<u>\$ 13,253</u>

See accompanying notes to financial statements.

BURCH CHARTER SCHOOL OF EXCELLENCE
Fiduciary Funds

B-8

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2011

	<u>Expendable Trust Fund</u> New Jersey <u>Unemployment Benefit</u>
Revenues:	
General fund appropriation	\$ 26,871
Total revenues	<u>26,871</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>26,871</u>
Total expenditures	<u>26,871</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Burch Charter School of Excellence is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity:

Burch Charter School of Excellence (the "Charter School") was incorporated in the State of New Jersey on June 2007 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. Burch Charter School of Excellence is federal tax exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

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 Burch Charter School of Excellence 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 caregiver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

B. Component Units:

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 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. Based on the aforementioned criteria, the Charter School has no component units.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation

The financial statements of the Burch Charter School of Excellence (the “Charter School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School’s accounting policies are described below:

D. Basic Financial Statements

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

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

Government-wide Financial 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 Charter School, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D Basic Financial Statements - Continued

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

E. Governmental Funds

General Fund - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively 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 sub-fund.

- 1) As required by the New Jersey Department of Education, the Charter School included 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 unrestricted revenues.
- 2) 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 ground, 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.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

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 Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2011 there was no Capital Projects Fund.

Debt Service Fund -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2011 there was no debt service fund.

F. Proprietary Funds

The focus of Proprietary Funds' measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those to similar to business in the private sector. The following is a description of the Proprietary Funds of the Charter School.

Enterprise Funds

The Enterprise Fund are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Charter School is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods and services to the students on a continuing basis be financed or recovered primarily through user charges; or where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

Enterprise Funds - Continued

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

As of June 30, 2011 there was no enterprise fund.

Internal Service (Self-Insurance) Fund

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Burch Charter School of Excellence does not use self insurance fund.

G. Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Expendable Trust Funds - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

Nonexpendable Trust Funds - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

Agency Funds – Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations. Agency funds include payroll and student activities funds.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting

Measurement Focus – Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or noncurrent, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net assets.

Basis of accounting

In the government wide statement of net assets and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i. e. the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determine and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. 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 must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, 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 funds types. Unencumbered appropriations lapse at fiscal year end. 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

J. Cash, Cash Equivalent and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investment with a maturity of three months or less at the time of purchases and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchases are stated at cost. All other investment is stated at fair value.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in, New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund 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 loss funds on deposit with a failed banking institution in New Jersey.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Cash, Cash Equivalent and Investments - Continued

N.J.S.A. 17:9-41 et. seq. established the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposit of Governmental Units, if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

K. Tuition Payable

The Charter School did not send any of its students to any other Charter Schools during the fiscal year ended June 30, 2011.

L. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first- in-first-out (FIFO) Method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

M. Interfund Assets/Liabilities.

On the fund financial statement, receivable and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government wide Statements of Net Assets.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets. Capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000, as required by the State of New Jersey's Department of Education.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method.

O. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and they are not contingent on specific events that are outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on specific events that are outside the control of the Charter School and its employees, are accounted for in the period in which such service is rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. In proprietary and similar trust funds, compensated absences are required as an expense and liability of the fund that will pay for them.

P. Deferred Revenue

Deferred revenue in special revenue fund represents cash that has been received but not yet earned.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long term- obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are pay in a timely manner and in full from currents financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

R. Fund Balance

In the fund financial statements, governmental fund report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for specific future use. Designated fund balance represents plans for future use of financial resources.

S. Net Assets

Net Assets on the *Statement of Net Assets* include the following:

Investments in Capital Assets , net of Related Debt - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

Restricted for Specific Purposes – the component of net assets that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on there use by either external parties and /or enabling legislation.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. Net Assets - Continued

Net Assets on the *Statement of Net Assets* include the following:

Restricted for Debt Service – the component of net assets that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Specific Purposes or Net Assets Restricted for Debt Services.

T. Contributed Capital

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

U. Interfund Transactions

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other interfund transfers are reported as operating transfer.

V. Use of Estimates

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

W. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the state of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School’s annual budget.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds and 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 on maturity of any discount or premium. The charter school 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 charter school in its cash, cash equivalents and investments:

Category 1 included deposits/investments held by the Charter School's custodial bank trust department or agent in the Charter School's name.

Category 2 includes uninsured and unregistered deposits/investments held by the Charter School's custodial bank trust department or agent in the Charter School's name.

Category 3 included uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Charter School's custodial bank trust department or agent but not in the Charter School's name.

These categories are not broad representation that deposits on investments are "safe" or "unsafe".

Deposits

New Jersey statutes require that Charter School 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 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 collateral public funds on deposit.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

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 Charter School to purchase the following types of securities:

- a. Bonds or the 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.

As of June 30, 2011, cash and cash equivalents and investments of the Charter School consisted of the following:

	General Fund	Special Rev Fund	Enterprise Fund	Agency Fund	Total
Operating - Account	\$ 617,510	\$ -	\$ 9,939	\$ 13,253	\$ 640,702

The investments recorded in the Charter School-wide 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 value is not material to the Charter School-wide statements. All bank balances were covered by the federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey Statutes.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

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 Charter School or its agents in the Charter School’s name.

Category 2 – Collateralized with securities held by the pledging public depository’s trust department or agent in the Charter School’s name.

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 Charter School’s name.

As of June 30, 2011, the Charter School has funds invested and on deposits 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-then-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, 2011, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 3 RECEIVABLES

Receivables as of June 30, 2011, consisted of intergovernmental state aids. All receivables are considered collectible in full. As summary of the principal items of intergovernmental receivables are as follows:

State Aid	\$ 29,087
Federal Aid	107,155
Other	3,066
	\$ 139,308

NOTE 4 NET ASSETS

As of June 30, 2011, governmental activities net assets consisted of the following components:

**INVESTMENT IN CAPITAL ASSETS,
NET OF RELATED DEBT**

Capital assets, net	\$ 37,503
Less: Long-Term obligations	-
(All long-term debt relates to capital assets)	37,503

RESTRICTED

Designated for subsequent years expenditures	-
--	---

UNRESTRICTED

Net assets (deficit) not restricted above	722,069
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NET ASSETS	\$ 759,572
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Business-type activities net assets did not have any capital assets or restrictions as of June 30, 2011.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 5 CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Capital assets being depreciated:			
Equipment	\$ 76,276		\$ 76,276
Less: accumulated depreciation	<u>(23,517)</u>	<u>\$ (15,256)</u>	<u>(38,773)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>52,759</u>	<u>(15,256)</u>	<u>37,503</u>
 <u>Business-Type Activities</u>			
None	-	-	-
 Capital assets net	<u>\$ 52,759</u>	<u>\$ (15,256)</u>	<u>\$ 37,503</u>

Depreciation expense of \$15,256 was charged to an unallocated function.

NOTE 6 PENSIONS PLANS

a) Description of Plans

All eligible employees of the Charter School are covered by either the Public employee's Retirement System or the Teacher's Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (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 Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 6 PENSIONS PLANS - CONTINUED

a) Description of Plans Continued

i. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as a January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's 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 Charter School and the systems other related non-contributing 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.

ii. Public Employees' Retirement System (PERS)

The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. 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, Charter School, 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.

b) Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A:for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 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 month after the member attains normal retirement age.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 6 PENSIONS PLANS - CONTINUED

b) Vesting and Benefit Provisions - Continued

The TPAF and PERS provides for specified medical benefits for member 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 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

c) Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 6 PENSIONS PLANS - CONTINUED

d) Contribution requirement

The contribution policy is set by laws of the State of New Jersey 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 4.5 % and 3%, respectively 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 adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

The Charter School's contribution to PERS for the year ended June 30, 2011 was \$-0-.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$61,721 during the period ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the general-purpose financial statements.

NOTE 7 POST EMPLOYMENT 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, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contribution 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.

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 \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 8 DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 403(b). The plan, which is administered by AXA Equitable permits participants to defer a portion of their salary until future years.

NOTE 9 COMPENSATED ABSENCES

Charter School employees are granted sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave. Vacation days not used during the year may only be carried forward with approval from the Principal/Director.

The entire liability for vested compensated absences of governmental activities is recorded in the Charter School-wide financial statement. The current portion of the governmental activities compensated absences balance is not considered material to the applicable funds total liabilities; therefore it is not shown in the fund financial statement.

NOTE 10 RISK MANAGEMENT

The Charter School is exposed to various risks of loss relates 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 and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation

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.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. At June 30, 2011, the inter-fund balances consisted of the following components:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 112,259	
Special Revenue Fund	-	\$ 93,246
Enterprise Fund		19,013
Fiduciary Fund	-	-
Total	112,259	112,259
GASB No 34 mandated eliminations within governmental activities		
Special Revenue	(93,246)	(93,246)
Enterprise Fund	(19,013)	(19,013)
External - Due from Trust and Agency Fund	\$ -	\$ -

NOTE 12 STATE & FEDERAL RECEIPTS

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2011, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2011.

NOTE 13 SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the balance sheet date through the date of October 28, 2011 which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events have occurred which require disclosure in the financial statements.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

NOTE 14 OPERATING LEASE

The Charter School leased space at 100 Linden Avenue, Irvington, New Jersey, under a lease agreement for three (3) years commencing July 1, 2009 to June 30, 2011. The lease required monthly rental payments of \$6,750 in 2009-2011. Total rental payment amounted to \$81,000 for the year ended June 30, 2011. . Annual rental payments in 2009-2010 and 2010-2011 years are \$168,000 and \$300,000, respectively. There is a fourth mutual option renewal period of 2011-2012 year, with annual rental payments of \$360,000.

NOTE 15 SHORT TERM LOAN

The Charter School entered into a short term loan agreement with Union County Economic Development Corporation (UCEDC) on August 27, 2010. The loan was for \$55,000 at an annual interest rate of 10.25%. It was repaid in November 2010 prior to the due date of November 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

BURCH CHARTER SCHOOL OF EXCELLENCE
General Fund

C-1

Budget Comparison Schedule

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 444,453	\$ -	\$ 444,453	\$ 444,453	\$ -
Contributions	-	-	-	-	-
Miscellaneous	7,978	-	7,978	4,964	(3,014)
Total revenues -local sources	452,431	-	452,431	449,417	(3,014)
State sources					
TPAF-Social Security	2,010,684	237,625	2,248,309	2,248,309	-
	64,529	-	64,529	61,721	(2,808)
Total revenues	2,527,644	237,625	2,765,269	2,759,447	(5,822)
Expenditures					
Current expense:					
Instruction					
Salaries	896,903	(147,780)	749,123	749,123	-
Purchased prof & educational services	15,000	(6,061)	8,939	8,939	-
Other purchased services	17,626	6,300	23,926	23,926	-
General educational supplies	44,000	(6,258)	37,742	71,849	(34,107)
Instructional text and books	27,000	(15,833)	11,167	11,167	-
Other instructional expenses	2,000	(284)	1,716	1,716	-
Total current expense	1,002,529	(169,916)	832,613	866,720	(34,107)
Administrative cost:					
Salaries	195,253	6,507	201,760	201,760	-
Total benefit costs	351,883	(48,040)	303,843	160,511	143,332
Professional /Technical service	71,600	23,901	95,501	95,501	-
Other purchased services	21,684	9,382	31,066	31,066	-
Communications and Telephones	36,000	(23,595)	12,405	12,405	-
Supplies and materials	8,900	5,146	14,046	14,046	-
Interest on current loans	2,330	(2)	2,328	2,328	-
Miscellaneous expenses	2,000	4,021	6,021	6,021	-
Total administrative cost	689,650	(22,680)	666,970	523,638	143,332
Support services:					
Salaries	212,965	(8,149)	204,816	204,816	-
Purchased prof tech services	18,500	1,235	19,735	19,735	-
Other purchased services	30,000	20,816	50,816	50,816	-
Rent on land and buildings	300,000	-	300,000	300,000	-
Insurance-fidelity, liability property	12,322	5,755	18,077	18,077	-
Supplies and materials	23,540	12,684	36,224	36,224	-
Energy	69,800	6,649	76,449	76,449	-
Transportation other than to/fro school	3,000	(277)	2,723	2,723	-
Miscellaneous expenses	1,000	(949)	51	51	-
Food Services - Transfer to cover deficit	30,849	-	30,849	30,849	-
Total support services	701,976	37,764	739,740	739,740	-
Capital outlay:					
Instructional equipment	23,255	10,852	34,107	-	34,107
Non-instructional equipment	-	-	-	-	-
Total capital outlay	23,255	10,852	34,107	-	34,107
TPAF-Social Security	64,529	(2,808)	61,721	61,721	-
Total expenditures	2,417,410	(146,788)	2,335,151	2,191,819	143,332
Excess (deficiency) of revenues over (under) expenditures	110,234	384,413	567,628	567,628	(149,154)
Fund balances, beginning of year	154,441	-	154,441	154,441	-
Fund balances, end of year	\$ 264,675	\$ 384,413	\$ 722,069	\$ 722,069	\$ (149,154)

See independent auditor's report

**BURCH CHARTER SCHOOL OF EXCELLENCE
Special Revenue Fund**

C-2

Budget Comparison Schedule

Year ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Local sources	\$ 272,931	\$ -	\$ 272,931	272,931	\$ -
State sources	-	-	-	-	-
Total revenues -all sources	<u>272,931</u>	<u>-</u>	<u>272,931</u>	<u>272,931</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	75,000	-	75,000	75,000	-
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	127,472	-	127,472	127,472	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>202,472</u>	<u>-</u>	<u>202,472</u>	<u>202,472</u>	<u>-</u>
Support services					
Salaries of supervisors of instruction	-	-	-	-	-
Employee benefits	10,958	-	10,958	10,958	-
Purchased professional educational services	58,062	-	58,062	58,062	-
Other purchase services	-	-	-	-	-
Supplies	1,439	-	1,439	1,439	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>70,459</u>	<u>-</u>	<u>70,459</u>	<u>70,459</u>	<u>-</u>
Capital Outlay:					
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 272,931</u>	<u>\$ -</u>	<u>\$ 272,931</u>	<u>\$ 272,931</u>	<u>\$ -</u>

See independent auditor's report

NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION

BURCH CHARTER SCHOOL OF EXCELLENCE
Required Supplementary Information
Budgetary Comparison Schedule
Notes to Required Supplementary Schedule
Year ended June 30, 2011

NOTE

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 basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 2,759,447	
	[C-2]	\$ 272,931
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	0	0
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>\$ 2,759,447</u>	<u>\$ 272,931</u>
Note 1		
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]	\$ 272,931
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 reporting purposes.		0
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund		0
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 272,931</u>

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

**SCHOOL LEVEL SCHEDULES
NOT APPLICABLE**

SPECIAL REVENUE FUND

**BURCH CHARTER SCHOOL OF EXCELLENCE
Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2011

	CADRE 12(B) Grant (Year 3 of 3) 09-CA64-G06	Title I Part A C/Yr	Title I Part A C/Fwd	Title I Part A ARRA	Title II Part A C/Yr	Title II Part A C/Fwd	Title II Part D C/Fwd	Title IV C/Fwd	IDEA	IDEA C/Fwd	IDEA Basic ARRA	Total
Revenues												
Federal sources	\$ 90,625	\$ 95,076	\$ 5,333	\$ 24,794	\$ 3,255	\$ 2,903	\$ 1,492	\$ 1,215	\$ 29,562	\$ 2,808	\$ 15,868	\$ 272,931
State sources	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues -all sources	<u>90,625</u>	<u>95,076</u>	<u>5,333</u>	<u>24,794</u>	<u>3,255</u>	<u>2,903</u>	<u>1,492</u>	<u>1,215</u>	<u>29,562</u>	<u>2,808</u>	<u>15,868</u>	<u>272,931</u>
Expenditures												
Current Expenditures:												
Instruction:												
Salaries of teachers		75,000										75,000
Purchased Prof. and technical services												-
Other purchased services												-
General supplies	90,625	5,123	5,333	13,794				1,215	3,595	2,808	4,979	127,472
Miscellaneous expenditures												-
Total instruction	<u>90,625</u>	<u>80,123</u>	<u>5,333</u>	<u>13,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,215</u>	<u>3,595</u>	<u>2,808</u>	<u>4,979</u>	<u>202,472</u>
Support services												
Support salaries												-
Employee benefits		10,958										10,958
Purchased professional educational services		3,995		11,000	3,255	2,903	1,492		25,967		9,450	58,062
Other purchase services												-
Supplies											1,439	1,439
Miscellaneous expenditures												-
Total support services	<u>-</u>	<u>14,953</u>	<u>-</u>	<u>11,000</u>	<u>3,255</u>	<u>2,903</u>	<u>1,492</u>	<u>-</u>	<u>25,967</u>	<u>-</u>	<u>10,889</u>	<u>70,459</u>
Capital Outlay:												
Facilities acquisition and construction servic												
Instructional equipment		-	-	-	-	-	-	-	-	-	-	-
Noninstructional equipment		-	-	-	-	-	-	-	-	-	-	-
Construction services		-	-	-	-	-	-	-	-	-	-	-
Total facilities acquisition and construction serv	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 90,625</u>	<u>\$ 95,076</u>	<u>\$ 5,333</u>	<u>\$ 24,794</u>	<u>\$ 3,255</u>	<u>\$ 2,903</u>	<u>\$ 1,492</u>	<u>\$ 1,215</u>	<u>\$ 29,562</u>	<u>\$ 2,808</u>	<u>\$ 15,868</u>	<u>\$ 272,931</u>

See independent auditor's report

CAPITAL PROJECTS FUND
At June 30, 2011, there was no capital project fund.

ENTERPRISE FUND

BURCH CHARTER SCHOOL OF EXCELLENCE
Enterprise Funds

G-1

Combining Statement of Net Assets

June 30, 2011

	<u>Food Services</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 9,939
Accounts receivable:	
Federal	8,930
State	144
Total current assets	<u>\$ 19,013</u>
Liabilities	
Current liabilities	
Accounts payable	\$ -
Interfund payable - General Fund	19,013
Total current liabilities	<u>\$ 19,013</u>
Net assets	
Unrestricted	-
Total net assets	<u>\$ -</u>

See independent auditor's report

**BURCH CHARTER SCHOOL OF EXCELLENCE
Enterprise Fund**

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2011

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Parent fees	
Daily sales - nonreimbursable programs	\$ 5,619
Miscellaneous revenue	-
Total Operating revenues	<u>5,619</u>
Operating expenses:	
Cost of sales	102,850
Salaries	26,809
Employee benefits	-
Professional /Technical service	-
Supplies and materials	431
Depreciation	-
Miscellaneous	-
Total operating expenses	<u>130,090</u>
Operating income (loss)	<u>(124,471)</u>
Nonoperating revenues:	
State sources:	
State School Breakfast Program	-
State School Lunch Program	1,577
Federal sources:	
National School Lunch Program	71,216
National School Breakfast Program	10,063
After School Snacks	10,766
Total nonoperating revenues	<u>93,622</u>
Net income/(loss) before contributions & transfers	(30,849)
Other financing sources:	
Miscellaneous revenue	
Operating transfer in - Board contribution	30,849
	<u>30,849</u>
Change in net assets	-
Total net assets-beginning of year	<u>-</u>
Total net assets-end of year	<u>\$ -</u>

See independent auditor's report

BURCH CHARTER SCHOOL OF EXCELLENCE
Food Services Enterprise Fund

G-3

Statement of Cash Flows

Year ended June 30, 2011

Cash flows from operating activities	
Operating loss	\$ (124,471)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(249)
Increase in due to General Fund	20,568
Increase in accounts payable	(7,105)
Net cash provided in operating activities	<u>(111,257)</u>
	-
Cash flows from noncapital financing activities	
Cash received from federal reimbursements	92,045
Operating subsidies and transfers from other funds	30,849
Net cash provided by noncapital financing activities	<u>124,471</u>
	-
Cash flows from investing activities	-
	-
Net increase in cash and cash equivalents	13,214
Cash and cash equivalents, beginning	(3,275)
Cash and cash equivalents, ending	<u>\$ 9,939</u>

See independent auditor's report

FIDUCIARY FUND

**BURCH CHARTER SCHOOL OF EXCELLENCE
Fiduciary Funds**

H-1

Combining Statement of Fiduciary Net Assets

June 30, 2011

	Student Activity Fund	Agency Fund Payroll	<u>TOTAL</u>
Assets			
Cash and cash equivalents	\$ 100	\$ 13,153	\$ 13,253
Total assets	<u>\$ 100</u>	<u>\$ 13,153</u>	<u>\$ 13,253</u>
 Liabilities and fund balances			
Liabilities:			
Payroll deductions and withholdings	\$ -	\$ 13,153	\$ 13,153
Due to student groups	100		100
Interfund payable	-	-	-
Total liabilities	<u>100</u>	<u>13,153</u>	<u>13,253</u>
 Net Assets	-	-	-
Total liabilities and net assets	<u>\$ 100</u>	<u>\$ 13,153</u>	<u>\$ 13,253</u>

See independent auditor's report

BURCH CHARTER SCHOOL OF EXCELLENCE
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2011

	<u>Expendable Trust Fund</u> New Jersey <u>Unemployment Benefit</u>
Revenues:	
General fund appropriation	\$ 26,871
Total revenues	<u>26,871</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>26,871</u>
Total expenditures	<u>26,871</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

See independent auditor's report

BURCH CHARTER SCHOOL OF EXCELLENCE
Student Activity Agency Fund
Schedule of Receipts and Disbursements

H-3

Year ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Student Activity Fund	\$ 6,708	\$ 6,006	\$ 12,614	\$ 100
Total assets	<u>\$ 6,708</u>	<u>\$ 6,006</u>	<u>\$ 12,614</u>	<u>\$ 100</u>

See independent auditors' report

BURCH CHARTER SCHOOL OF EXCELLENCE
Payroll Agency Fund
Schedule of Receipts and Disbursements

H-4

Year ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Assets				
Cash and cash equivalents	\$ 53,184	\$ 1,266,493	\$ 1,306,524	\$ 13,153
Total assets	<u>\$ 53,184</u>	<u>\$ 1,266,493</u>	<u>\$ 1,306,524</u>	<u>\$ 13,153</u>
Liabilities				
Payroll deductions and withholdings	\$ 50,548	\$ 1,266,493	\$ 1,303,888	\$ 13,153
Interfund payable	2,636		2,636	-
Total liabilities	<u>\$ 53,184</u>	<u>\$ 1,266,493</u>	<u>\$ 1,306,524</u>	<u>\$ 13,153</u>
		-	-	

See independent auditor's report

LONG-TERM DEBT

**BURCH CHARTER SCHOOL OF EXCELLENCE
Long-Term Debt
Schedule of Obligations Under Renovation Loan**

I-2

Year ended June 30, 2011

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2010</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2011</u>
--------------------------------------	---	---	--------------------------------------	-------------------------------------	---

NONE

<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
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STATISTICAL SECTION

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-1

NET ASSETS BY COMPONENT
Last Three Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 37,503	\$ 52,759	\$ 33,050
Restricted	-	-	-
Unrestricted	722,069	154,441	85,787
Total governmental activities net assets	<u>\$ 759,572</u>	<u>\$ 207,200</u>	<u>\$ 118,837</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -
Restricted	-	-	-
Unrestricted	-	-	-
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School-wide			
Invested in capital assets, net of related debt	\$ 37,503	\$ 52,759	\$ 33,050
Restricted	-	-	-
Unrestricted	722,069	154,441	85,787
Total charter school net assets	<u>\$ 759,572</u>	<u>\$ 207,200</u>	<u>\$ 118,837</u>

Note

<p>Exhibit J-1 is a ten year schedule. 2008-2009 is the Charter School's first year of operation.</p>

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-2

CHANGES IN NET ASSETS
Last Three Fiscal Years
(accrual basis of accounting)

	<u>Fiscal Year Ended June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses			
Governmental activities			
Instruction			
Regular	\$ 1,069,192	\$ 860,093	\$ 647,645
Special education	-	-	-
Other special education	-	-	-
Other instruction	-	-	-
Support Services:			
Tuition	-	-	-
Student & instruction related services	655,818	694,144	366,621
General administration	739,740	603,828	363,653
Plant Operations and Maintenance	15,256	15,255	8,262
Total governmental activities expenses	<u>2,480,006</u>	<u>2,173,320</u>	<u>1,386,181</u>
Business-type activities:			
Food service	130,090	105,747	61,504
Child Care	-	-	72,765
Total business-type activities expense	<u>130,090</u>	<u>105,747</u>	<u>134,269</u>
Total charter school expenses	<u>\$ 2,610,096</u>	<u>\$ 2,279,067</u>	<u>\$ 1,520,450</u>
Program Revenues			
Governmental activities:			
Charges for services:			
Operating grants and contributions	\$ 272,931	\$ 239,086	\$ 209,563
Capital grants and contributions	-	34,964	41,312
Total governmental activities program revenues	<u>272,931</u>	<u>274,050</u>	<u>250,875</u>
Business-type activities:			
Charges for services			
Food service	5,619	7,344	3,145
Child care	-	-	57,845
Operating grants and contributions	93,622	76,547	35,850
Capital grants and contributions	30,849	21,856	37,429
Total business type activities program revenues	<u>130,090</u>	<u>105,747</u>	<u>134,269</u>
Total charter school program revenues	<u>\$ 403,021</u>	<u>\$ 379,797</u>	<u>\$ 385,144</u>
Net (Expense)/Revenue			
Governmental activities	\$ (2,207,075)	\$ (1,899,270)	\$ (1,135,306)
Business-type activities	-	-	-
Total charter school-wide net expense	<u>\$ (2,207,075)</u>	<u>\$ (1,899,270)</u>	<u>\$ (1,135,306)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Property taxes levied for general purposes, net	\$ 444,453	\$ 322,881	\$ 197,290
Grants and contributions	2,310,030	1,640,705	1,052,666
Miscellaneous income	4,964	24,047	4,187
Transfers	(30,849)	(21,856)	(37,429)
Total governmental activities	<u>2,728,598</u>	<u>1,965,777</u>	<u>1,216,714</u>
Business-type activities:			
Transfers	30,849	21,856	37,429
Total business-type activities	<u>30,849</u>	<u>21,856</u>	<u>37,429</u>
Total charter school-wide	<u>\$ 2,759,447</u>	<u>\$ 1,987,633</u>	<u>\$ 1,254,143</u>
Change in Net Assets			
Governmental activities	\$ 552,372	\$ 88,363	\$ 118,837
Business-type activities	-	-	-
Total charter school	<u>\$ 552,372</u>	<u>\$ 88,363</u>	<u>\$ 118,837</u>

Notes

Exhibit J-2 is a ten year schedule. 2008-2009 is the Charter School's first year of operation.

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-3

FUND BALANCES - GOVERNMENTAL FUNDS
Last Three Fiscal Years
(modified accrual basis of accounting)

	<u>Fiscal Year Ending June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund			
Unreserved	\$ 722,069	\$ 154,441	\$ 85,787
Total general fund	<u>\$ 722,069</u>	<u>\$ 154,441</u>	<u>\$ 85,787</u>
All Other Governmental Funds			
Reserved	\$ -	\$ -	\$ -
Unreserved, reported in:			
Special revenue fund	-	-	-
Capital projects fund	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes

<p>Exhibit J-2 is a ten year schedule. 2008-2009 is the Charter School's first year of operation.</p>

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-4

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Three Fiscal Years
(Unaudited)

Function	2011	2010	2009
Revenues			
Local tax levy	\$ 444,453	\$ 322,881	\$ 197,290
Miscellaneous	4,964	24,047	4,187
State sources	2,310,030	1,640,705	1,052,666
Federal sources	272,931	274,050	250,875
Total revenue	<u>3,032,378</u>	<u>2,261,683</u>	<u>1,505,018</u>
Expenditures			
Instruction	1,069,192	860,093	647,645
Administration	655,818	694,144	366,621
Support Services	739,740	603,828	363,653
Capital Outlay	-	34,964	41,312
Total expenditures	<u>2,464,750</u>	<u>2,193,029</u>	<u>1,419,231</u>
Net change in fund balances	<u>\$ 567,628</u>	<u>\$ 68,654</u>	<u>\$ 85,787</u>

Source: Charter School's Records

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-5

GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
Last Three Fiscal Years
(Unaudited)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Other Local Revenue By Source:			
Interest income	\$ 39	\$ -	\$ -
Refund of prior year's expenditures	1,758	-	-
Miscellaneous revenue	3,094	24,047	4,187
Total	<u>\$ 4,891</u>	<u>\$ 24,047</u>	<u>\$ 4,187</u>

Source: Charter School's Records

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-10

RATIO OF OUTSTANDING DEBT BY TYPE
Last Three Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2010	-	-	-	-	-	-		
2011	-	-	-	-	-	-		

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

Note: Details regarding the Charter School's outstanding debt can be found in the notes to the financial statements.

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-14

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Three Fiscal Years

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2009	56,102	\$ 946,665,148	\$ 16,874	13.00%
2010	53,926	\$ 909,947,324	\$ 16,874	13.00%
2011	53,926	\$ 909,947,324	\$ 16,874	13.00%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-15

PRINCIPAL EMPLOYERS
Current Year

<u>Employer</u>	<u>2011</u>		
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
Parkway Associates	Not Available	1	0.00%
Mill Run, LLC	Not Available	2	0.00%
Verizon	Not Available	3	0.00%
I & S Investment Co	Not Available	4	0.00%
Brookville Holding, LLC	Not Available	5	0.00%
Public Service Enterprise Group	Not Available	6	0.00%
Stuyvesant Realty	Not Available	7	0.00%
Bradford	Not Available	8	0.00%
Colonial Village	Not Available	9	0.00%
Lyons Plaza, LLC	Not Available	10	0.00%
	-		0.00%

Source: Municipal Tax Assessor, Irvington Public Schools 2008 CAFR

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-16

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/
/PROGRAM**

Last Three Fiscal Years

<u>Function/Program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction			
Regular	12	9	6
Special education	1	1	1
Vocational	4	4	3
Other instruction	9	9	6
Support Services:			
Student & instruction related services			
General administration	2	2	2
School administrative services	2	2	2
Other administrative services	1	1	1
Central services			
Administrative Information Technology			
Plant operations and maintenance	2	2	1
Pupil transportation	-	-	-
Other support services	1	1	1
Special Schools			
Food Service			
Total	<u>34</u>	<u>31</u>	<u>23</u>

Source: Charter School Personnel Records

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-17

OPERATING STATISTICS

Last Three 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	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2009	108	1,377,919	12,759	0.00%	16	1:09	1:09	108.0	106	0.00%	98.15%
2010	160	2,158,065	13,488	5.72%	23	1:09	1:09	149.0	146	37.75%	98.00%
2011	212	2,464,750	11,626	-13.80%	26	1:09	1:09	212.0	208	42.28%	98.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

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

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-18

SCHOOL BUILDING INFORMATION
Last Three Fiscal Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Square Feet	40,000	40,000	40,000
Capacity (students)	250	250	250
Enrollment	212	160	108

Source: School Records

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-19

SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES
BY SCHOOL FACILITY
Last Three Fiscal Years

2009	\$ 24,123
2010	33,959
2011	54,301
	-
Total	<u>\$ 112,383</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

BURCH CHARTER SCHOOL OF EXCELLENCE
County of Essex, New Jersey

J-20

INSURANCE SCHEDULE

June 30, 2011

	<u>Coverage</u>	
Property:		
Business Income Without Extra Expense	\$ 100,000	
Business Personal Property	160,000	
Computer Coverage	180,000	
EDP Equipment (Including Software)	100,000	
Equipment Breakdown	160,000	
Spoilage	500,000	
Data Restoration	100,000	
Commercial General Liability:		
General Aggregate	2,000,000	
Personal & Advertising Injury Limit	1,000,000	Each Occurrence
Damage to Premises Rented by Insured	1,000,000	
Medical Expenses - Limits	5,000	
Employee Benefits Liability	1,000,000	
Professional Liability	1,000,000	
Crime:		
Employee Dishonesty	150,000	
Forgery or Alteration	150,000	
Inside the Premises	150,000	
Outside the Premises	150,000	
Computer Fraud	150,000	
Funds Transfer Fraud	150,000	
Automobile:		
Collision	25,000	
Comprehensive	25,000	
Umbrella:		
General Aggregate	5,000,000	

Source: Charter School Records

SINGLE AUDIT SECTION

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K-1

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Chairperson and
Members of the Board of Trustees
Burch Charter School of Excellence
County of Essex
Irvington, New Jersey

We have audited the financial statements of Burch Charter School of Excellence (“the Charter School”) in the county of Essex, State of New Jersey as of and for the year ended June 30, 2011, and have issued our report thereon, dated October 09, 2011. 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 and Regulatory Compliance, Department of Education, State of New Jersey*.

Internal Control over Financial Reporting

Management of Burch Charter School of Excellence is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Burch Charter School of Excellence’s 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 Burch Charter School of Excellence’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Burch Charter School of Excellence’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that that is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* – CONTINUED

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Burch Charter School of Excellence’s 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 and Regulatory Compliance, Department of Education, State of New Jersey*.

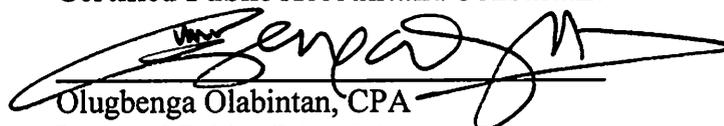
We noted certain matters that we reported to the Board of Trustees of the Burch Charter School of Excellence in the separate *Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 09, 2011.

This report is intended for the information of the management, the Burch Charter School of Excellence’s, 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.

Olugbenga Olabintan, CPA

October 09, 2011
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant


Olugbenga Olabintan, CPA
Licensed Public School Accountant
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K-2

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH STATE OF NEW JERSEY OMB CIRCULAR 04-04**

The Honorable Chairperson and
Members of the Board of Trustees
Burch Charter School of Excellence
Essex County,
Irvington, New Jersey

Compliance

We have audited the compliance of the of the of Burch Charter School of Excellence (“the Charter School”) in the county of Essex, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011. Charter School’s major 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 state programs is the responsibility of the Charter School management. Our responsibility is to express an opinion on Charter School’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 and Regulatory Compliance, Department of Education, State of New Jersey, and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards 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 major state programs occurred. An audit includes examining, on a test basis, evidence about the Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School Board of Trustees’ compliance with those requirements.

In our opinion, Burch Charter School of Excellence complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect its major state program for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The management of the Board of Trustees of Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, 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 Burch Charter School of Excellences' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

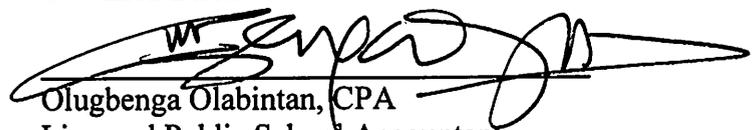
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management, the Charter School Board of Trustees, the New Jersey State Department of Education, and other 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.

Olugbenga Olabintan, CPA

October 09, 2011
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant

#20CS00230200

BURCH CHARTER SCHOOL OF EXCELLENCE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Grant Period	Award Amount	Balance at June 30, 2010	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011
Special Revenue Fund:												
U.S. Department of Education:												
Passed-Through State Department of Education												
Title IA - FY 2010-2011	84.010A	9/1/10-8/31/11	\$ 165,136				\$ 49,764	\$ (95,076)		\$ (45,312)		
Title IA - ARRA - 2009-2011	84.389	7/1/09-8/31/11	65,712	\$ (900)	\$ 900			(24,794)		(24,794)		
Title IIA - FY 2010-2011	84.367A	9/1/10-8/31/11	3,255				3,255	(3,255)		-		
Title II, Part D - FY 2010-2011	84.318	9/1/10-8/31/11	448							-		
Title IV - FY 2010-2011	84.186	9/1/10-8/31/11	784							-		
IDEA FY 2010-2011	84.027	9/1/10-8/31/11	29,562				17,311	(29,562)		(12,251)		
IDEA ARRA - FY 2009-2011	84.391	7/1/09-8/31/11	32,354					(15,868)		(15,868)		
Title IA - FY 2009-2010	84.010A	9/1/09-8/31/10	151,008	(22,869)	(12,488)		40,690	(5,333)		-		
Title IIA - FY 2009-2010	84.367A	9/1/09-8/31/10	5,137	-	2,903			(2,903)		-		
Title II, Part D - FY 2009-2010	84.318	9/1/09-8/31/10	1,492	-			1,492	(1,492)		-		
Title IV - FY 2009-2010	84.186	9/1/09-8/31/10	2,073	-				(1,215)		-		
IDEA FY 2009-2010	84.027	9/1/09-8/31/10	30,550	(3,176)	(9,640)		15,624	(2,808)		-		
Title IA - FY 2008-2009	84.010A	9/1/08-8/31/09	38,180	(17,821)	17,821					-		
Title IIA - FY 2008-2009	84.367A	9/1/08-8/31/09	2,716	-						-		
Title II, Part D - FY 2008-2009	84.318	9/1/08-8/31/09	448	(448)	448					-		
Title IV - FY 2008-2009	84.186	9/1/08-8/31/09	784	(784)	784					-		
IDEA FY 2008-2009	84.027	9/1/08-8/31/09	19,301	(5,895)	5,895					-		
NJ Charter Schools Start Up Programs CADRE 12B Year 3 of 3	84.282	10/01/09 to 07/31/10	150,625	91,216	(2,753)		2,162	(90,625)		-		
Total Special Revenue/U.S. Department of Education				<u>39,323</u>	<u>3,870</u>		<u>131,513</u>	<u>(272,931)</u>		<u>(98,225)</u>		
Enterprise Fund:												
U.S. Department of Agriculture												
Passed-Through New Jersey Dept of Agriculture												
National School lunch program	10.555	7/1/10-6/30/11	71,216				65,174	(71,216)		(6,042)		
National School lunch program	10.555	7/1/09-6/30/10	50,510	(4,720)			4,720	-		-		
National School breakfast program	10.553	7/1/10-6/30/11	10,063				9,322	(10,063)		(741)		
National School breakfast program	10.553	7/1/09-6/30/10	7,633	(732)			732			-		
Fresh Fruits and Vegetable program	10.582	7/1/10-6/30/11	10,766				8,619	(10,766)		(2,147)		
Fresh Fruits and Vegetable program	10.582	7/1/09-6/30/10	15,674	(2,613)			2,613			-		
Total Enterprise Fund/Total U.S. Department of Agriculture				<u>(8,065)</u>			<u>91,180</u>	<u>(92,045)</u>		<u>(8,930)</u>		
Total Expenditures of Federal Awards				<u>\$ 31,258</u>	<u>\$ 3,870</u>		<u>\$ 222,693</u>	<u>\$ (364,976)</u>		<u>\$ (107,155)</u>		

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

BURCH CHARTER SCHOOL OF EXCELLENCE

Schedule of Expenditures of State Awards

Year ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011
State Department of Education												
General Fund:												
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 2,582,455				\$ 2,582,455	\$ (2,601,933)		\$ (19,478)		
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	1,873,622	\$ (21,751)			21,751					
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	37,610				37,610	(37,610)				
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	89,175				89,175	(89,175)				
TPAF/FICA Reimbursements	11-495-034-5095-002	7/1/10-6/30/11	61,721				52,256	(61,721)		(9,465)		
TPAF/FICA Reimbursements	10-495-034-5095-002	7/1/09-6/30/10	22,310	(5,005)			5,005					
Total General Fund				<u>(26,756)</u>			<u>2,788,252</u>	<u>(2,790,439)</u>		<u>(28,943)</u>		
State Department of Agriculture												
Enterprise Fund:												
State School breakfast program	11-100-010-3350-021	7/1/10-6/30/11	-									
State School breakfast program	10-100-010-3350-021	7/1/09-6/30/10	602	(59)			59	-				
State School lunch program	11-100-010-3350-023	7/1/10-6/30/11	1,577				1,433	(1,577)		(144)		
State School lunch program	10-100-010-3350-023	7/1/09-6/30/10	2,128	(201)			201	-				
Total Enterprise Fund				<u>(260)</u>			<u>1,693</u>	<u>(1,577)</u>		<u>(144)</u>		
Total State Financial Assistance				<u>\$ (27,016)</u>			<u>\$ 2,789,945</u>	<u>\$ (2,792,016)</u>		<u>\$ (29,087)</u>		

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

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state award programs of the Board of Trustees, Burch Charter School of Excellence. The board of trustees is defined in Note 1 to the Board's 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 are 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 on the budgetary basis of accounting with the exception of those recorded in the Enterprise 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 these schedules 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 TO GENERAL-PURPOSE 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 when 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.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS-
CONTINUED**

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- 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 funds.

Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$2,790,439	\$2,790,439
Special Revenue Fund	\$ 272,931	-	272,931
Enterprise Fund	92,045	1,577	93,622
Total	<u>\$ 364,976</u>	<u>\$2,792,016</u>	<u>\$3,156,992</u>

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. ON-BEHALF PAYMENTS

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, 2011.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiency(cies) identified? _____ Yes None reported

Noncompliance material to basic financial statements noted? _____ Yes No

Federal Awards:

On June 27, 2003, US Office of Management & Budget (OMB) amended OMB Circular A-133 to raise the audit threshold from \$300,000 to \$500,000. Thus, for fiscal years ending after December 31, 2003, organizations that expend less than \$500,000 in federal awards during a year are exempt from the single audit requirement for that year.

For the fiscal year ended June 30, 2011, Burch Charter School of Excellence was determined to expend less than \$500,000 in federal awards and is therefore exempt from the federal single audit requirements for 2011.

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION II FINANCIAL STATEMENTS AUDIT

- NONE -

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION III MAJOR STATE FINANCIAL ASSISTANCE

NONE –

**BURCH CHARTER SCHOOL OF EXCELLENCE
(ESSEX COUNTY)**

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED
COSTS AS PREPARED BY MANAGEMENT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

STATUS OF PRIOR YEAR FINDINGS

-NONE-