



**HATIKVAH INTERNATIONAL ACADEMY  
CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE PERIOD JANUARY 1, 2010 TO  
JUNE 30, 2011**

**PREPARED BY**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER  
SCHOOL**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL**

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Hatikvah International Academy Charter School  
367 Cranbury Road  
East Brunswick, NJ, 08816

October 28, 2011

Commissioner  
New Jersey Department of Education  
100 Riverview Executive Plaza  
CN – 500  
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Hatikvah International Academy Charter School (the “Charter School”) for the period January 1, 2010 to 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 Treasury Circular Letter 04-04 OMB, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*”. 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 Hatikvah International Academy Charter School is an independent reporting entity within the criteria adopted by the Government 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 is approved to provide a full range of educational services appropriate to grade level K to 8. These include regular education as well as special education for handicapped youngsters. The Charter School completed its first school year 2010-2011 with an average daily enrollment of 98 students. The following details the student enrollment.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2010-2011	98	N/A

**2) ECONOMIC CONDITION AND OUTLOOK**

The Hatikvah International Academy Charter School is located in the Township of East Brunswick. East Brunswick is proudly hailed as one of New Jersey's 25 great towns (NJ Monthly Magazine, March '99). Its 22.5 square miles is home to a diverse population of approximately 48,972. A strategic location and a progressive outlook have fostered a dynamic growth of attractive and desirable residential developments, an excellent school system, shopping centers, state-of-the-art office complexes, and medical services. Development in the center of the township, away from the heavily traveled and developed commercial area on Route 18, has seen an influx of doctors, dentists, and other ancillary medical providers in the Cranbury Road section. Currently there are 279 doctors, representing every specialty, with office space in the Township. The University Radiology Group, P.C., Central Jersey's largest radiology group, consisting of 51 radiologists and doctors, is headquartered in the Township and has expanded its facility to house a second MRI diagnostic machine. There are 127 dentists with offices in East Brunswick. Physical therapists, ambulance service companies and other medical service providers including 4 medical labs operate offices in the Township as well.

East Brunswick has a multitude of housing choices on the eastern side of town, with single family homes, townhouses, condominiums and apartment complexes. The western side is the sparsely developed 6.7 square mile Rural Preservation Zone. Most homes in East Brunswick are single family residences. Current real estate values for single family homes range from \$150,000 to over \$1,000,000 for a custom home with tennis court and pool.

**2) ECONOMIC CONDITION AND OUTLOOK - CONTINUED**

Recreational offerings are diverse and include one of the township's star attractions, Crystal Springs Aquatic Facility, a blue water swimming area with a lazy river, Olympic size lap pool, several wading pools, and a water slide. In addition, the Township boasts two private swim clubs, many tennis courts, five private health clubs and fourteen public parks on 600 acres. Tamarack Golf Club, which includes two 18-hole courses and is owned by Middlesex County, is also located in the Township. A community theater group, Playhouse 22, performs major Broadway shows and children's shows.

The East Brunswick Public Library is the busiest single municipal library building in the state of New Jersey, open more hours each week than any other public library in the state. It has achieved national recognition for the quality of its collections, programs and services to all segments of the community. The Library operates its own municipal cable television station, EBTV, seen by more than 75 percent of East Brunswick homes on Comcast cable's Channel 3. EBTV produces 200 original programs each year as well as a Community Bulletin Board that updates subscribers on Township news and activities of community organizations. It is the only government-run station in the state to produce a weekly video news magazine. The Library has been voted the "Best Public Library in Central New Jersey" by readers of the *Home News Tribune* every year since the inception of the newspaper's "Best of the Best" award.

The township experienced a 0.22% decrease in its labor force from 26,511 in 2008 to 26,452 in 2009 as reported by the U.S. Department of Labor, Bureau of Labor Statistics. The employment rate for 2009 was 92.4% as compared with 95.9% in 2008, and the unemployment rate for 2009 increase to 7.6% from 4.1% in 2008.

Economic data provided by the Township of East Brunswick indicates that the construction value of building permits issued for new units, additions and remodeling as of August 31, 2010 totaled approximately \$23million and the total number of permits issued totaled 1,972 for the same period. The construction value and permits issued for the entire 2009 calendar year respectively totaled approximately \$30.2 million and 2,733 as compared to \$48.4 million and 2,773 for the 2008 calendar year. This represents a decrease of 40 permits and a decrease in construction value of \$18.2 million.

**Growth**

The Charter School has just completed its first year of implementation. During the 2010-2011 school-year, the school serviced 42 kindergarten students, 39 first grade students and 17 second grade students.

Plans for expansion include adding third grade in the 2011-2012 school year; fourth grade in the 2012-2013; fifth, through eighth grades in the subsequent years.

**3) MAJOR INITIATIVES**

Hatikvah International Academy Charter School's vision is to help children develop the creativity, innovation and skills needed to excel in today's competitive world and provide students with the opportunity to achieve proficiency in two languages. Research shows study of a foreign language at an early age correlates with higher academic achievement and SAT scores, as well as increased cognitive development and problem solving abilities.

Being a dual language partial-immersion charter school we assessed all our students using the ELLOPA second language proficiency assessment. The results of our assessment showed high proficiency and growth in all the grades.

During the school-year 2010-2011 Hatikvah International Academy Charter School was actively involved in service project to help our community members:

- Elijah's Promise Community Food Bank – student donated 100 bags/boxes of rice and fresh vegetables to help the hungry.
- Students donated 5 large boxes of food during the November 2010 food drive of the Mercer County Emergency Food Network.
- During the Martin Luther King Day of Service, students of the Charter School and their families donated a day off to create breakfast bags for those less fortunate – over 200 bags were made and donated.
- Each child donated notebooks, pens and pencils to help adults learn to read and rite for the Literacy Programs of New Jersey.

Hatikvah International Academy Charter School believes in meeting the needs of all students. We use the services of the Hunterdon County Special Services Commission to help in the evaluation and accommodation of special needs students. The Commission served as our Child Study Team and worked closely with our teachers in developing strategies and resources to help at-risk students.

Hatikvah International Academy Charter School offered its first Hatikvah Academy this summer for at-risk students. Seventeen students attended a summer program designed specifically for their individual academic needs.

Parents were active participants at Hatikvah Charter, involving themselves in their children's academic performance, serving as members of Board of Trustees and attending a wide range of school wide events. 100% of families attended both of their student's parent/teacher conferences over the course of the school-year. This full participation was indicative of the shared commitment to meeting the needs of every student. The school welcomed parents into the school for several organized events including: Back to School Night, Fall Arts Showcase, Spring Arts Showcase, The All-Students International Concert, Grade-Level Picnics, and so on.

**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.

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 grants, state and local 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 period January 1, 2010 to June 30, 2011:

<u>Revenue</u>	<u>2011</u>	<u>Percentage of Total</u>
Local sources	\$ 1,084,593	74.99%
State sources	286,786	19.83%
Federal sources	75,000	5.19%
Total	<u>\$ 1,446,379</u>	<u>100.00%</u>

The Charter School derived approximately three quarters of its total revenues from local sources including local tax levy and funding from a Public Charitable Organization – the Hebrew Charter School Center. The federal grant was the start up funding. It is anticipated that similar proportion of revenue sources will continue in the future.

The number of children enrolled in our school determines the size of local tax levy, state and federal aids. As our enrollment increases, we anticipate a commensurate increase in the respective aids.

The following schedule presents a summary of general fund and special revenue expenditures for the period January 1, 2010 to June 30, 2011.

<u>Expenditures</u>	<u>2011</u>	<u>Percentage of Total</u>
Instruction	\$ 613,474	47.25%
Administrative	262,334	20.21%
Support	422,416	32.54%
Capital Outlay	-	0.00%
Total	<u>\$ 1,298,224</u>	<u>100.00%</u>

Instructional expenditures constituted more than 47% of the total.

**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 Charter School 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-20).

**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, Certified Public Accountants/Consultants. 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 Hatikvah International Academy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the East Brunswick Public School District 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,

*Naomi Drewitz*

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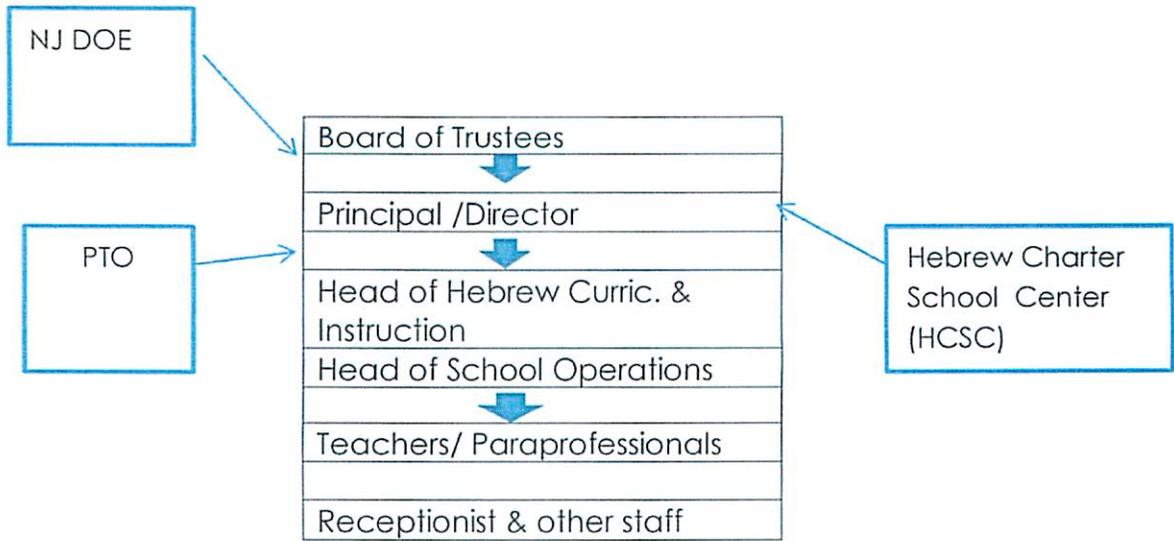
**Naomi Drewitz**  
Principal/Director

*Danna Nezarria*

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**Danna Nezarria**  
President

Hatikvah International Academy Charter School Chart of Organization



# **ROSTER OF OFFICIALS**

**JUNE 30, 2011**

## **Members of Board of Trustees**

### **OFFICERS**

Danna Nezaria	President; Parent-Voting
Mark Scher	Member; Educator-Voting
Alex Shraga	Member; Parent-Voting
Laurie Newell	Member; Parent-Voting
Wendy Herman	Member; Parent-Voting
Eli Schaap	Member; Education-Voting
Stacy Feldman	Member; Parent-Voting

### **ADMINISTRATION**

Naomi Drewitz***	Principal/Director
Morton Marks***	School Business Administrator/ Board Secretary

\*\*\* Ex-officio, Non-Voting

# **Hatikvah International Academy Charter School**

## **CONSULTANTS AND ADVISORS**

### **Independent Auditors**

OLUGBENGA OLABINTAN  
Certified Public Accountants and Consultants  
137 Camden Street, Suite # 3  
Newark, NJ 07103

### **Attorney**

Porzio, Bromberg & Newman, P.C.  
Attorneys at Law  
100 Southgate Parkway  
P. O. Box 1997  
Morristown, NJ 07962-1997

### **Official Depositories**

Sovereign Bank  
East Brunswick, New Jersey 07002

## **FINANCIAL SECTION**

# *Olugbenga Olabintan*

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**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 AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Trustees  
Hatikvah International Academy Charter School  
East Brunswick, Middlesex County, New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hatikvah International Academy Charter School., (the "Charter School") in Middlesex County, State of New Jersey, as of and for the period January 1, 2010 to 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 Hatikvah International Academy Charter School, as of June 30, 2011, and the respective changes in financial positions, and where applicable cash flows, for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 28, 2011, on our consideration of the Hatikvah International Academy Charter School'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 23 and Budgetary Comparison Information on pages 61 through 65 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 Hatikvah International Academy Charter School'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 28, 2011  
Newark, New Jersey

**OLUGBENGA OLABINTAN**  
**Certified Public Accountant/Consultant**



Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
#20CS00230200

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**Introduction**

This section of the Hatikvah International Academy Charter School'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 the period January 1, 2010 to June 30, 2011 are a follows:

- The period January 1, 2010 to June 30, 2011 was the first full period of operations for the Charter School.
- Net assets of governmental activities ended the period with \$115,562. The Charter School did not have any business-type activities during the period.
- General revenues accounted for \$1,047,783 or 72.44 percent of total revenues of \$1,446,379. Program specific revenues, in the form of grants, and contributions accounted for \$398,596 or 27.56 percent of total revenues.
- The Charter School had \$1,330,817 in expenses related to governmental activities; \$398,596 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$1,047,783 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2011, of \$115,562.

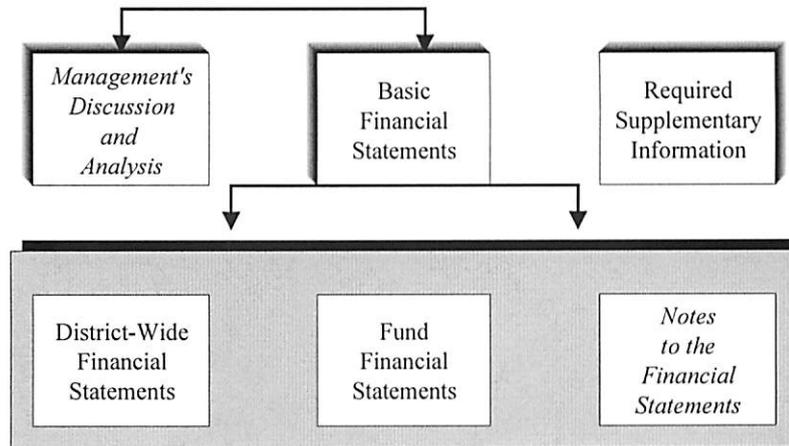
**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**Overview of the Financial Statements**

This annual report consists of six parts-*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, *other supplementary information*, *the statistical section*, and the single audit section.

Table A-1. Required Components of the School's Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are charter school *financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the district-wide statements.
  - *Governmental funds* statements tell how *basic* services such as regular and special education were financed in the *short term* as well as what remains for future spending.
  - *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

The financial statements also include *notes* that explain certain 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. Table A-1 shows how the required parts of this annual report are arranged and related to one another.

Table A-2 Major Features of the School-Wide and Fund Financial Statements				
	School-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: Food Service Fund and Extended Day Program	Instances in which the School administers resources on behalf of someone else, such as state unemployment insurance, payroll and payroll agency and student activities
Required financial statements	*Statements of Net Assets *Statements of Activities	*Balance Sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of Net Assets *Statement of revenues, expenditures and changes in fund net assets *Statement of cash flows	*Statement of Fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Actual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and dedications during the year; regardless of when cash is received or paid

Table A-2 summarizes the major features of the School's financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. The basic financial statements include two kinds of statements that present different views of the School:

- Charter School-Wide Statements
- Fund Financial Statements

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**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 Hatikvah International Academy Charter School 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.

**Fund Financial Statements**

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 Hatikvah International Academy Charter School, 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 activities; 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 other, 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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**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 School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into accounts 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 Charter School did not have any business-type activity during the period ended June 30, 2011.

**Reporting the School 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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**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.

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 did not have any business-type activity during the period ended June 30, 2011.

**The Charter School as a Whole**

The perspective of the Statement of Net Assets is of the Charter School as a whole. The table below provides a summary of the Charter School's net assets at June 30, 2011.

	<b>2011</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets	\$ 152,014	\$ -	\$ 152,014
Capital Assets, net	-	-	-
<b>Total Assets</b>	<b>152,014</b>	<b>-</b>	<b>152,014</b>
<b>Liabilities</b>			
Current Liabilities	36,452	-	36,452
Long Term Liabilities	-	-	-
<b>Total Liabilities</b>	<b>36,452</b>	<b>-</b>	<b>36,452</b>
<b>Net Assets</b>			
Invested in Capital Assets - net of related debt	-	-	-
Unrestricted	115,562	-	115,562
<b>Total Net Assets</b>	<b>\$ 115,562</b>	<b>\$ -</b>	<b>\$ 115,562</b>

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

The period January 1, 2010 to June 30, 2011 was the Charter School's first period of operations. The total net asset as of June 30, 2011 was \$115,562, which reflected the operating surplus for the period. It also reflected the ability of the Board in properly managing the revenue and expenditures in ensuring that the Charter School does not end up with a deficit.

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

	2011		
	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charge for Services	\$ -	\$ -	\$ -
Operating grants and Contributions	\$398,596		398,596
Total Program Revenue	398,596	-	398,596
General Revenues:			
Local Aid	723,223		723,223
Federal and State Aid	286,786		286,786
Miscellaneous	37,774		37,774
Total general Revenues	1,047,783	-	1,047,783
Total Revenues	\$ 1,446,379	\$ -	\$ 1,446,379
Expenses:			
Instructions	613,474		613,474
Support Services:			
Administrative and other support services	717,343		717,343
Unallocated Depreciation	-		-
Food Service	-		-
Total Expenses	1,330,817	-	1,330,817
Change in Net Assets	\$ 115,562	\$ -	\$ 115,562

As mentioned above, the period January 1, 2010 to June 30, 2011 was the Charter School's first period of operations. The operating grants and contributions were largely funded by a Public Charitable Organization – the Hebrew Charter School Center. The general revenues were derived primarily from the local aids.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**Governmental Activities**

The Charter School's total revenues were \$1,446,379 for the period ended June 30, 2011. This includes \$54,526 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$1,330,817 for the period ended June 30, 2011. Instruction comprises 46% of Charter School expenses for 2011.

**Business-Type Activity**

The Charter School did not have any business-type activity during the period ended June 30, 2011.

**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 \$1,446,379. Governmental funds had expenditures and other financing uses of \$1,330,817. The positive change in fund balance for the period was anticipated by the Board of the Charter School. Further, the Charter School prudently was able to timely implement all of its planned programs by the end of the school-year.

**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 period ended June 30, 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 management teams.

For the General Fund, final budgeted revenues and other financing sources were \$953,236 which included a local tax levy of \$723,223. Expenditures and other financing uses were budgeted at \$953,236. The Charter School anticipated a fund balance before other financing sources of \$-0-. In its 2010-2011 budget, General Fund expenses were equal to revenues. Actual revenues were \$1,047,783 and expenditures were \$932,221.

The State of New Jersey reimbursed the Charter School \$54,526 during the period ended June 30, 2011 for the employer's share of social security contributions for TPAF members. This unbudgeted amount is included in both revenues and expenditures.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**Capital Assets**

At the end of the period ended June 30, 2011, the Charter School had no capital assets.

**Long-term debt and capitalized lease obligations**

At the end of the period ended June 30, 2011, the Charter School had no long-term debt and no capitalizable lease obligations.

**Economic Factors and Next Year's Budget**

The State of New Jersey continues to face serious budgetary constraints. This impact the amount of state aid 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.

**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:

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL**

Business Office

367 Cranbury Road

East Brunswick, New Jersey 08816

Telephone: (732) 640 5850

Fax: (732) 917 7555

## **FINANCIAL SECTION**

# **BASIC FINANCIAL STATEMENTS**

## **CHARTER SCHOOL WIDE FINANCIAL STATEMENTS**

**This State 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 expense and program revenues for each program or function of the Charter School's governmental and business-type activities.**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**STATEMENT OF NET ASSETS**

**AS OF JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 81,576	\$ -	\$ 81,576
Accounts receivable	70,438		70,438
<b>Total assets</b>	<u>\$ 152,014</u>	<u>\$ -</u>	<u>\$ 152,014</u>
<b>Liabilities</b>			
Accounts payable	\$ 22,787	\$ -	\$ 22,787
Intergovernmental payables:			-
State	13,665		13,665
<b>Total liabilities</b>	<u>36,452</u>	<u>-</u>	<u>36,452</u>
<b>Net assets</b>			
Unrestricted	115,562		115,562
<b>Total net assets</b>	<u>115,562</u>	<u>-</u>	<u>115,562</u>
<b>Total liabilities and net assets</b>	<u>\$ 152,014</u>	<u>\$ -</u>	<u>\$ 152,014</u>

*See accompanying notes to financial statements.*

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)

## STATEMENT OF ACTIVITIES

FOR THE PERIOD JANUARY 1, 2010 TO 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	
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Salaries	\$ 534,695		\$ 219,971	\$ (314,724)		\$ (314,724)
Professional /Technical service	470		-	(470)		(470)
Other purchased services	621		-	(621)		(621)
General educational supplies and textbooks	46,384		-	(46,384)		(46,384)
Other instructional expenses	31,304		-	(31,304)		(31,304)
<b>Administrative &amp; support services:</b>						
Salaries	240,907		14,500	(226,407)		(226,407)
Unallocated benefit costs	65,078		29,735	(35,343)		(35,343)
Professional /Technical service	186,098		75,500	(110,598)		(110,598)
Other purchased services	104,284		53,740	(50,544)		(50,544)
Rent on land and buildings	55,085			(55,085)		(55,085)
Communications and telephones	14,522			(14,522)		(14,522)
Insurance-fidelity, liability property	22,268			(22,268)		(22,268)
Supplies and materials	20,937		5,150	(15,787)		(15,787)
Miscellaneous expenses	8,164		-	(8,164)		(8,164)
Total governmental activities	<u>1,330,817</u>		<u>398,596</u>	<u>(932,221)</u>		<u>(932,221)</u>
<b>Business-type activities:</b>						
Total business-type activities	<u>-</u>		<u>-</u>	<u>-</u>		<u>-</u>
Total primary government	<u>\$ 1,330,817</u>		<u>\$ 398,596</u>	<u>(932,221)</u>		<u>(932,221)</u>
<b>General revenues, transfers and special items:</b>						
Local sources				723,223		723,223
State sources				286,786		286,786
Miscellaneous				37,774		37,774
Total general revenues, transfers and special items				<u>1,047,783</u>		<u>1,047,783</u>
Change in net assets				115,562		115,562
Net assets - beginning				-		-
Net assets - ending				<u>\$ 115,562</u>		<u>\$ 115,562</u>

See accompanying notes to financial statements.

**FUND FINANCIAL STATEMENTS**

**GOVERNMENT FUNDS FINANCIAL STATEMENTS**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

AS OF JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 81,576	\$ -	\$ 81,576
Accounts receivable:			-
State	<u>70,438</u>		<u>70,438</u>
Total assets	<u>\$ 152,014</u>	<u>\$ -</u>	<u>\$ 152,014</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable & accrued expenses	\$ 22,787	\$ -	\$ 22,787
Intergovernmental payables:			-
State	<u>13,665</u>		<u>13,665</u>
Total liabilities	<u>36,452</u>	<u>-</u>	<u>36,452</u>
<b>Fund balances:</b>			
Unreserved, General Fund	<u>115,562</u>	-	<u>115,562</u>
Total fund balances	<u>115,562</u>	-	<u>115,562</u>
Total liabilities and fund balances	<u>\$ 152,014</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:			-
Net assets of governmental activities - A-1			<u>\$ 115,562</u>

*See accompanying notes to financial statements.*

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>Revenues</b>			
Local Sources:			
Local tax levy	\$ 723,223		\$ 723,223
Interest income	-		-
Miscellaneous	37,774	\$ 323,596	361,370
Total revenues -local sources	<u>760,997</u>	<u>323,596</u>	<u>1,084,593</u>
State sources	286,786		286,786
Federal sources		75,000	75,000
Total revenues	<u>1,047,783</u>	<u>398,596</u>	<u>1,446,379</u>
<b>Expenditures</b>			
Instruction	393,503	219,971	613,474
Administrative	268,238	-	268,238
Support services	270,480	178,625	449,105
Capital outlay	-		-
Total expenditures	<u>932,221</u>	<u>398,596</u>	<u>1,330,817</u>
Surplus of revenue over expenditures	115,562	-	115,562
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 115,562</u>	<u>\$ -</u>	<u>\$ 115,562</u>

*See accompanying notes to financial statements.*

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE THE STATEMENT OF ACTIVITIES**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**Total net change in fund balances - governmental funds (B-2)** \$ 115,562

**Amounts reported for governmental activities in the Statement  
of Activities (A-2) are different because:**

**Change in net assets of governmental activities (A-2)** \$ 115,562

*See accompanying notes to financial statements.*

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PROPRIETARY FUND**

**STATEMENT OF NET ASSETS**

**AS OF JUNE 30, 2011**

**NOT APPLICABLE**

**THE CHARTER SCHOOL DID NOT HAVE ANY ENTERPRISE  
PROGRAMS DURING THE PERIOD.**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOT APPLICABLE**

**THE CHARTER SCHOOL DID NOT HAVE ANY ENTERPRISE  
PROGRAMS DURING THE PERIOD.**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOT APPLICABLE**

**THE CHARTER SCHOOL DID NOT HAVE ANY ENTERPRISE  
PROGRAMS DURING THE PERIOD.**

**FIDUCIARY FUND FINANCIAL STATEMENTS**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

**AS OF JUNE 30, 2011**

	<b>Agency Fund Student Activity</b>	<b>Agency Fund Payroll</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 29,702	\$ 29,702
Interfund receivable		-	-
Total assets	<u>\$ -</u>	<u>\$ 29,702</u>	<u>29,702</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Payroll deductions and withholdings	\$ -	\$ 29,702	\$ 29,702
Due to student groups	-		-
Total liabilities	<u>-</u>	<u>29,702</u>	<u>29,702</u>
<b>Net Assets</b>			
Restricted			
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 29,702</u>	<u>\$ 29,702</u>

*See accompanying notes to financial statements.*

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Hatikvah International Academy Charter School 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:**

Hatikvah International Academy Charter School (the "Charter School") was incorporated in the State of New Jersey in 2008 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. Hatikvah International Academy Charter School is in the process of obtaining the 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 Hatikvah International Academy Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and 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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Basis of Presentation**

The financial statements of the Hatikvah International Academy Charter School (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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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 noninstructional equipment which are classified in the Capital Outlay subfund.

- 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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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.

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**FOR THE PERIOD JANUARY 1, 2010 TO 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. Hatikvah International Academy Charter School 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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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 current 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.

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**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**S. Net Assets**

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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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.

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**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	Agency Fund	Total
Operating Account	<u>\$ 81,576</u>	<u>\$ 29,702</u>	<u>\$ 111,278</u>

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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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-than-State’ participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2011, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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	<u>\$70,438</u>
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**NOTE 4 NET ASSETS**

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

Unrestricted Net Assets	<u>\$115,562</u>
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There were no business-type activities during the period January 1, 2010 to June 30, 2011.

**NOTE 5 CAPITAL ASSETS**

The Charter School had no capital assets during the period January 1, 2010 to June 30, 2011.

**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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO 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).

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOTE 6 PENSIONS PLANS - CONTINUED**

**b) Vesting and Benefits Provisions - Continued**

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.

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.

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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOTE 6 PENSIONS PLANS - CONTINUED**

**c) Significant Legislation – Continued**

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.

**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 period January 1, 2010 to June 30, 2011 was \$-0-, it was the Charter School's first period of operations.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$54,526 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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
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NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**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.

**NOTE 8 DEFERRED COMPENSATION**

The Charter School currently does not offer its employees a deferred compensation – 403(B) plan.

**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.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**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.

**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, there were no inter-fund balances.

**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 OPERATING LEASE-RENT**

The Charter School leased space at 367 Cranbury Road, East Brunswick, New Jersey, under a lease agreement for 10 months commencing September 1, 2010 and ending on June 30, 2011. The lease required annual rental payments of \$4,444 plus \$1,100 for utilities and other services. The lease was extended for a one-year period through June 30, 2012 at a monthly rent of \$8,888.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOTE 14 CONTINGENCY**

There is a contingency relating to a matter arising out of a challenge brought by the East Brunswick Board of Education to the final charter approval granted by the New Jersey Commissioner of Education to Hatikvah International Academy Charter School to operate as a public charter school. The Superior Court of New Jersey, Appellate division, has heard oral arguments on East Brunswick's appeal. In the opinion of the Charter School's attorney, it is not feasible at this time to ascertain Hatikvah's likelihood of success. In the meantime, Hatikvah International Academy Charter School remains valid as a matter of law.

**NOTE 15 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.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II  
BUDGETARY COMPARISON**

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)

## GENERAL FUND

## BUDGET COMPARISON SCHEDULE

FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>					
<b>Local Sources:</b>					
Local tax levy	\$723,223	\$ -	\$723,223	\$ 723,223	\$ -
Interest income	-	-	-	-	-
Miscellaneous	-	-	-	37,774	37,774
Total revenues -local sources	<u>723,223</u>	<u>-</u>	<u>723,223</u>	<u>760,997</u>	<u>37,774</u>
State sources	230,013	-	230,013	286,786	56,773
Total revenues	<u>953,236</u>	<u>-</u>	<u>953,236</u>	<u>1,047,783</u>	<u>94,547</u>
<b>Expenditures</b>					
<b>Current expense:</b>					
<b>Instruction</b>					
Salaries of teachers	305,470	30,269	335,739	314,724	21,015
Other salaries of instruction	-	-	-	-	-
Professional /Technical service	-	470	470	470	-
Other purchased services	-	621	621	621	-
General educational supplies	50,000	(20,665)	29,335	29,335	-
Instructional text and books	40,000	(22,951)	17,049	17,049	-
Other instructional expenses	5,000	26,304	31,304	31,304	-
Total current expense	<u>400,470</u>	<u>14,048</u>	<u>414,518</u>	<u>393,503</u>	<u>21,015</u>
<b>Administrative cost:</b>					
Salaries	178,667	(18,197)	160,470	160,470	-
Total benefit costs	88,571	(53,228)	35,343	35,343	-
Professional /Technical service	35,000	(17)	34,983	34,983	-
Other purchased services	4,000	11,846	15,846	15,846	-
Communications and Telephones	12,000	2,522	14,522	14,522	-
Supplies and materials	5,000	2,074	7,074	7,074	-
Miscellaneous expenses	-	-	-	-	-
Total administrative cost	<u>323,238</u>	<u>(55,000)</u>	<u>268,238</u>	<u>268,238</u>	<u>-</u>
<b>Support services:</b>					
Salaries	56,000	9,937	65,937	65,937	-
Purchased Professional /Technical service	40,000	35,615	75,615	75,615	-
Other purchased services	20,000	14,698	34,698	34,698	-
Rent on land and buildings	66,528	(11,443)	55,085	55,085	-
Insurance-fidelity, liability property	25,000	(2,732)	22,268	22,268	-
Supplies and materials	20,000	(11,287)	8,713	8,713	-
Miscellaneous	-	8,164	8,164	8,164	-
Total support services	<u>227,528</u>	<u>42,952</u>	<u>270,480</u>	<u>270,480</u>	<u>-</u>
<b>Capital outlay:</b>					
Instructional equipment	1,000	(1,000)	-	-	-
Non-instructional equipment	1,000	(1,000)	-	-	-
Total capital outlay	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TPAF-Social Security	-	-	-	-	-
Total expenditures	<u>953,236</u>	<u>-</u>	<u>953,236</u>	<u>932,221</u>	<u>21,015</u>
Surplus of revenue over expenditures	-	-	-	115,562	73,532
Fund balances, beginning	-	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,562</u>	<u>\$ 73,532</u>

See independent auditors' report

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)

## SPECIAL REVENUE FUND

## BUDGET COMPARISON SCHEDULE

FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>					
Federal sources	\$ 75,000	\$ -	\$ 75,000	\$ 75,000	\$ -
Local sources	323,596	-	323,596	323,596	-
Total revenues -all sources	<u>323,596</u>	<u>-</u>	<u>323,596</u>	<u>323,596</u>	<u>-</u>
<b>Expenditures</b>					
<b>Current Expenditures:</b>					
<b>Instruction:</b>					
Salaries of teachers	219,971	-	219,971	219,971	-
Purchased Prof. and technical services	-	-	-	-	-
Other Purchased Prof. services	-	-	-	-	-
General supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>219,971</u>	<u>-</u>	<u>219,971</u>	<u>219,971</u>	<u>-</u>
<b>Support services</b>					
Support salaries	14,500	-	14,500	14,500	-
Employee benefits	29,735	-	29,735	29,735	-
Purchased professional educational services	75,500	-	75,500	75,500	-
Other purchased services	53,740	-	53,740	53,740	-
Supplies	5,150	-	5,150	5,150	-
Support miscellaneous	-	-	-	-	-
Total support services	<u>178,625</u>	<u>-</u>	<u>178,625</u>	<u>178,625</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 398,596</u>	<u>\$ -</u>	<u>\$ 398,596</u>	<u>\$ 398,596</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 1,047,783		[C-2] \$ 398,596
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-		-
	<u>1,047,783</u>		<u>398,596</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>1,047,783</u>		[B-2] <u>398,596</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 932,221		[C-2] \$ 398,596
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.			-
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	-		-
	<u>-</u>		<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 932,221</u>		[B-2] <u>\$ 398,596</u>

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

See independent auditors' report

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES  
BUDGETARY BASIS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

	<b>Cadre Grant 10-CA69-G06 01/2010 to 07/2010</b>	<b>HCSC Planning Grant I</b>	<b>HCSC Planning Grant I</b>	<b>HCSC Tech Assistance Grant</b>	<b>HCSC Innovation Grant I</b>	<b>HCSC Innovation Grant II</b>	<b>Total</b>
<b>Revenues</b>							
Federal sources	\$ 75,000						\$ 75,000
Local sources	-	\$ 50,000	\$ 25,000	\$ 239,096	\$ 5,000	\$ 4,500	323,596
Total revenues -all sources	<u>75,000</u>	<u>50,000</u>	<u>25,000</u>	<u>239,096</u>	<u>5,000</u>	<u>4,500</u>	<u>398,596</u>
<b>Expenditures</b>							
Current Expenditures:							
Instruction:							
Salaries of teachers				219,971			219,971
Purchased Prof. and technical services							-
Other Purchased Prof. services							-
General supplies and textbooks							-
Miscellaneous expenditures							-
Total instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,971</u>	<u>-</u>	<u>-</u>	<u>219,971</u>
Support services							
Support salaries	14,500	-					14,500
Employee benefits	1,110	-		19,125	5,000	4,500	29,735
Purchased professional educational service	50,500	-	25,000				75,500
Other purchased services	3,740	50,000					53,740
Supplies	5,150	-					5,150
Support miscellaneous							-
Total support services	<u>75,000</u>	<u>50,000</u>	<u>25,000</u>	<u>19,125</u>	<u>5,000</u>	<u>4,500</u>	<u>178,625</u>
Total expenditures	<u>\$ 75,000</u>	<u>\$ 50,000</u>	<u>\$ 25,000</u>	<u>\$ 239,096</u>	<u>\$ 5,000</u>	<u>\$ 4,500</u>	<u>\$ 398,596</u>

*See independent auditors' report*

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

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

**ENTERPRISE FUNDS  
DETAIL STATEMENTS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. Food Service Fund - provides for the operation of food services for the Charter School. This section is not applicable to the Charter School.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PROPRIETARY FUND**

**STATEMENT OF NET ASSETS**

**AS OF JUNE 30, 2011**

**NOT APPLICABLE**

**THE CHARTER SCHOOL DID NOT HAVE ANY ENTERPRISE  
PROGRAMS DURING THE PERIOD.**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOT APPLICABLE**

**THE CHARTER SCHOOL DID NOT HAVE ANY ENTERPRISE  
PROGRAMS DURING THE PERIOD.**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOT APPLICABLE**

**THE CHARTER SCHOOL DID NOT HAVE ANY ENTERPRISE  
PROGRAMS DURING THE PERIOD.**

**FIDUCIARY FUNDS  
DETAIL STATEMENTS**

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2011 there was no non-expandable trust fund utilized by the Charter School.

Agency funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, governmental and/or other funds.

Payroll Fund - This agency fund is used to account for the payroll transactions of the Charter School.

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AS OF JUNE 30, 2011

	Agency Fund Student Activity	Agency Fund Payroll	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 29,702	\$ 29,702
Interfund receivable		-	-
Total assets	<u>\$ -</u>	<u>\$ 29,702</u>	<u>\$ 29,702</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Payroll deductions and withholdings	\$ -	\$ 29,702	\$ 29,702
Due to student groups	-		-
Total liabilities	<u>-</u>	<u>29,702</u>	<u>29,702</u>
<b>Net Assets</b>			
Restricted			-
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 29,702</u>	<u>\$ 29,702</u>

*See independent auditors' report*

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**STUDENT ACTIVITY AGENCY FUND**

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOT APPLICABLE**

**THE CHARTER SCHOOL DID NOT HAVE ANY STUDENT ACTIVITIES  
DURING THE PERIOD.**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PAYROLL AGENCY FUND**

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

	<b>Balance January 1, 2010</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2011</b>
<b>Assets</b>				
Cash and cash equivalents		\$ 954,298	\$ 924,596	\$ 29,702
Interfund receivable				
Total assets	<u>\$ -</u>	<u>\$ 954,298</u>	<u>\$ 924,596</u>	<u>\$ 29,702</u>
<b>Liabilities</b>				
Accounts payable, payroll deductions and withholdings		\$ 954,298	\$ 924,596	\$ 29,702
Total liabilities	<u>\$ -</u>	<u>\$ 954,298</u>	<u>\$ 924,596</u>	<u>\$ 29,702</u>

*See independent auditors' report*

## **LONG-TERM DEBT**

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding. This section is not applicable to the Charter School.

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS

FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011

NONE

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding January 1, 2010</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding #####</u>
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<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
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## **STATISTICAL SECTION**

The Charter School has been in operation for eleven years. GASB requires that 10 years of statistical data be presented. State law usually grants charters for less than 10 years. Therefore, only statistical data for one year is available and has been presented. Each year thereafter, an additional year's data will be included up to 10 years.

**EXHIBIT J-1**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**NET ASSETS BY COMPONENT**

**First Period - Eighteen Months Ended June 30, 2011**

*(accrual basis of accounting)*

	<u>2011</u>
Governmental activities	
Invested in capital assets, net of related debt	\$ -
Unrestricted	<u>115,562</u>
Total governmental activities net assets	<u>\$ 115,562</u>
Business-type activities	
Unrestricted	
Total business-type activities net assets	<u>\$ -</u>
School-wide	
Invested in capital assets, net of related debt	\$ -
Unrestricted	<u>115,562</u>
Total charter school net assets	<u>\$ 115,562</u>

**Note**

The Exhibit J-1 should contain information for the last 10 years. The Charter School's started operations during the period ended June 30, 2011

EXHIBIT J-2

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)

CHANGES IN NET ASSETS

First Period - Eighteen Months Ended June 30, 2011

(accrual basis of accounting)

	<u>2011</u>
<b>Expenses</b>	
Governmental activities	
Instruction	
Regular	\$ 613,474
Support Services:	
General administration	(662,951)
Other support services	1,380,294
Interest on long-term debt	
Unallocated depreciation	
Total governmental activities expenses	<u>1,330,817</u>
Business-type activities:	
Food service	
Total business-type activities expense	<u>-</u>
Total district expenses	<u>1,330,817</u>
<b>Program Revenues</b>	
Governmental activities:	
Operating grants and contributions	398,596
Total governmental activities program revenues	<u>398,596</u>
Business-type activities:	
Charges for services	
Food service	-
Operating grants and contributions	-
Total business type activities program revenues	<u>-</u>
Total district program revenues	<u>398,596</u>
<b>Net (Expense)/Revenue</b>	
Governmental activities	(932,221)
Business-type activities	-
Total district-wide net expense	<u>(932,221)</u>
<b>General Revenues and Other Changes in Net Assets</b>	
Governmental activities:	
Property taxes levied for general purposes, net	723,223
Grants and contributions	286,786
Miscellaneous income	37,774
Total governmental activities	<u>1,047,783</u>
Business-type activities:	
Total business-type activities	<u>-</u>
Total district-wide	<u>1,047,783</u>
<b>Change in Net Assets</b>	
Governmental activities	\$ 115,562
Business-type activities	-
Total district	<u>\$ 115,562</u>

Note

Exhibit J-2 is a ten year schedule. The Charter School started operations during the period ended June 30, 2011.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**Fund Balances, Governmental Funds,  
First Period - Eighteen Months Ended June 30, 2011  
(modified accrual basis of accounting)**

	<u>2011</u>
General Fund	
Reserved	\$ -
Unreserved	115,562
Total general fund	<u>\$ 115,562</u>
All Other Governmental Funds	
Reserved	\$ -
Unreserved, reported in:	
Special revenue fund	-
Total all other governmental funds	<u>\$ -</u>

**Notes**

<p>Exhibit J-3 is a ten year schedule. The Charter School started operations during the period ended June 30, 2011.</p>
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**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**Changes in Fund Balances, Governmental Funds  
First Period - Eighteen Months Ended June 30, 2011  
(Unaudited)**

Function	2011
Revenues	
Local tax levy	\$ 723,223
Miscellaneous	361,370
State sources	286,786
Federal sources	75,000
Total revenue	<u>1,446,379</u>
Expenditures	
<b>Instruction:</b>	
Salaries	\$ 534,695
Professional /Technical service	470
Other purchased services	621
General educational supplies & textbooks	46,384
Other instructional expenses	31,304
<b>Support services:</b>	0
Salaries	240,907
Total benefit costs	65,078
Professional /Technical service	186,098
Other purchased services	104,284
Rent on land and buildings	55,085
Communications and telephones	14,522
Insurance-fidelity, liability property	22,268
Supplies and materials	20,937
Miscellaneous expenses	8,164
Capital outlay	-
Total expenditures	<u>1,330,817</u>
Excess of expenditures over revenues	115,562
Other financing sources/(uses):	
Total other financing sources/(uses)	<u>                    </u>
Net change in fund balances	<u>\$ 115,562</u>
Debt service as a percentage of noncapital expenditures	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**General Fund - Other Local Revenue By Source  
First Period - Eighteen Months Ended June 30, 2011  
(Unaudited)**

**2011**

**Other Local Revenue By Source:**

Unrestricted donations	\$ 30,000
Miscellaneous	<u>7,774</u>
<b>Total</b>	<b><u><u>\$ 37,774</u></u></b>

Source: Charter school's records.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**Ratios of Outstanding Debt by Type  
First Period - Eighteen Months Ended June 30, 2011**

Fiscal Year Ended June 30,	<u>Governmental Activities</u> <u>Mortgaged Loans</u>	<u>Total Charter School</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
----------------------------------	--	---------------------------------	--	-------------------

**NONE**

Note: The Charter School did not have any outstanding debt during the period.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**DEMOGRAPHICS AND ECONOMIC STATISTICS  
First Period - Eighteen Months Ended June 30, 2011**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2011	47,280	1,573,762,080	33,286	7.10%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

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

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**PRINCIPAL EMPLOYERS  
Current Period Ended June 30, 2011**

<b>2011</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank [Optional]</b>	<b>Percentage of Total Municipal Employment</b>
Robert Wood Johnson Hospital	5000-5249	1	0.00%
Bristol-Meyers Squibb	3500-3749	2	0.00%
Novo Nordisk	2750-2999	3	0.00%
Prudential Insurance Company	2750-2999	4	0.00%
St. Peter's University Hospital	2750-2999	5	0.00%
Telcordia Technology	2500-2749	6	0.00%
J.F.K Medical Center	2500-2749	7	0.00%
Silverline Building Products	2250-2299	8	0.00%
Abel HR Services	2000-2500	9	0.00%
Johnson & Johnson	2000-2249	10	0.00%
			<u>0.00%</u>

Source: Middlesex Couty Department of Economic Development, April 2010

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL  
EMPLOYEES BY FUNCTION/PROGRAM  
First Period - Eighteen Months Ended June 30, 2011**

<u>Function/Program</u>	<u>2011</u>
Instruction	
Regular	11
Special education	1
Other special education	1
Support Services:	
General administration	2
Administrative Information Technology	-
Plant operations and maintenance	1
Other support services	1
Food Service	-
Total	<u>17</u>

**Source:** Charter School Personnel Records

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**OPERATING STATISTICS**

**First Period - Eighteen Months Ended June 30, 2011  
(Unaudited)**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff<sup>b</sup></u>	<u>Pupil/Teacher Ratio</u>		<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
						<u>Kindergarten</u>	<u>Elementary</u>				
2011	98	\$ 1,330,817	\$ 13,580	N/A	13.00	1:11	1:11	98.0	95	N/A	96.84%

**Sources:** Charter school records

**Note:** Enrollment based on annual October district 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).

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**School Building Information  
First Period - Eighteen Months Ended June 30, 2011**

	<u>2011</u>
Square Feet	6,794
Capacity (students)	100
Enrollment	98

**Source:** Charter School's Records

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**SCHEDULE OF ALLOWABLE MAINTENANCE  
BY SCHOOL FACILITY  
First Period - Eighteen Months Ended June 30, 2011**

**UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES**

2011	\$ 85,517
	<u>-</u>
Total	<u>\$ 85,517</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's Records

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**INSURANCE SCHEDULE**

**JUNE 30, 2011**

**(Unaudited)**

	<u>Coverage</u>
<b>Commercial general liability:</b>	
Property damage - aggregate limit	\$ 2,000,000
Property damage - each occurrence	1,000,000
Personal injury and advertising injury	1,000,000
Medical expenses (any one person)	10,000
Fire damage limit, any one fire	100,000
<b>Property:</b>	
Equipment breakdown limit	\$ 20,000
Perishable goods	100,000
Demolition	100,000
Expediting expenses	100,000
Hazardous substances	100,000
<b>Workers Compensation &amp; Employer's Liability</b>	
Bodily injury by accident	\$ 1,000,000
Bodily injury by disease - policy limit	1,000,000
Bodily injury by disease - each employee	1,000,000
<b>Additional Coverages:</b>	
Identity theft	25,000
Terrorism travel reimbursement	25,000
Temporary meeting space reimbursements	25,000
Workplace violence counseling	25,000
Key individual replacement expenses	50,000
<b>Automobile:</b>	
Autos - Hired or Borrowed	\$ 1,000,000

Source: Charter School Records

**SINGLE AUDIT SECTION**

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

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**EXHIBIT K-1**

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

The Honorable President and  
Members of the Board of Trustees  
Hatikvah International Academy Charter School  
East Brunswick, Middlesex County, New Jersey

We have audited the financial statements of Hatikvah International Academy Charter School (“the Charter School”) in the county of Middlesex, State of New Jersey as of and for the period January 1, 2010 to June 30, 2011, and have issued our report thereon, dated October 28, 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 Hatikvah International Academy Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hatikvah International Academy Charter School’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 Hatikvah International Academy Charter Schools’ internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hatikvah International Academy Charter Schools’ 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 Hatikvah International Academy Charter School’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 Hatikvah International Academy Charter School in the separate *Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 28, 2011.

This report is intended for the information of the management, the Hatikvah International Academy Charter School’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 28, 2011  
Newark, New Jersey

**OLUGBENGA OLABINTAN**  
**Certified Public Accountant/Consultant**



Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
#20CS00230200

# *Olugbenga Olabintan*

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**EXHIBIT 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 President and  
Members of the Board of Trustees  
Hatikvah International Academy Charter School  
East Brunswick, Middlesex County, New Jersey

### **Compliance**

We have audited the compliance of the of the of Hatikvah International Academy Charter School (“the Charter School”) in the county of Middlesex, 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 period January 1, 2010 to 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, Hatikvah International Academy Charter School complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 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 Hatikvah International Academy Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a 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 28, 2011  
Newark, New Jersey

**OLUGBENGA OLABINTAN**  
**Certified Public Accountant/Consultant**



Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
#20CS00230200

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**Schedule of Expenditures of Federal Awards - Schedule A**

**Fiscal year ended June 30, 2011**

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Program or Award Amount	Grant Period From - To	Balance at January 01, 2010		Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011		
				Deferred Revenue/ (Accts Receivable)	Due to Grantor Adjustments					Accounts Receivable	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education:</b>												
<b>Passed-Through State Department of Education</b>												
<b>Special Revenue Fund:</b>												
CADRE - Start Up Grant	84.282	\$ 75,000	1/15/10-7/31/10				\$ 75,000	\$ (75,000)				
<b>Total U.S. Department of Education/ Special Revenue Fund</b>		<u>75,000</u>					<u>75,000</u>	<u>(75,000)</u>				
<b>Total Expenditures of Federal Awards</b>		<u>\$ 75,000</u>					<u>\$ 75,000</u>	<u>\$ (75,000)</u>				

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**Schedule of Expenditures of State Awards- Schedule B**

Fiscal year ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Program or Award Amount	Balance at January 01, 2010		Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011				
				Deferred Revenue (Accts Receivable)	Due to Grantor						(Accounts Receivable)	Deferred Revenue	Due to Grantor		
<b>State Department of Education</b>															
<b>General Fund:</b>															
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 815,135					\$ 744,697	\$ (815,135)		\$ (70,438)				
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	11,472					11,472	(11,472)						
TPAF-Social Security Reimbursements	11-495-034-5095-002	7/1/10-6/30/11	54,526					54,526	(54,526)						
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	37					37	(37)						
Charter School Aid - Non Public	11-495-034-5120-071	7/1/10-6/30/11	183,365					197,030	(183,365)				\$ 13,665		
<b>Total General Fund</b>			<u>1,064,535</u>					<u>1,007,762</u>	<u>(1,064,535)</u>		<u>(70,438)</u>		<u>13,665</u>		
<b>Total State Financial Assistance</b>			<u>\$ 1,064,535</u>					<u>\$ 1,007,762</u>	<u>\$(1,064,535)</u>		<u>\$(70,438)</u>		<u>\$ 13,665</u>		

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTE TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of the federal awards and all state financial assistance programs of the Board of Trustees, Hatikvah International Academy Charter School. The board of trustees is defined in Note 1 to the Board's general-purpose financial statements. All federal and state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, *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*. Therefore, some amounts presented in these schedules 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 revenue, whereas the GAAP basis does not.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
NOTE TO THE SCHEDULES OF EXPENDITURES OF AWARDS AND STATE  
FINANCIAL ASSISTANCE**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

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

The net adjustment to reconcile from the budgetary basis to the 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 revenue are reported in the Charter School’s Basic financial statements on a GAAP basis as presented as follows:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
<b>General Fund</b>	\$	\$ 1,064,535	\$ 1,064,535
<b>Special Revenue Fund</b>	75,000	-	75,000
<b>Total</b>	\$ 75,000	\$ 1,064,535	\$ 1,139,535

**NOTE 4. RELATIONSHIP TO 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 period January 1, 2010 to June 30, 2011.

HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
 (COUNTY OF MIDDLESEX)  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**Financial Statement Section**

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, the Charter School was determined to expend less than \$500,000 in federal awards and is therefore exempt from the federal single audit requirements for 2011.*

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**SECTION I - SUMMARY OF AUDITORS' RESULTS - CONTINUED**

**State Financial Assistance**

Dollar threshold used to determine Type A and B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

Internal control over compliance:

Material weakness(es) identified?  Yes  No

Significant deficiency(cies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported  
In accordance with NJ OMB Circular Letter 04-04?  Yes  No

Type of auditor's report on compliance for major programs: Unqualified

**Identification of Major Programs:**

<u>State or Project No.</u>	<u>Name of State Program</u>
11-495-034-5120-078	Equalization Aid

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011  
SECTION II SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

**NONE**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

**SECTION III SCHEDULE OF STATE FINANCIAL ASSISTANCE FINDINGS AND  
QUESTIONED COSTS**

**NONE**

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

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

**FOR THE PERIOD JANUARY 1, 2010 TO JUNE 30, 2011**

The audit for the period January 1, 2010 to June 30, 2011 was the first audit issued for the Charter School. Accordingly, this Summary Schedule of Prior Audit Findings is not applicable.

**HATIKVAH INTERNATIONAL ACADEMY CHARTER SCHOOL  
(COUNTY OF MIDDLESEX)**

**Schedule of Expenditures of Local Awards- Schedule C**

**Fiscal year ended June 30, 2011**

Local Grantor/Program Title	Grant Period	Program or Award Amount	Balance at January 01, 2010		Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011	
			Deferred Revenue/ (Accts Receivable)	Due to Grantor						(Accounts Receivable)	Deferred Due to Revenue Grantor
<b>Hebrew Charter School Center (HCSC):</b>											
<b>Special Revenue Fund:</b>											
HCSC - Planning Grant I	09/01/09-06/30/10	\$ 50,000					\$ 50,000	\$ (50,000)			
HCSC - Planning Grant II	05/01/10-10/30/10	25,000					25,000	(25,000)			
HCSC - Technical Assistance	08/15/10-06/30/11	250,000					239,096	(239,096)			
HCSC - Innovation Grant I	12/13/10-08/01/11	5,000					5,000	(5,000)			
HCSC - Innovation Grant II	12/13/10-08/01/11	4,500					4,500	(4,500)			
<b>Total Special Revenue Fund</b>		<u>334,500</u>					<u>323,596</u>	<u>(323,596)</u>			
<b>Total Local Financial Assistance</b>		<u>\$ 334,500</u>					<u>\$ 323,596</u>	<u>\$ (323,596)</u>			