



ECO CHARTER SCHOOL

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

ENVIRONMENTAL COMMUNITY OPPORTUNITY CHARTER SCHOOL
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INTRODUCTORY SECTION



ECO CHARTER SCHOOL

817 Carpenter St ~ Camden, NJ 08102 ~ Ph: (856) 963-2627 ~ Fx: (856) 963-2628 ~ Email: info@ecocharterschool.org

October 17, 2011

The Honorable President and
Members of the Board of Trustees
ECO Charter School
Camden, New Jersey 08102

Dear Board Members:

The comprehensive annual financial report of the ECO Charter School (District) for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the School. All disclosures necessary to enable the reader to gain an understanding of the 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 School's organizational chart and a list of principal officials. The financial section includes the basic 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 School is required to undergo an annual single audit in conformity with the provisions of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Information related to this single audit, including the auditor's report on the internal control structure 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 ECO Charter School is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the School are included in this report. The ECO Charter School Board of Trustees and all its schools constitute the School's reporting entity.

The School provides a full range of educational services appropriate to grade levels Kindergarten through Five. These services include regular, special education for students with disabilities, as well as basic skills improvement for lower functioning students. The School completed the 2010-2011 fiscal year with an enrollment of 227 students. The following details the changes in the student enrollment of the District over the last five years.

| Student Fiscal Year | Enrollment as of June 30 th | Percent Change |
|---------------------|--|----------------|
| 10-11 | 227 | -2.2% |
| 09-10 | 232 | 2.7% |
| 08-09 | 226 | 3.7% |
| 07-08 | 218 | .5% |
| 06-07 | 217 | 61% |
| 05-06 | 135 | 100% |

2) ECONOMIC CONDITION AND OUTLOOK: Although the ECO community is essentially fully developed, enrollments will change based on our Charter.

The School is situated on 817 Carpenter Street in the Bridgeview Complex directly adjacent to Route 30.

3) MAJOR INITIATIVES: The district has identified three target areas in which staff and administration will focus in an effort to increase and sustain student academic achievement which is in essence our ultimate goal. The Environmental Community Opportunity (ECO) Charter School will empower students to realize their vast intellectual and social potential by teaching them to think critically and creatively and by guiding them to unite mastered skills and content knowledge to create and pursue their own opportunities.

Data driven decision making is the common thread that will allow the district to institute researched-based, intentional professional development planning (including an annual summer Faculty Academy), ongoing parental involvement activities including the Home and School Alliance, as well as implementing early intervention strategies and best practices in urban education.

The initiatives are meant to serve all students with a special emphasis on students deemed at risk and students in the economically disadvantaged subgroup within the subgroups of No Child Left Behind.

4) INTERNAL ACCOUNTING CONTROLS: Management of the School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the 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). The internal control

structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the costs 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 recipient of Federal and State financial aid, the School also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School management.

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the 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, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects 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. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS: The School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. The funds and account groups are explained in "Notes to Financial Statement", Note 1.

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

8) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors and officers liability, child molestation, accident

insurance, workers compensation, hazard and theft on property and contents, benefits and surety bonds.

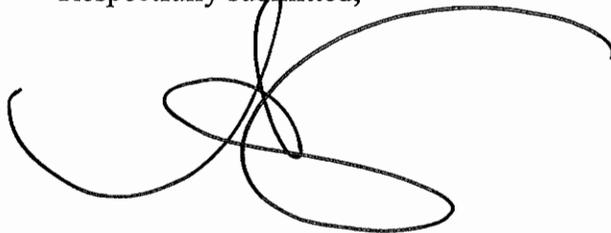
9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman and & Company LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is 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.

10) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the School 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 staff.

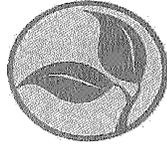
Respectfully submitted,



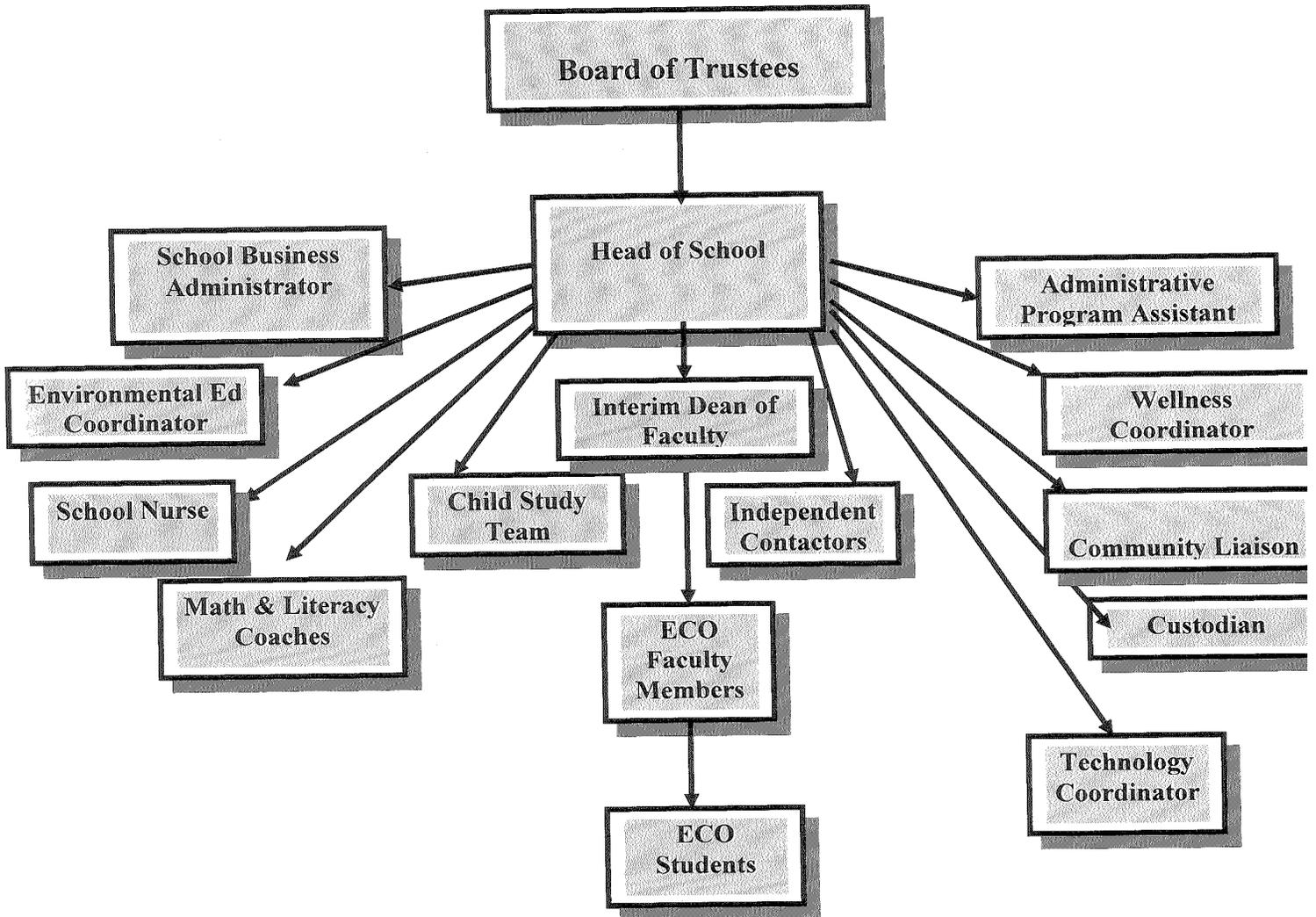
Dr. Antoinette Dendtler
Head of School



Dr. Ann F. Garcia
School Business Administrator/
Board Secretary



Organizational Chart



**ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL, INC.
CAMDEN, NEW JERSEY**

**ROSTER OF OFFICIALS
June 30, 2011**

Members of the Board of Trustees

Officers:

| | |
|--------------------------------|-------------|
| Dr. William King | Chairperson |
| Dr. Ann F. Garcia (Ex-Officio) | Secretary |
| Jeffrey Berk (Ex-Officio) | Treasurer |

Board Members:

Shuna Miah
Daunielle Munir
Valeria Galarza
Antoinette Dendtler (Ex-Officio)

Staff:

| | |
|---------------------|--|
| Antoinette Dendtler | Founder and Head of School / Lead Person |
| Dr. Ann Garcia | School Business Administrator |
| Christina Murphy | Accountant |

**ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
CAMDEN, NEW JERSEY**

Consultants & Advisors

Audit Firm:

Bowman & Company LLP
601 White Horse Pike
Voorhees, NJ 08043-2493

Attorney:

Hope R. Blackburn
Schwartz, Simon, Edelstein, Celso & Zitomer
44 Whippany Road, Suite 210
P.O. Box 2355
Morristown, NJ 07962

Official Depositories:

Wachovia Bank, NA
Camden Financial Center
Market & Sixth Streets
Camden, NJ 08102

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairperson and
Members of the Board of Trustees
Environment Community Opportunity Charter School
Camden, New Jersey 08102

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Environment Community Opportunity Charter School, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

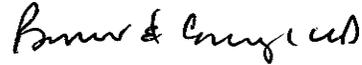
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter School in the County of Camden, State of New Jersey as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2011 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

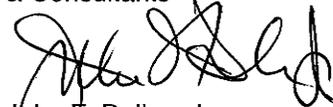
The accompanying management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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 Charter School's basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and are not a required part of the basic financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



John F. Dailey, Jr.
Certified Public Accountant
Public School Accountant No. CS 00140

Voorhees, New Jersey
October 17, 2011

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

The Honorable Chairperson and
Members of the Board of Trustees
Environment Community Opportunity Charter School
Camden, New Jersey 08102

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Environment Community Opportunity Charter School, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 17, 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 in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

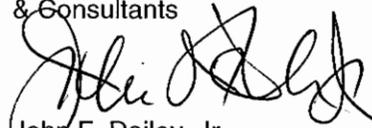
As part of obtaining reasonable assurance about whether the Environment Community Opportunity Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the management of the Charter School, the Division of Finance of the New Jersey Department of Education is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



John F. Dailey, Jr
Certified Public Accountant
Public School Accountant No. CS 00140

Voorhees, New Jersey
October 17, 2011

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

The Environment Community Opportunity Charter School Management Discussion and Analysis (MD&A) is designed to provide an overview of the Charter School's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The focus of the MD&A is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the Charter School's Financial Statements.

The MD&A is an element of Required Supplementary Information specified in the Government Accounting Standards Board Statement (GASB) No. 34 titled Basic Financial Statements and Management's Discussion and Analysis- for State and Local Governments issued in June 1999.

Financial Highlights

Key financial highlights for Fiscal Year 2010-2011 include the following:

- In total, net assets increased \$722,792.27 which represents a 22.2 percent increase from 2009-10. This was a result of normal operations.
- General revenues accounted for \$2,707,645.32 in revenue or 84.9 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$483,405.91 or 15.1 percent to total revenues of \$3,191,051.23.
- The Charter School had \$2,468,258.96 in expenses; only \$483,405.91 of these expenses was offset by program specific charges for services, grants or contributions. General revenues primarily local levy of \$2,469,134.00 and unrestricted state aid of \$215,670.24 were adequate to provide for these programs.
- Among major funds, the General Fund had \$2,707,645.32 in revenues and \$1,939,243.45 in expenditures. The General Fund Balance increased by \$768,401.87 over 2009-10. The General Fund Balance, as of June 30, 2011, consists of two components, namely \$1,500,000 in a Capital Reserve Account and \$2,453,215.89 which is unassigned. The Special Revenue Fund had \$327,998.29 of expenditures which were offset with program revenues of the same amount. For Proprietary Funds, the Food Service Enterprise Fund had revenues of \$155,407.62 consisting of operating and non-operating revenues. The expenditures were \$201,017.22. The Enterprise Fund has net assets of \$30,485.90 which is unrestricted.

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

Overview of Financial Highlights

The financial section of the annual report consists of four parts:

1. Independent Auditor's Report
2. Required Supplementary Information, including the MD&A (this section)
3. Basic Financial Statements (Statement of Net Assets and the Statement of Activities)
4. Supplementary Information

The district-wide financial statements are designed to be corporate-like in that all government and business-type activities are consolidated into columns, which add to a total for the Charter School. The focus of the Statement of Net Assets is designed to be similar to a bottom line for the Charter School and its government and business type activities. This statement, for the first-time, combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The statement of activities is focused on both the gross and net costs of various activities (including governmental and business-type), which are provided by the Charter School's general and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business type activities.

The basic financial statements include two kinds of statements that present different views for the Charter School. The first two statements are district-wide financial statements that provide both long-term and short-term information about the Charter School's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Charter School's operations in more detail than the district-wide statements.

The governmental fund 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-term and long-term financial information about those types of activities that operate like a business.

Fiduciary fund statements provide information about the financial relationships in which the Charter School acts as a trustee or agent for the benefit of others, to whom the resources 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 required supplementary information that further explains and supports the information in the financial statements including; budget schedules, reconciliations and individual fund statements.

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

Reporting the Charter School's Most Significant Funds

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities include all assets and liabilities of the Charter School using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes in to account all of the current year's revenues and expenses regardless of when cash is 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 tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of factors, some financial, and some not. Non-financial factors include the Charter School's required educational programs and other factors.

In the Statement of Net Assets and Statement of Activities, the Charter School reports governmental and business-type activities. Governmental activities are the activities where most of the Charter School's programs and services are reported including, but not limited to, Instruction, Administration and Support Services.

Fund Financial Statements

The Fund financial reports provide detailed information about the Charter School's major funds. The Charter School uses several funds to account for a variety of financial transactions. However, these fund financial statements focus on the Charter School's most significant funds. The Charter School's major governmental funds are the General Fund and the Special Revenue Fund.

Government Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are reconciled in the financial statements.

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

The Charter School as a Whole

The statement of Net Assets provides the perspective of the Charter School as a whole. Below is a table summary of the Charter School's net assets for 2011.

Table 1 provides a summary of the Charter School's net assets for 2011 and 2010.

**Table 1
Environment Community Opportunity Charter School**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--------------------------------------|--------------------------------|------------------------|---------------------------------|----------------------|------------------------|------------------------|
| | <u>June 30, 2011</u> | <u>June 30, 2010</u> | <u>June 30, 2011</u> | <u>June 30, 2010</u> | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ 2,463,638.79 | \$ 1,609,221.75 | \$ 45,102.16 | \$ 39,714.86 | \$ 2,508,740.95 | \$ 1,648,936.61 |
| Receivables (Note 4) | 108,144.13 | 198,512.95 | 11,923.27 | 16,661.36 | 120,067.40 | 215,174.31 |
| Interfund Receivables | 30,222.94 | | | 19,719.28 | 30,222.94 | |
| Restricted Assets: | | | | | | |
| Restricted Cash and Cash Equivalents | 1,500,000.00 | 1,500,000.00 | | | 1,500,000.00 | 1,500,000.00 |
| Total Assets | 4,102,005.86 | 3,307,734.70 | 57,025.43 | 76,095.50 | 4,159,031.29 | 3,383,830.20 |
| LIABILITIES: | | | | | | |
| Interfunds Payable (Note 15) | | 20,542.18 | 26,539.53 | | 26,539.53 | 20,542.18 |
| Payable to Federal Government | 57,850.60 | 6,582.60 | | | 57,850.60 | 6,582.60 |
| Payable to State Government | 52,610.01 | 52,610.01 | | | 52,610.01 | 52,610.01 |
| Deferred Revenue | 38,329.36 | 43,185.89 | | | 38,329.36 | 43,185.89 |
| Total Liabilities | 148,789.97 | 122,920.68 | 26,539.53 | - | 175,329.50 | 122,920.68 |
| Net Assets: | | | | | | |
| Restricted | 1,500,000.00 | 1,500,000.00 | | | 1,500,000.00 | 1,500,000.00 |
| Unassigned (Deficit) (Note 14) | 2,453,215.89 | 1,684,814.02 | 30,485.90 | 76,095.50 | 2,483,701.79 | 1,760,909.52 |
| Total Net Assets | \$ 3,953,215.89 | \$ 3,184,814.02 | \$ 30,485.90 | \$ 76,095.50 | \$ 3,983,701.79 | \$ 3,260,909.52 |

In total, assets of governmental activities increased \$768,041.87, primarily due to a mindful decrease in expenditures over 2009-10. Cash and cash equivalents increased by \$854,417.04. This was mainly due to normal budget operations and the mindful decrease in expenditures.

The assets of the business-type activities decreased by \$45,609.60 in 2010-11 due to the application of a cost allocation of expenditures attributable to food service costs.

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
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Table 2 shows the changes in net assets for fiscal year 2011 and 2010.

**Table 2
ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
CHANGES IN NET ASSETS**

| | Governmental | | Business | | Total | |
|------------------------------------|----------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|
| | <u>Activities</u> | | <u>Type</u> <u>Activities</u> | | | |
| | <u>June 30, 2011</u> | <u>June 20, 2010</u> | <u>June 30, 2011</u> | <u>June 20, 2010</u> | <u>June 30, 2011</u> | <u>June 20, 2010</u> |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | | | \$ 5,387.30 | \$ 5,768.60 | \$ 5,387.30 | \$ 5,768.60 |
| Operating Grants and Contributions | \$ 327,998.29 | \$ 448,758.39 | 150,020.32 | 160,482.79 | 478,018.61 | 609,241.18 |
| General Revenues: | | | | | | |
| Local Levy | 2,469,134.00 | 2,929,800.00 | | | 2,469,134.00 | 2,929,800.00 |
| State Aid - Not Restricted | 215,670.24 | 248,747.49 | | | 215,670.24 | 248,747.49 |
| Other | 22,841.08 | 78,481.84 | | | 22,841.08 | 78,481.84 |
| Total Revenues | 3,035,643.61 | 3,705,787.72 | 155,407.62 | 166,251.39 | 3,191,051.23 | 3,872,039.11 |
| Expenses: | | | | | | |
| Instruction | 851,736.79 | 1,266,041.53 | | | 851,736.79 | 1,266,041.53 |
| Administration | 744,219.98 | 687,256.64 | | | 744,219.98 | 687,256.64 |
| Support Services | 671,284.97 | 781,699.03 | | | 671,284.97 | 781,699.03 |
| Food Service | | | 201,017.22 | 142,120.12 | 201,017.22 | 142,120.12 |
| Total Expenses | 2,267,241.74 | 2,734,997.20 | 201,017.22 | 142,120.12 | 2,468,258.96 | 2,877,117.32 |
| Change in Net Assets | 768,401.87 | 970,790.52 | (45,609.60) | 24,131.27 | 722,792.27 | 994,921.79 |
| Net Assets, July 1 | 3,184,814.02 | 2,214,023.50 | 76,095.50 | 51,964.23 | 3,260,909.52 | 2,265,987.73 |
| Net Assets, June 30 | \$ 3,953,215.89 | \$ 3,184,814.02 | \$ 30,485.90 | \$ 76,095.50 | \$ 3,983,701.79 | \$ 3,260,909.52 |

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

Governmental Activities

The local levy and federal and state aid made up 99.2% of revenues for governmental activities for the Charter School in fiscal year 2011.

Instructional expenses calculated using a formula issued by the New Jersey Department of Education for Charter Schools comprises 62% of Charter School's governmental expenses. Administration Expenses are 30% and support service expenses make up 8% of the governmental expenses.

The Statement of Activities shows the cost of the governmental activities' program services and the changes for services and grants offsetting those services. Table 3 below shows the total cost of services and the net cost of services for fiscal year 2011. The table shows the cost of these services supported by general revenues.

Table 3

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|------------------|-------------------------------|------------------------|-----------------------------|------------------------|
| | <u>June 30, 2011</u> | <u>June 30, 2010</u> | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
| Instruction | \$ 851,736.79 | \$ 1,266,041.53 | \$ 751,534.24 | \$ 1,009,758.64 |
| Administration | 744,219.98 | 687,256.64 | 744,219.98 | 687,256.64 |
| Support Services | 671,284.97 | 781,699.03 | 443,489.23 | 589,223.53 |
| | <u>\$ 2,267,241.74</u> | <u>\$ 2,734,997.20</u> | <u>\$ 1,939,243.45</u> | <u>\$ 2,286,238.81</u> |

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Administrative expenses include expenses associated with establishing and administering policy for the Charter School.

Support Services are expenditures for the maintenance of the plant.

The dependence upon the revenues received from sending districts and federal and state aid is apparent. The revenues from sending districts and federal and state governments are the primary financial support for the Charter School.

The Charter School's Funds

The Charter School's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3,035,643.91 and expenditures of \$2,267,241.74. The fund balance in the General Fund was \$3,953,215.89 for 2011, a net increase of \$768,401.87 over the prior fiscal period. The Enterprise Fund has unrestricted net assets of \$30,485.90, a net decrease of \$45,609.60.

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

General Funds Budgetary Highlights

The Charter School's budget is prepared in accordance with New Jersey Law. The most significant budgeted fund is the General Fund. During the course of the 2011 fiscal year, the Charter School modified its General Fund budget to accommodate revised revenue calculations provided from the State of New Jersey. Revenue calculations are based on enrollment counts performed during the fiscal year and are dependent on the sending district the student's residency is reported in.

For the General Fund, the final budget basis revenue was \$3,247,623.00. The original budgeted estimate was \$3,247,623.00.

During fiscal year 2011, the Charter School anticipated General Fund Revenue from the following sources:

| Source | Final Budget |
|--------------------------|-------------------------|
| Local Levy - Local Share | \$ 185,683.00 |
| Local Levy - State Share | 2,926,563.00 |
| Categorical Aid: | |
| Special Education Aid | 28,415.00 |
| Security Aid | 106,962.00 |
| | 106,962.00 |
| | \$ 3,247,623.00 |

Overall the general funds expenditures for the year were under budget \$1,313,333.87. Instructional, Administration and support services expenditures contributed relatively equal to the under budget status. The under budget status was due to cost containment measures implemented to plan for the Charter School's future growth.

Enterprise Fund

The Charter School's food service consists of purchasing prepackaged meals from an approved vendor, Preferred Meals. In the Enterprise Fund, expenditures were \$45,609.60 more than revenues for fiscal year 2011. Also, receivables decreased from \$16,661.36 in 2010 to \$11,923.27 in 2011.

Capital Assets

The Charter School resides within rental facilities. There are no capital assets as of June 30, 2011.

**Environment Community Opportunity Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

Debt Administration

At June 30, 2011, the Charter School has no debt.

Economic Factors and Next Year's Budgets and Rates

The Charter School maintained its budget through the revenue received from sending districts for their local levy and state levy and categorical aid specific for their students and from federal aid and miscellaneous revenue sources.

As a charter school, revenues are driven by the residency of its student population and the level of enrollment of students in those sending districts.

The Charter School expects to maximize its enrollment for the 2011-12 fiscal year.

Contacting the Charter School's Financial Management

This financial report is designed to provide our parents, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have any questions about this report or need additional information, contact Dr. Ann Garcia, School Business Administrator, at Environment Community Opportunity Charter School, 817 Carpenter St., Camden, NJ 08102.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Statement of Net Assets
June 30, 2011

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--------------------------------------|------------------------------------|-------------------------------------|------------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 2,463,638.79 | \$ 45,102.16 | \$ 2,508,740.95 |
| Receivables, net | 108,144.13 | 11,923.27 | 120,067.40 |
| Due from Other Funds | 30,222.94 | | 30,222.94 |
| Restricted Assets: | | | |
| Restricted Cash and Cash Equivalents | <u>1,500,000.00</u> | | <u>1,500,000.00</u> |
| Total Assets | <u>4,102,005.86</u> | <u>57,025.43</u> | <u>4,159,031.29</u> |
| LIABILITIES: | | | |
| Fiduciary Fund Payable | | 26,539.53 | 26,539.53 |
| Payable to Federal Government | 57,850.60 | | 57,850.60 |
| Payable to State Government | 52,610.01 | | 52,610.01 |
| Deferred Revenue | <u>38,329.36</u> | | <u>38,329.36</u> |
| Total Liabilities | <u>148,789.97</u> | <u>26,539.53</u> | <u>175,329.50</u> |
| NET ASSETS: | | | |
| Restricted | 1,500,000.00 | | 1,500,000.00 |
| Unrestricted | <u>2,453,215.89</u> | <u>30,485.90</u> | <u>2,483,701.79</u> |
| Total Net Assets | <u>\$ 3,953,215.89</u> | <u>\$ 30,485.90</u> | <u>\$ 3,983,701.79</u> |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2011

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 851,736.79 | | \$ 100,202.55 | | \$ (751,534.24) | | \$ (751,534.24) |
| Administration | 744,219.98 | | | | (744,219.98) | | (744,219.98) |
| Support Services | 671,284.97 | | 227,795.74 | | (443,489.23) | | (443,489.23) |
| Total Governmental Activities | 2,267,241.74 | - | 327,998.29 | - | (1,939,243.45) | - | (1,939,243.45) |
| Business-Type Activities: | | | | | | | |
| Food Service | 201,017.22 | \$ 5,387.30 | 150,020.32 | | | \$ (45,609.60) | (45,609.60) |
| Total Business-Type Activities | 201,017.22 | 5,387.30 | 150,020.32 | - | - | (45,609.60) | (45,609.60) |
| Total Primary Government | \$ 2,468,258.96 | \$ 5,387.30 | \$ 478,018.61 | - | (1,939,243.45) | (45,609.60) | (1,984,853.05) |
| General Revenues: | | | | | | | |
| Local Levy | | | | | 2,469,134.00 | | 2,469,134.00 |
| Categorical Aid and Other State Aid - Not Restricted | | | | | 215,670.24 | | 215,670.24 |
| Miscellaneous Income | | | | | 22,841.08 | | 22,841.08 |
| Total General Revenues, Special Items, Extraordinary Items and Transfers | | | | | 2,707,645.32 | - | 2,707,645.32 |
| Change in Net Assets | | | | | 768,401.87 | (45,609.60) | 722,792.27 |
| Net Assets -- July 1 | | | | | 3,184,814.02 | 76,095.50 | 3,260,909.52 |
| Net Assets -- June 30 | | | | | \$ 3,953,215.89 | \$ 30,485.90 | \$ 3,983,701.79 |

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

FUND FINANCIAL STATEMENTS

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Balance Sheet
Governmental Funds
June 30, 2011

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Permanent Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---------------------------|---|
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ 3,963,638.79 | | | | | \$ 3,963,638.79 |
| Interfund Accounts Receivable: | | | | | | |
| Special Revenue Fund | 45,817.40 | | | | | 45,817.40 |
| Enterprise Fund | 26,539.53 | | | | | 26,539.53 |
| Fiduciary Fund | 3,683.41 | | | | | 3,683.41 |
| Intergovernmental Accounts Receivable: | | | | | | |
| State | 17,414.77 | | | | | 17,414.77 |
| Federal | | \$ 90,729.36 | | | | 90,729.36 |
| Total Assets | \$ 4,057,093.90 | \$ 90,729.36 | - | - | - | \$ 4,147,823.26 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Interfund Accounts Payable | | | | | | |
| General Fund | | \$ 45,817.40 | | | | \$ 45,817.40 |
| Intergovernmental Accounts Payable: | | | | | | |
| Payable to Local Government | \$ 51,268.00 | 6,582.60 | | | | 57,850.60 |
| Payable to State Government | 52,610.01 | | | | | 52,610.01 |
| Deferred Revenue | | 38,329.36 | | | | 38,329.36 |
| Total Liabilities | 103,878.01 | 90,729.36 | - | - | - | 194,607.37 |
| Fund Balances: | | | | | | |
| Restricted: | | | | | | |
| Capital Reserve Account | 1,500,000.00 | | | | | 1,500,000.00 |
| Unassigned: | | | | | | |
| General Fund | 2,453,215.89 | | | | | 2,453,215.89 |
| Total Fund Balances | 3,953,215.89 | - | - | - | - | 3,953,215.89 |
| Total Liabilities and Fund Balances | \$ 4,057,093.90 | \$ 90,729.36 | - | - | - | \$ 4,147,823.26 |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Permanent Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---------------------------|---|
| REVENUES: | | | | | | |
| Local Levy: | | | | | | |
| Local Share | \$ 144,875.00 | | | | | \$ 144,875.00 |
| State Share | 2,324,259.00 | | | | | 2,324,259.00 |
| State Sources | 215,670.24 | | | | | 215,670.24 |
| Revenue from Other Sources | 22,841.08 | | | | | 22,841.08 |
| Federal Sources | | \$ 327,998.29 | | | | 327,998.29 |
| Total Revenues | <u>2,707,645.32</u> | <u>327,998.29</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,035,643.61</u> |
| EXPENDITURES: | | | | | | |
| Instruction | 751,534.24 | 100,202.55 | | | | 851,736.79 |
| Administration | 744,219.98 | | | | | 744,219.98 |
| Support Services | 443,489.23 | 227,795.74 | | | | 671,284.97 |
| Total Expenditures | <u>1,939,243.45</u> | <u>327,998.29</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,267,241.74</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>768,401.87</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>768,401.87</u> |
| Net Change in Fund Balances | 768,401.87 | - | - | - | - | 768,401.87 |
| Fund Balance -- July 1 | <u>3,184,814.02</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,184,814.02</u> |
| Fund Balance -- June 30 | <u>\$ 3,953,215.89</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$ 3,953,215.89</u> |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

| | |
|--|-----------------------------|
| Total Net Change in Fund Balances - Governmental Funds | <u>\$ 768,401.87</u> |
| Change in Net Assets of Governmental Activities | <u><u>\$ 768,401.87</u></u> |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Statement of Net Assets
Proprietary Funds
June 30, 2011

| | Business-Type Activities - Enterprise Funds |
|--|--|
| | <u>Food Service</u> |
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 45,102.16 |
| Intergovernmental Accounts Receivable: | |
| State | 135.93 |
| Federal | 11,787.34 |
| Total Current Assets | 57,025.43 |
| Current Liabilities: | |
| Interfund Accounts Payable: | |
| Due General Fund | 26,539.53 |
| NET ASSETS: | |
| Unrestricted | 30,485.90 |
| Total Net Assets | \$ 30,485.90 |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

| | Business-Type Activities - Enterprise Fund |
|--|---|
| | <u>Food Service</u> |
| OPERATING REVENUES: | |
| Charges for Services: | |
| Daily Sales - Reimbursable Programs | \$ 5,387.30 |
| OPERATING EXPENSES: | |
| Usage Expense Allocation | 67,094.66 |
| Cost of Sales | 133,922.56 |
| Total Operating Expenses | 201,017.22 |
| Operating Income / (Loss) | (195,629.92) |
| NONOPERATING REVENUES (EXPENSES): | |
| State Sources: | |
| State School Lunch Program | 1,561.42 |
| Federal Sources: | |
| National School Lunch Program | 79,667.86 |
| National School Breakfast Program | 44,524.22 |
| After School Snack Program | 24,266.82 |
| Total Nonoperating Revenues (Expenses) | 150,020.32 |
| Income (Loss) before Contributions and Transfers | (45,609.60) |
| Change in Net Assets | (45,609.60) |
| Net Assets -- July 1 | 76,095.50 |
| Net Assets -- June 30 | \$ 30,485.90 |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2011

| | Business-Type Activities - Enterprise Funds |
|---|--|
| | <u>Food Service</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from Customers | \$ 5,387.30 |
| Payments to Suppliers | <u>(201,017.22)</u> |
| Net Cash Provided by (used for) Operating Activities | <u>(195,629.92)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| State Sources | 2,044.27 |
| Federal Sources | 152,714.14 |
| Operating Subsidies and Transfers to other Funds | <u>46,258.81</u> |
| Net Cash Provided by (used for) Non-Capital Financing Activities | <u>201,017.22</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 5,387.30 |
| Balances -- July 1 | <u>39,714.86</u> |
| Balances -- June 30 | <u>\$ 45,102.16</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | \$ (195,629.92) |
| Net Cash Provided by (used for) Operating Activities | <u>\$ (195,629.92)</u> |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

| | Trust Fund | Agency Fund | |
|---|---------------------|--------------------|---------------------|
| | <u>Unemployment</u> | <u>PTA</u> | <u>Payroll</u> |
| ASSETS: | | | |
| Cash and Cash Equivalents | | \$ 1,540.32 | \$ 11,336.61 |
| Payroll Deductions and Withholdings | | | 3,902.59 |
| Interfund Accounts Receivable | | | |
| Due from Payroll Agency Account | \$ 11,555.79 | | |
| Total Assets | <u>\$ 11,555.79</u> | <u>\$ 1,540.32</u> | <u>\$ 15,239.20</u> |
| LIABILITIES: | | | |
| Payable to PTA | | \$ 1,540.32 | |
| Interfund Accounts Payable: | | | |
| Due to General Fund | | | \$ 3,683.41 |
| Due to Unemployment Trust Fund | | | 11,555.79 |
| Total Liabilities | <u>-</u> | <u>\$ 1,540.32</u> | <u>\$ 15,239.20</u> |
| Net Assets: | | | |
| Held in Trust for Unemployment Claims and Other Purposes | \$ 11,555.79 | | |
| Total Net Assets | <u>\$ 11,555.79</u> | | |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

| | Unemployment Compensation Trust <u>Fund</u> |
|---------------------------------|--|
| ADDITIONS: | |
| Contributions: | |
| Budget Contribution | \$ 90,961.61 |
| Interfund Accounts Receivable | |
| Due from Payroll Agency Account | <u>2,414.84</u> |
| Total Additions | <u>93,376.45</u> |
| DEDUCTIONS: | |
| Program Expenditures | <u>90,961.61</u> |
| Change in Net Assets | 2,414.84 |
| Net Assets, July 1 | <u>9,140.95</u> |
| Net Assets, June 30 | <u><u>\$ 11,555.79</u></u> |

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

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The Environment Community Opportunity Charter School, Inc. (hereafter referred to as the "Charter School") is a K-5 charter school located in the County of Camden, State of New Jersey. As a Charter School, the Environment Community Opportunity Charter School, Inc. functions independently through a Board of Trustees (the "Board"). In accordance with the bylaws of the Charter School, the Board is to consist of no less than three and no more than fifteen individuals. Initially the terms are staggered with Trustees serving either three, two or one year terms; however, after this classification; the Trustee will serve three years. A Trustee may serve up to two terms and may be re-elected by the Board after one year has lapsed since the last date of service. The Board of Trustees includes up to five ex-officio, non-voting members. There is the Treasurer, Head of School and the School Business Administrator. The Board's responsibility is to supervise and control the operations of the Charter School. The purpose of the Charter School is to educate students currently in grades K-5 at the Charter School's location in Camden, New Jersey. The Environment Community Opportunity Charter School has an approximate enrollment at June 30, 2011 of 227.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

Component Units - GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of June 30, 2011, there are no organizations which are considered component units of the Charter School.

Basis of Presentation - The financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Charter School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities, and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Charter School's accounting policies are described in this Note.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

District-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 primary government, except for fiduciary funds. The statements distinguish between those activities of the Charter School that are governmental and those that are considered business-type activities. 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 activities and for the business-type activities of the Charter School. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. The policy of the Charter School is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements - During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter School's major governmental funds:

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Governmental Funds (Cont'd)**

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from serial bonds or mortgages which have been approved by the Board of Trustees. As of June 30, 2011, the Charter School does not have a Capital Projects Fund.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. As of June 30, 2011, the Charter School does not have any debt and does not maintain a Debt Service Fund.

Permanent Fund - The permanent fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Charter School's programs, that is, for the benefit of the Charter School or its students. The Charter School does not maintain any Permanent Funds.

Proprietary Funds - Proprietary funds are used to account for the Charter School's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations:

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

The Charter School's enterprise fund is:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the Charter School.

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 assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. At June 30, 2011, the Charter School has no fixed assets in the Food Service Enterprise Fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Pension trust funds are used to account for resources held in trust for employees and their beneficiaries based on defined benefit pension agreements, defined contribution agreements, other postemployment benefit agreements, and other employee benefit arrangements. Investment trust funds are used to report the external portion of an investment pool as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. 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 (i.e., payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Charter School has three fiduciary funds, a Payroll Agency Fund, Unemployment Trust Fund and PTA Account.

Measurement Focus

District-wide Financial Statements - The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Charter School are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Charter School finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting (Cont'd)**

Revenues -- Exchange and Non-Exchange Transactions (Cont'd) - Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. The Charter School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of the restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: sending districts, grants, fees, and rentals.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets / Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the Department of Education for review. Budgets are 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. 6A:23A-16.2(f)1. Transfers of appropriations may be made by Board of Trustees resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

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

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

The budget, as detailed on Exhibit C-1 and Exhibit C-2 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Charter School does not report encumbrances outstanding at fiscal year end as expenditures in the general fund since the general fund budget follows modified accrual basis.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Encumbrances - Under encumbrance accounting purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

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

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

N.J.S.A. 17:9-41 et seq. establishes 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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 deposits 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 amount of their deposits to the governmental units.

Tuition Receivable - The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the district of residence of the Charter School or are non-resident students.

Revenues from District of Residence, Region of Residence and Non-Resident Districts - The Charter School's primary source of revenue is from the district of residence, region of residence or non-resident districts from which its students are enrolled in the Charter School. The amounts are calculated from the most recent budget data of the student's district.

Local Levy – Equalization Aid State and Local Share – The charter school's funding is pursuant to the *School Funding Reform Act of 2008*, which states the Charter School of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation.

Special Education / Security Aid – The Charter School of residence shall pay directly to the charter school the security aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the charter school.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased. As of June 30, 2011, the Charter School does not have inventory.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required. This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

As of June 30, 2011, the Charter School does not have any prepaid expenses.

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure / expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring costs of operations.

As of June 30, 2011, the Charter School does not have any deferred expenditures.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the Charter School and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund receivable and / or interfund payable.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000.00. The Charter School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

As of June 30, 2011, the Charter School has no capital assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 that are not contingent on a specific event that is 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 a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place. At June 30, 2011, the Charter School does not have a policy for the payment of compensated absences.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

It is the Charter School's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance - The Charter School reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Charter School's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's highest level of decision-making authority, which, for the Charter School, is the Board of Trustees. Such formal action consists of an affirmative vote by the Board of Trustees, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Trustees removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd)**

Assigned - The assigned fund balance classification includes amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Trustees or by the business administrator, to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Trustees.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Charter School to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Charter School to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Charter School, these revenues are sales for the food service program. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Interfund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. All of the Charter School's bank balance of \$4,067,695.30 as of June 30, 2011 was insured and collateralized.

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Charter School by inclusion of \$1,500,000.00 on March 23, 2009 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects as approved by the Charter School's Board.

There was no activity in the Capital Reserve Account for the July 1, 2010 to June 30, 2011 fiscal year.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds.

Accounts receivable as of fiscal year end for the Charter School's individual major and fiduciary funds, in the aggregate, are as follows:

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Proprietary Funds</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|-------------------|-------------------------|-------------------------------------|------------------------------|----------------------------|---------------|
| Intergovernmental | \$ 17,414.77 | \$ 90,729.36 | \$ 11,923.27 | - | \$ 120,067.40 |

These receivables are expected to be collected within one year.

Note 5: INVENTORY

At June 30, 2011, the Charter School did not have any inventory.

Note 6: CAPITAL ASSETS

At June 30, 2011, the Charter School did not have any capital assets.

Note 7: LONG-TERM OBLIGATIONS

At June 30, 2011, the Charter School does not have any long-term obligations.

Note 8: OPERATING LEASES

At June 30, 2011, the Charter School had a two year operating lease agreement for recreation space. The lease agreement runs through 2011-12 and is for \$10,000 a year.

Rental payments under operating leases for the fiscal year ended June 30, 2011 were \$10,000.00.

Note 9: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. Also, employees can participate in the Defined Contribution Retirement Program, which is also administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Charter School and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Charter School is billed annually for its normal contribution plus any accrued liability.

Note 9: PENSION PLANS (CONT'D)

Public Employees' Retirement System - The Charter School's contributions, equal to the required contribution for each fiscal year, were as follows:

| <u>Fiscal Year</u> | <u>Normal Contribution</u> | <u>Accrued Liability</u> | <u>Total Liability</u> | <u>Paid by School District</u> |
|--------------------|----------------------------|--------------------------|------------------------|--------------------------------|
| 2011 | \$10,952.00 | \$ 14,580.00 | \$25,532.00 | \$25,532.00 |
| 2010 | 8,286.00 | 8,084.00 | 16,370.00 | 16,370.00 |
| 2009 | 6,105.00 | 5,568.00 | 11,673.00 | 11,673.00 |

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

As of June 30, 2011, the Charter School had no employees participating in the Defined Contribution Retirement Program.

Note 10: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 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 postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a Board of Trustees or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2011, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$2,798.00 and \$59,441.00, respectively.

Note 12: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

The following is a summary of Charter School contributions, reimbursements to the State for benefits paid and the ending balance of the Charter School's expendable trust fund for the current and previous two fiscal years:

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>School</u> <u>District</u> <u>Contributions</u> | <u>Employee</u> <u>Contributions</u> | <u>Amount</u> <u>Reimbursed</u> | <u>Ending</u> <u>Balance</u> |
|---|---|---|--|---|
| 2011 | \$ 90,961.61 | \$ 2,414.84 | \$ 90,961.61 | \$ 11,555.79 |
| 2010 | 32,015.56 | 3,438.85 | 32,015.56 | 9,140.95 |
| 2009 | | 5,702.10 | | 5,702.10 |

Note 13: INTERFUND BALANCES AND TRANSFERS

The following interfund balances were recorded on the various balance sheets as June 30, 2011:

| <u>Fund</u> | <u>Interfunds Receivable</u> | <u>Interfunds Payable</u> |
|-----------------|----------------------------------|-------------------------------|
| General | \$ 76,040.34 | |
| Special Revenue | | \$ 45,817.40 |
| Proprietary | | 26,539.53 |
| Fiduciary | <u>11,555.79</u> | <u>15,239.20</u> |
| | <u>\$ 87,596.13</u> | <u>\$ 87,596.13</u> |

The interfund payable in the Special Revenue Fund represents financial activity where the School District has receivables for Federal Grants. The interfund payable in the Proprietary Funds and the Fiduciary Funds represent timing differences at fiscal year end. All of these interfund balances are expected to be liquidated within one year.

Note 14: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Charter School's fund balance are summarized as follows:

General Fund -

For Capital Reserve Account - As of June 30, 2011, the balance in the capital reserve account is \$1,500,000.00. These funds are restricted for future capital outlay expenditures.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Charter School's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2011, \$2,453,215.89 of general fund balance was unassigned.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2011

| | <u>Original Budget</u> | <u>Budget Modifications</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative) Final to Actual</u> |
|--|----------------------------|---------------------------------|-------------------------|---------------|---|
| REVENUES: | | | | | |
| Local Levy: | | | | | |
| Local Share - Charter School Aid | \$ 185,683.00 | | \$ 185,683.00 | \$ 144,875.00 | \$ (40,808.00) |
| State Share - Charter School Aid | 2,926,563.00 | | 2,926,563.00 | 2,324,259.00 | (602,304.00) |
| Total - Local Levy | 3,112,246.00 | - | 3,112,246.00 | 2,469,134.00 | (643,112.00) |
| Categorical and Other State Aid: | | | | | |
| Special Education Aid | 28,415.00 | | 28,415.00 | 17,731.00 | (10,684.00) |
| Security Aid | 106,962.00 | | 106,962.00 | 80,534.00 | (26,428.00) |
| On - behalf TPAF Pension Contributions | | | | 2,798.00 | 2,798.00 |
| On - behalf TPAF Pension Contributions-Post Retirement Medical | | | | 59,441.00 | 59,441.00 |
| TPAF Social Security (Reimbursed) | | | | 55,166.24 | 55,166.24 |
| Total - Categorical and Other State Aid | 135,377.00 | - | 135,377.00 | 215,670.24 | 80,293.24 |
| Revenue from Other Sources: | | | | | |
| Miscellaneous | | - | | 22,841.08 | 22,841.08 |
| Total - Revenue from Other Sources | - | - | - | 22,841.08 | 22,841.08 |
| Total Revenues | 3,247,623.00 | - | 3,247,623.00 | 2,707,645.32 | (539,977.68) |

(Continued)

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011

| | Original Budget | Budget Modifications | Final Budget | Actual | Variance Positive (Negative) Final to Actual |
|---|---------------------|-------------------------|---------------------|-------------------|--|
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | \$ 1,000,000.00 | | \$ 1,000,000.00 | \$ 678,301.46 | \$ 321,698.54 |
| Other Salaries for Instruction | 330,080.00 | | 330,080.00 | 21,997.42 | 308,082.58 |
| Purchases Professional Technical Services | 50,000.00 | | 50,000.00 | 200.00 | 49,800.00 |
| Other Purchased Services | 45,000.00 | | 45,000.00 | 4,649.00 | 40,351.00 |
| General Supplies | 64,000.00 | | 64,000.00 | 28,098.97 | 35,901.03 |
| Textbooks | 64,000.00 | | 64,000.00 | 12,944.84 | 51,055.16 |
| Miscellaneous | 10,000.00 | | 10,000.00 | 5,342.55 | 4,657.45 |
| Total Instructional Expenses | 1,563,080.00 | | 1,563,080.00 | 751,534.24 | 811,545.76 |
| Administration: | | | | | |
| Salaries-Administration | 274,850.00 | | 274,850.00 | 193,801.74 | 81,048.26 |
| Salaries of Secretarial and Clerical Assistants | 135,568.00 | | 135,568.00 | 115,021.63 | 20,546.37 |
| Total Benefits Costs | 580,467.00 | \$ 145,000.00 | 725,467.00 | 374,305.31 | 351,161.69 |
| Purchased Professional and Technical Services | 61,500.00 | | 61,500.00 | 23,348.95 | 38,151.05 |
| Other Purchased Services | 50,000.00 | | 50,000.00 | 4,771.61 | 45,228.39 |
| Communications | 26,200.00 | | 26,200.00 | 9,995.48 | 16,204.52 |
| Office Supplies and Materials | 25,000.00 | | 25,000.00 | 17,449.76 | 7,550.24 |
| Judgements Against Charter School | 5,000.00 | | 5,000.00 | | 5,000.00 |
| Miscellaneous Expense | 10,000.00 | | 10,000.00 | 5,525.50 | 4,474.50 |
| Total Administrative Expenses | 1,168,585.00 | 145,000.00 | 1,313,585.00 | 744,219.98 | 569,365.02 |
| Support Services: | | | | | |
| Salaries | 265,632.00 | | 265,632.00 | 16,508.69 | 249,123.31 |
| Purchased Professional and Technical Services | 50,000.00 | | 50,000.00 | 31,137.50 | 18,862.50 |
| Other Purchased Services | 30,000.00 | | 30,000.00 | 17,436.31 | 12,563.69 |
| Rental of Land and Buildings | 279,819.00 | 10,000.00 | 289,819.00 | 216,283.92 | 73,535.08 |
| Insurance for Property, Liability and Fidelity | 50,000.00 | (10,000.00) | 40,000.00 | 25,571.91 | 14,428.09 |
| Transportation - Other than to and from School | 45,000.00 | | 45,000.00 | 9,838.27 | 35,161.73 |
| Oper & Maint - General Supplies | 2,500.00 | | 2,500.00 | | 2,500.00 |
| Energy Costs (Heat and Electricity) | 1,000.00 | | 1,000.00 | | 1,000.00 |
| Miscellaneous | 51,700.00 | | 51,700.00 | 9,307.39 | 42,392.61 |
| Total Support Services Expenses | 775,651.00 | | 775,651.00 | 326,083.99 | 449,567.01 |

(Continued)

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011

| | Original Budget | Budget Modifications | Final Budget | Actual | Variance Positive (Negative) Final to Actual |
|--|------------------------|-------------------------|------------------------|------------------------|--|
| EXPENDITURES (CONT'D): | | | | | |
| Capital Outlay: | | | | | |
| Instructional Equipment | \$ 50,000.00 | | \$ 50,000.00 | | \$ 50,000.00 |
| Non- Instructional Equipment | 20,000.00 | | 20,000.00 | | 20,000.00 |
| Purchase of Land/Improvements (Facility Alterations) | 8,000.00 | | 8,000.00 | | 8,000.00 |
| Total Capital Outlay | <u>78,000.00</u> | | <u>78,000.00</u> | | <u>78,000.00</u> |
| On - behalf TPAF Pension Contributions | | | | \$ 2,798.00 | (2,798.00) |
| On - behalf TPAF Pension Contributions-Post Retirement Medical | | | | 59,441.00 | (59,441.00) |
| TPAF Social Security (Reimbursed) | - | - | - | 55,166.24 | (55,166.24) |
| Total Expenditures | <u>3,585,316.00</u> | <u>\$ 145,000.00</u> | <u>3,730,316.00</u> | <u>1,939,243.45</u> | <u>1,853,311.55</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (337,693.00) | (145,000.00) | (482,693.00) | 768,401.87 | 1,313,333.87 |
| Fund Balances, July 1 | | - | | 3,184,814.02 | 3,184,814.02 |
| Fund Balances, June 30 | <u>\$ (337,693.00)</u> | <u>\$ (145,000.00)</u> | <u>\$ (482,693.00)</u> | <u>\$ 3,953,215.89</u> | <u>\$ 4,498,147.89</u> |
| Recapitulation: | | | | | |
| Restricted Fund Balance; | | | | | |
| Capital Reserve Account | | | | \$ 1,500,000.00 | |
| Unassigned | | | | 2,453,215.89 | |
| | | | | <u>\$ 3,953,215.89</u> | |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative) Final to Actual</u> |
|-------------------------|----------------------------|-----------------------------|-------------------------|-------------------|---|
| REVENUES: | | | | | |
| Federal Sources: | | | | | |
| Title I | \$ 233,998.00 | | \$ 233,998.00 | \$ 102,357.18 | \$ (131,640.82) |
| Title I, ARRA | 85,957.11 | | 85,957.11 | 85,957.11 | |
| Title IIA | 6,665.00 | | 6,665.00 | 6,664.91 | (0.09) |
| I.D.E.I.A. Basic | 49,969.00 | | 49,969.00 | 46,971.75 | (2,997.25) |
| I.D.E.I.A Basic, ARRA | 51,059.00 | | 51,059.00 | 46,196.36 | (4,862.64) |
| Cadre 9 | | \$ 39,850.98 | 39,850.98 | 39,850.98 | |
| Total - Federal Sources | <u>427,648.11</u> | <u>39,850.98</u> | <u>467,499.09</u> | <u>327,998.29</u> | <u>(139,500.80)</u> |
| Total Revenues | <u>427,648.11</u> | <u>39,850.98</u> | <u>467,499.09</u> | <u>327,998.29</u> | <u>(139,500.80)</u> |

(Continued)

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Required Supplementary Information
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | Variance Positive (Negative) <u>Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|-------------------|---|
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | \$ 121,645.60 | \$ (58,000.00) | \$ 63,645.60 | \$ 38,645.60 | \$ 25,000.00 |
| Instructional Supplies | 51,151.51 | 44,292.88 | 95,444.39 | 55,279.95 | 40,164.44 |
| Other Objects | | 6,277.00 | 6,277.00 | 6,277.00 | |
| | <u>172,797.11</u> | <u>(7,430.12)</u> | <u>165,366.99</u> | <u>100,202.55</u> | <u>65,164.44</u> |
| Total Instruction | | | | | |
| Support Services: | | | | | |
| Salaries of Other Professional Staff | 109,849.00 | 10,000.00 | 119,849.00 | 102,379.23 | 17,469.77 |
| Personal Services - Employee Benefits | 48,900.00 | (9,600.00) | 39,300.00 | 30,811.00 | 8,489.00 |
| Purchased Professional and Technical Services | 29,110.00 | 38,558.10 | 67,668.10 | 64,670.85 | 2,997.25 |
| Purchased Professional - Educational Services | 59,992.00 | 8,323.00 | 68,315.00 | 22,934.66 | 45,380.34 |
| Other Purchased Services (400-500 series) | 7,000.00 | | 7,000.00 | 7,000.00 | |
| | <u>254,851.00</u> | <u>47,281.10</u> | <u>302,132.10</u> | <u>227,795.74</u> | <u>74,336.36</u> |
| Total Support Services | | | | | |
| Total Expenditures | | | | | |
| | <u>427,648.11</u> | <u>39,850.98</u> | <u>467,499.09</u> | <u>327,998.29</u> | <u>139,500.80</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Fiscal Year Ended 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> |
|--|-------------------------|-------------------------------------|
| Sources / Inflows of Resources: | | |
| Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules | \$ 2,707,645.32 | \$ 327,998.29 |
| Differences - Budget to GAAP: | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | | |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 2,707,645.32</u> | <u>\$ 327,998.29</u> |
| Uses / Outflows of Resources: | | |
| Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule | \$ 1,939,243.45 | \$ 327,998.29 |
| Differences - Budget to GAAP: | | |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2) | <u>\$ 1,939,243.45</u> | <u>\$ 327,998.29</u> |

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

| | NCLB | | | I.D.E.I.A. Basic | I.D.E.I.A. Basic, ARRA | NJ Charter School Grant (CADRE 9) | |
|--|-------------------|------------------|-----------------|---------------------|---------------------------|--------------------------------------|-------------------|
| | Title I | Title I, ARRA | Title II A | | | | |
| | | | | | | <u>2010-2011</u> | <u>Total</u> |
| REVENUES: | | | | | | | |
| Federal Sources | \$ 102,357.18 | \$ 85,957.11 | \$ 6,664.91 | \$ 46,971.75 | \$ 46,196.36 | \$ 39,850.98 | \$ 327,998.29 |
| Total Revenues | <u>102,357.18</u> | <u>85,957.11</u> | <u>6,664.91</u> | <u>46,971.75</u> | <u>46,196.36</u> | <u>39,850.98</u> | <u>327,998.29</u> |
| EXPENDITURES: | | | | | | | |
| Instruction: | | | | | | | |
| Salaries of Teachers | | 13,645.60 | | | 25,000.00 | | 38,645.60 |
| Instructional Supplies | 49,607.56 | 1,320.51 | | | 3,059.00 | 1,292.88 | 55,279.95 |
| Other Objects | 6,277.00 | | | | | | 6,277.00 |
| Total Instruction | <u>55,884.56</u> | <u>14,966.11</u> | | | <u>28,059.00</u> | <u>1,292.88</u> | <u>100,202.55</u> |
| Support Services: | | | | | | | |
| Salaries of Other Professional Staff | 22,031.87 | 39,400.00 | | 30,000.00 | 10,947.36 | | 102,379.23 |
| Personal Services - Employee Benefits | 3,121.00 | 20,500.00 | | | 7,190.00 | | 30,811.00 |
| Purchased Professional and Technical Services | | 9,141.00 | | 16,971.75 | | 38,558.10 | 64,670.85 |
| Purchased Professional - Educational Services | 14,319.75 | 1,950.00 | 6,664.91 | | | | 22,934.66 |
| Other Purchased Services (400-500 series) | 7,000.00 | | | | | | 7,000.00 |
| Total Support Services | <u>46,472.62</u> | <u>70,991.00</u> | <u>6,664.91</u> | <u>46,971.75</u> | <u>18,137.36</u> | <u>38,558.10</u> | <u>227,795.74</u> |
| Total Expenditures | <u>102,357.18</u> | <u>85,957.11</u> | <u>6,664.91</u> | <u>46,971.75</u> | <u>46,196.36</u> | <u>39,850.98</u> | <u>327,998.29</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

PROPRIETARY FUNDS

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Enterprise Fund
 Combining Statement of Net Assets
 June 30, 2011

| | <u>Food Service</u> |
|--|----------------------------|
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 45,102.16 |
| Intergovernmental Accounts Receivable: | |
| State | 135.93 |
| Federal | <u>11,787.34</u> |
| Total Current Assets | <u>57,025.43</u> |
| LIABILITIES: | |
| Current Liabilities: | |
| Interfund Accounts Payable: | |
| Due General Fund | <u>26,539.53</u> |
| NET ASSETS: | |
| Unrestricted | <u>30,485.90</u> |
| Total Net Assets | <u><u>\$ 30,485.90</u></u> |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Enterprise Fund
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Fiscal Year Ended June 30, 2011

| | <u>Food Service</u> |
|--|-------------------------|
| OPERATING REVENUES: | |
| Charges for Services: | |
| Daily Sales - Reimbursable Programs | <u>\$ 5,387.30</u> |
| OPERATING EXPENSES: | |
| Usage Expense Allocation | 67,094.66 |
| Cost of Sales | <u>133,922.56</u> |
| Total Operating Expenses | <u>201,017.22</u> |
| Operating Income / (Loss) | <u>(195,629.92)</u> |
| NONOPERATING REVENUES (EXPENSES): | |
| State Sources: | |
| State School Lunch Program | 1,561.42 |
| Federal Sources: | |
| National School Lunch Program | 79,667.86 |
| National School Breakfast Program | 44,524.22 |
| After School Snack Program | <u>24,266.82</u> |
| Total Nonoperating Revenues (Expenses) | <u>150,020.32</u> |
| Income (Loss) before Contributions and Transfers | <u>(45,609.60)</u> |
| Change in Net Assets | (45,609.60) |
| Net Assets -- July 1 | <u>76,095.50</u> |
| Net Assets -- June 30 | <u>\$ 30,485.90</u> |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Enterprise Fund
 Combining Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2011

| | <u>Food Service</u> |
|---|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from Customers | \$ 5,387.30 |
| Payments to Suppliers | <u>(201,017.22)</u> |
| Net Cash Provided by (used for) Operating Activities | <u>(195,629.92)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| State Sources | 2,044.27 |
| Federal Sources | 152,714.14 |
| Operating Subsidies and Transfers to Other Funds | <u>46,258.81</u> |
| Net Cash Provided by (used for) Non-Capital Financing Activities | <u>201,017.22</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 5,387.30 |
| Cash and Cash Equivalents -- July 1 | <u>39,714.86</u> |
| Cash and Equivalents -- June 30 | <u><u>\$ 45,102.16</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | \$ (195,629.92) |
| Net Cash Provided by (used for) Operating Activities | <u><u>\$ (195,629.92)</u></u> |

FIDUCIARY FUNDS

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Assets
 June 30, 2011

| | Trust Funds | Agency Funds | |
|---|---------------------|--------------------|---------------------|
| | Unemployment | PTA | Payroll |
| ASSETS: | | | |
| Cash and Cash Equivalents | | \$ 1,540.32 | \$ 11,336.61 |
| Payroll Deductions and Withholdings | | | 3,902.59 |
| Interfund Accounts Receivable | | | |
| Due from Payroll Agency Account | \$ 11,555.79 | | |
| Total Assets | \$ 11,555.79 | \$ 1,540.32 | \$ 15,239.20 |
| LIABILITIES: | | | |
| Payable to PTA | | \$ 1,540.32 | |
| Interfund Accounts Payable: | | | |
| Due to General Fund | | | \$ 3,683.41 |
| Due to Unemployment Trust Fund | | | 11,555.79 |
| Total Liabilities | - | \$ 1,540.32 | \$ 15,239.20 |
| Net Assets: | | | |
| Held in Trust for Unemployment Claims and Other Purposes | \$ 11,555.79 | | |
| | \$ 11,555.79 | | |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Fiduciary Funds
Statement of Net Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2011

| | <u>Unemployment Compensation</u> |
|---------------------------------|--------------------------------------|
| ADDITIONS: | |
| Contributions | |
| Budget Contribution | \$ 90,961.61 |
| Interfund Accounts Receivable | |
| Due from Payroll Agency Account | <u>2,414.84</u> |
| Total Additions | <u>93,376.45</u> |
| DEDUCTIONS: | |
| Program Expenditures | <u>90,961.61</u> |
| Change in Net Assets | 2,414.84 |
| Net Assets -- July 1 | <u>9,140.95</u> |
| Net Assets -- June 30 | <u><u>\$ 11,555.79</u></u> |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Fiduciary Funds
PTA Account Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011

| | <u>Balance</u> <u>June 30, 2010</u> | <u>Cash</u> <u>Receipts</u> | <u>Cash</u> <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2011</u> |
|-------------|--|--------------------------------|-------------------------------------|--|
| PTA Account | <u>\$ 730.25</u> | <u>\$ 810.07</u> | <u>-</u> | <u>\$ 1,540.32</u> |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2011

| | <u>Balance</u> <u>June 30, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2011</u> |
|-------------------------------------|--|------------------------|------------------------|--|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 7,304.98 | \$ 1,295,827.14 | \$ 1,291,795.51 | \$ 11,336.61 |
| Payroll Deductions and Withholdings | 1,013.07 | 2,889.52 | | 3,902.59 |
| Interfund Receivable: | | | | |
| Due General Fund | 822.90 | | 822.90 | |
| | <u>\$ 9,140.95</u> | <u>\$ 1,298,716.66</u> | <u>\$ 1,292,618.41</u> | <u>\$ 15,239.20</u> |
| LIABILITIES: | | | | |
| Payroll Deductions and Withholdings | | \$ 482,522.67 | \$ 482,522.67 | |
| Net Payroll | | 810,095.74 | 810,095.74 | |
| Interfund Accounts Payable: | | | | |
| Due General Fund | | 3,683.41 | | \$ 3,683.41 |
| Due Unemployment Trust Fund | \$ 9,140.95 | 2,414.84 | | 11,555.79 |
| Total Liabilities | <u>\$ 9,140.95</u> | <u>\$ 1,298,716.66</u> | <u>\$ 1,292,618.41</u> | <u>\$ 15,239.20</u> |

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the Charter School's financial position has changed over time. Please refer to the following exhibits for a historical view of the Charter School's financial performance. Note that Exhibits J-1, J-2, J-3 and J-4 are only presented for the last six fiscal years as the Charter School's first full year of operations were for the year ended June 30, 2006; thus, ten year comparative financial information is unavailable.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Net Assets by Component
 Last Six Fiscal Year (accrual basis of accounting)
 Unaudited

| | Fiscal Year Ended | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| | June 30, 2011 | June 30, 2010 | June 30, 2009 | June 30, 2008 | June 30, 2007 | June 30, 2006 |
| Governmental Activities | | | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | - | - | - | - |
| Restricted | \$ 1,500,000.00 | \$ 1,500,000.00 | \$ 1,500,000.00 | - | - | - |
| Unrestricted | 2,453,215.89 | 1,684,814.02 | 714,023.50 | \$ 1,235,921.68 | \$ 997,149.70 | \$ 432,662.91 |
| Total Governmental Activities Net Assets | <u>\$ 3,953,215.89</u> | <u>\$ 3,184,814.02</u> | <u>\$ 2,214,023.50</u> | <u>\$ 1,235,921.68</u> | <u>\$ 997,149.70</u> | <u>\$ 432,662.91</u> |
| Business-type Activities | | | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - |
| Unrestricted | \$ 30,485.90 | \$ 76,095.50 | \$ 51,964.23 | \$ 45,659.95 | \$ 19,176.01 | \$ 29,041.15 |
| Total Business-type Activities Net Assets | <u>\$ 30,485.90</u> | <u>\$ 76,095.50</u> | <u>\$ 51,964.23</u> | <u>\$ 45,659.95</u> | <u>\$ 19,176.01</u> | <u>\$ 29,041.15</u> |
| District-wide | | | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | - | - | - | - |
| Restricted | \$ 1,500,000.00 | \$ 1,500,000.00 | \$ 1,500,000.00 | - | - | - |
| Unrestricted | 2,483,701.79 | 1,760,909.52 | 765,987.73 | \$ 1,281,581.63 | \$ 1,016,325.71 | \$ 461,704.06 |
| Total District-wide Net Assets | <u>\$ 3,983,701.79</u> | <u>\$ 3,260,909.52</u> | <u>\$ 2,265,987.73</u> | <u>\$ 1,281,581.63</u> | <u>\$ 1,016,325.71</u> | <u>\$ 461,704.06</u> |

Source: Charter School's Records

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Changes in Net Assets
Last Six Fiscal Year (accrual basis of accounting)
Unaudited

| | Fiscal Year Ended | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | June 30, 2011 | June 30, 2010 | June 30, 2009 | June 30, 2008 | June 30, 2007 | June 30, 2006 |
| Expenses | | | | | | |
| Governmental Activities | | | | | | |
| Instruction | \$ 851,736.79 | \$ 1,266,041.53 | \$ 985,474.88 | \$ 1,266,696.18 | \$ 1,083,370.63 | \$ 617,512.74 |
| Admissions | 744,219.98 | 687,256.64 | 656,127.37 | 580,788.46 | 402,873.12 | 238,110.57 |
| Support Services | 671,284.97 | 781,699.03 | 556,291.07 | 704,290.85 | 361,000.47 | 383,663.14 |
| Total Governmental Activities Expenses | <u>2,267,241.74</u> | <u>2,734,997.20</u> | <u>2,197,893.32</u> | <u>2,551,775.49</u> | <u>1,847,244.22</u> | <u>1,239,286.45</u> |
| Business-type Activities: | | | | | | |
| Food Service | 201,017.22 | 142,120.12 | 131,354.98 | 97,994.80 | 103,542.36 | 81,610.78 |
| Total Business-type Activities Expense | <u>201,017.22</u> | <u>142,120.12</u> | <u>131,354.98</u> | <u>97,994.80</u> | <u>103,542.36</u> | <u>81,610.78</u> |
| Total District Expenses | <u>\$ 2,468,258.96</u> | <u>\$ 2,877,117.32</u> | <u>\$ 2,329,248.30</u> | <u>\$ 2,649,770.29</u> | <u>\$ 1,950,786.58</u> | <u>\$ 1,320,897.23</u> |
| Program Revenues | | | | | | |
| Governmental Activities: | | | | | | |
| Operating Grants and Contributions | \$ 327,998.29 | \$ 448,758.39 | \$ 251,061.57 | \$ 399,633.27 | \$ 400,967.31 | \$ 292,572.64 |
| Total Governmental Activities Program Revenues | <u>327,998.29</u> | <u>448,758.39</u> | <u>251,061.57</u> | <u>399,633.27</u> | <u>400,967.31</u> | <u>292,572.64</u> |
| Business-type activities: | | | | | | |
| Charges for services | | | | | | |
| Food Service | 5,387.30 | 5,768.60 | 6,347.69 | 6,633.14 | 3,914.10 | 2,552.80 |
| Operating Grants and Contributions | 150,020.32 | 160,482.79 | 131,311.57 | 117,845.60 | 89,763.12 | 64,708.88 |
| Total Business-type Activities Program Revenues | <u>155,407.62</u> | <u>166,251.39</u> | <u>137,659.26</u> | <u>124,478.74</u> | <u>93,677.22</u> | <u>67,261.68</u> |
| Total District Program Revenues | <u>\$ 483,405.91</u> | <u>\$ 615,009.78</u> | <u>\$ 388,720.83</u> | <u>\$ 524,112.01</u> | <u>\$ 494,644.53</u> | <u>\$ 359,834.32</u> |
| General Revenues and Other Changes in Net Assets | | | | | | |
| Governmental Activities: | | | | | | |
| Local Levy and Charter School Aid | \$ 2,469,134.00 | \$ 2,929,800.00 | \$ 2,677,187.00 | \$ 1,681,800.00 | \$ 1,392,803.00 | \$ 1,405,558.51 |
| Investment Earnings | 215,670.24 | 248,747.49 | 137,447.00 | 660,499.16 | 554,621.50 | 13,296.42 |
| Miscellaneous Income | 22,841.08 | 78,481.84 | 110,299.57 | 48,615.04 | 63,339.20 | 3,161.03 |
| Transfers | | | | | | (43,390.25) |
| Total Governmental Activities | <u>2,707,645.32</u> | <u>3,257,029.33</u> | <u>2,924,933.57</u> | <u>2,390,914.20</u> | <u>2,010,763.70</u> | <u>1,378,625.71</u> |
| Business-type activities: | | | | | | |
| Transfers | | | | | | 43,390.25 |
| Total Business Activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>43,390.25</u> |
| Total District-wide | <u>\$ 2,707,645.32</u> | <u>\$ 3,257,029.33</u> | <u>\$ 2,924,933.57</u> | <u>\$ 2,390,914.20</u> | <u>\$ 2,010,763.70</u> | <u>\$ 1,378,625.71</u> |
| Net (Expense)/Revenue | | | | | | |
| Governmental Activities | \$ 768,401.87 | \$ 970,790.52 | \$ 978,101.82 | \$ 238,771.98 | \$ 564,486.79 | \$ 431,911.90 |
| Business-type Activities | (45,609.60) | 24,131.27 | 6,304.28 | 26,483.94 | (9,865.14) | (14,349.10) |
| Total District-wide Net (Expense)/Revenue | <u>\$ 722,792.27</u> | <u>\$ 994,921.79</u> | <u>\$ 984,406.10</u> | <u>\$ 265,255.92</u> | <u>\$ 554,621.65</u> | <u>\$ 417,562.80</u> |

Source: Charter School's Records

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Fund Balances - Governmental Funds
 Last Six Fiscal Year (modified accrual basis of accounting)
 Unaudited

| | Fiscal Year Ended | | | | | |
|--------------------|--------------------------|------------------------|------------------------|------------------------|----------------------|----------------------|
| | <u>June 30, 2011 (a)</u> | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>June 30, 2006</u> |
| General Fund | | | | | | |
| Restricted | \$ 1,500,000.00 | \$ 1,500,000.00 | \$ 1,502,265.09 | \$ 7,439.59 | \$ 169,724.79 | \$ 103,284.48 |
| Unassigned | <u>2,453,215.89</u> | <u>1,684,814.02</u> | <u>711,758.41</u> | <u>1,228,482.09</u> | <u>827,424.91</u> | <u>329,378.43</u> |
| Total General Fund | <u>\$ 3,953,215.89</u> | <u>\$ 3,184,814.02</u> | <u>\$ 2,214,023.50</u> | <u>\$ 1,235,921.68</u> | <u>\$ 997,149.70</u> | <u>\$ 432,662.91</u> |

(a) Beginning for the fiscal year ended June 30, 2011, the School District began reporting fund balances under GASB 54.

Source: Charter School's Records

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Changes in Fund Balances, Governmental Funds
 Last Six Fiscal Year (modified accrual basis of accounting)
 Unaudited

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | | |
| Local Levy | \$ 2,469,134.00 | \$ 2,929,800.00 | \$ 2,677,187.00 | \$ 1,681,800.00 | \$ 1,392,803.00 | \$ 917,010.00 |
| Categorical Aid | | | | 267,377.00 | 242,946.00 | 183,481.00 |
| Revenue From Other Sources | 22,841.08 | 78,481.84 | 110,299.57 | 48,615.04 | 63,339.20 | 16,457.45 |
| State Sources | 215,670.24 | 248,747.49 | 137,447.00 | 393,122.16 | 311,675.50 | 309,067.51 |
| Federal Sources | 327,998.29 | 448,758.39 | 251,061.57 | 399,633.27 | 400,967.31 | 288,572.64 |
| Total Revenue | <u>3,035,643.61</u> | <u>3,705,787.72</u> | <u>3,175,995.14</u> | <u>2,790,547.47</u> | <u>2,411,731.01</u> | <u>1,714,588.60</u> |
| Expenditures | | | | | | |
| Instruction | 851,736.79 | 1,241,671.14 | 975,798.51 | 1,173,775.80 | 1,055,882.59 | 617,512.74 |
| Administration | 744,219.98 | 687,256.64 | 656,127.37 | 580,788.46 | 402,873.12 | 238,110.57 |
| Support Services | 671,284.97 | 781,699.03 | 556,291.07 | 704,290.85 | 352,409.47 | 392,740.06 |
| Capital Outlay | | 24,370.39 | 9,676.37 | 92,920.38 | 36,079.04 | 34,313.33 |
| Total Expenditures | <u>2,267,241.74</u> | <u>2,734,997.20</u> | <u>2,197,893.32</u> | <u>2,551,775.49</u> | <u>1,847,244.22</u> | <u>1,282,676.70</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>768,401.87</u> | <u>970,790.52</u> | <u>978,101.82</u> | <u>238,771.98</u> | <u>564,486.79</u> | <u>431,911.90</u> |
| Net Change in Fund Balances | <u>\$ 768,401.87</u> | <u>\$ 970,790.52</u> | <u>\$ 978,101.82</u> | <u>\$ 238,771.98</u> | <u>\$ 564,486.79</u> | <u>\$ 431,911.90</u> |
| Debt Service as a Percentage of Noncapital Expenditures | N/A | N/A | N/A | N/A | N/A | N/A |

Source: Charter School's Records

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the Charter School's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the Charter School's outstanding debt and its debt capacity.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Ratios of Outstanding Debt by Type
 Last Six Fiscal Years
 Unaudited

| Fiscal Year Ended <u>June 30,</u> | <u>Governmental Activities</u> | | | | <u>Business-Type Activities</u> | | <u>Total District</u> | Percentage of Personal <u>Income (2)</u> | <u>Per Capita (2)</u> |
|---|---|------------------------------|---------------------------|-------------------------|-------------------------------------|-----|-----------------------|--|-----------------------|
| | <u>General Obligation Bonds</u> | <u>Mortgages Payable</u> | <u>Capital Leases</u> | <u>Loan Payable</u> | <u>Capital Leases</u> | | | | |
| 2011 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 2010 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 2009 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 2008 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 2007 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 2006 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Note: The Charter School does not have outstanding debt.

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the Charter School operates and (2) to provide information that facilitates comparisons of financial statement information over time and among Charter Schools. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the Charter School operates.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Demographic and Economic Statistics (1)
Last Ten Fiscal Years
Unaudited

| <u>Year</u> | <u>Population (2)</u> | <u>Personal Income (3)</u> | <u>Per Capita Personal Income (4)</u> | <u>Unemployment Rate (5)</u> |
|-------------|-----------------------|--------------------------------|---|----------------------------------|
| 2011 | | unavailable | unavailable | |
| 2010 | 79,904 | \$ 3,298,596,928.00 | \$ 41,282.00 | 18.60% |
| 2009 | 78,790 | 3,248,826,860.00 | 41,234.00 | 17.80% |
| 2008 | 79,383 | 3,117,052,878.00 | 39,266.00 | 11.80% |
| 2007 | 78,675 | 3,089,252,550.00 | 39,266.00 | 9.60% |
| 2006 | 78,692 | 3,006,742,628.00 | 38,209.00 | 10.70% |
| 2005 | 79,151 | 2,867,007,522.00 | 36,222.00 | 10.10% |
| 2004 | 79,126 | 2,746,859,090.00 | 34,715.00 | 14.90% |
| 2003 | 79,494 | 2,651,840,346.00 | 33,359.00 | 16.90% |
| 2002 | 79,343 | 2,544,847,382.00 | 32,074.00 | 16.30% |

Source:

- (1) Data provided for Camden, New Jersey.
- (2) Population information provided by the NJ Dept of Labor and Workforce Development.
- (3) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (4) Per Capita personal income is based upon the US Bureau of Economic Analysis CA04 data table.
- (5) Unemployment data provided by the NJ Dept of Labor and Workforce Development.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Principal Employers
Current Year and Nine Years Ago
Unaudited

| <u>Employer (1)</u> | <u>2011</u> | | | <u>2001 (2)</u> | | |
|--|------------------|-------------|-------------------|------------------|-------------|----------------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of</u> |
| Cooper Health Care/ Cooper Health System | 10,900 | 1 | 39.20% | | | |
| On Time Staffing, Inc | 8,000 | 2 | 28.77% | | | |
| Our Lady of Lourdes Healthcare Services, Inc | 5,642 | 3 | 20.29% | | | |
| L-3 Communications Ilex Systems, Inc. | 1,500 | 4 | 5.39% | | | |
| Diocese of Camden New Jersey Inc. | 1,260 | 5 | 4.53% | | | |
| Campbell Soup Company | 1,200 | 6 | 4.32% | | | |
| Mafco Consolidated Group/ Worldwide Corp. | 730 | 7 | 2.63% | | | |
| Delaware River Port Authority | 623 | 8 | 2.24% | | | |
| Waste Management, Inc. | 300 | 9 | 1.08% | | | |
| Will-Son Corp | 200 | 10 | 0.72% | | | |
| | <u>30,355</u> | | <u>109.16%</u> | <u>-</u> | | <u>-</u> |

(1) Source: D&B Regional Business Directory (2011)

(2) Data was not available from sources contacted.

Operating Information

Operating information is intended to provide contextual information about the Charter School's operations and resources to assist readers in using financial statement information to understand and assess the Charter School's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the Charter School's operations.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Full-time Equivalent District Employees by Function/Program
 Last Six Fiscal Years
 Unaudited

| <u>Function/Program</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | 15 | 26 | 16 | 21 | 17.5 | 13.5 |
| Administration | 7 | 5 | 2 | 2 | 2 | 1.5 |
| Support Services | 3 | 2 | 4 | 3 | 2.5 | 1.0 |
| Total | <u>25</u> | <u>33</u> | <u>22</u> | <u>26</u> | <u>22</u> | <u>16</u> |

Source: Charter School Personnel Records

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Operating Statistics
Last Six Fiscal Year
Unaudited

| <u>Fiscal</u> | <u>Enrollment</u> | <u>Operating Expenditures (1)</u> | <u>Cost Per Pupil</u> | <u>Percentage Change</u> | <u>Teaching Staff (2)</u> | <u>Pupil/Teacher Ratio Elementary (K-5)</u> | <u>Average Daily Enrollment (ADE) (3)</u> | <u>Average Daily Attendance (ADA) (3)</u> | <u>% Change in Average Daily Enrollment</u> | <u>Student Attendance Percentage</u> |
|---------------|-------------------|-----------------------------------|-----------------------|--------------------------|---------------------------|---|---|---|---|--------------------------------------|
| 2011 | 227 | 2,267,241.74 | 9,987.85 | -8% | 15 | 1:12 | 215.2 | 203.6 | -3% | 94.60% |
| 2010 | 249 | 2,710,626.81 | 10,886.05 | 17% | 25 | 1:11 | 221.1 | 206.7 | -2% | 93.49% |
| 2009 | 235 | 2,188,216.95 | 9,311.56 | -9% | 23 | 1:11 | 226.0 | 212.5 | 3% | 94.03% |
| 2008 | 239 | 2,458,855.11 | 10,288.10 | 23% | 21 | 1:11 | 220.4 | 199.2 | 18% | 90.38% |
| 2007 | 216 | 1,811,165.18 | 8,385.02 | 29% | 18 | 1:11 | 186.0 | 172.9 | 36% | 92.96% |
| 2006 | 192 | 1,248,363.37 | 6,501.89 | N/A | 14 | 1:11 | 137.2 | 126.7 | N/A | 92.35% |

Sources: Charter School Records

Note: Enrollment based on annual October enrollment count.

- (1) Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- (2) Teaching staff includes only full-time equivalents of certificated staff.
- (3) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
School Building Information
Last One Fiscal Year
Unaudited

Not Applicable. The Charter School does not own any facilities.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Schedule of Required Maintenance
Last One Fiscal Year
Unaudited

Not applicable. The Charter School does not own any school facilities.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Insurance Schedule

June 30, 2011

Unaudited

| | <u>Coverage</u> | <u>Deductible</u> |
|--|-----------------|-------------------|
| Policy Level Information | | |
| Business Income | | |
| Prop Enhancement | \$ 300,000 | |
| Premises 001 Building 001 | | |
| Property | 200,000 | |
| Building | 20,000 | |
| Premises 002 Building 001 | | |
| Property | 200,000 | |
| Building | 20,000 | |
| General Liability | | |
| Occurrence | | |
| General Aggregate | 2,000,000 | |
| Products/Completed Oper. Aggr. | 2,000,000 | |
| Personal & Advertising Injury | 1,000,000 | |
| Each Occurance | 1,000,000 | |
| Damage to Rented Premises | 100,000 | |
| Medical Expense (Any One Person) | 5,000 | |
| Employee Benefits | 1,000,000 | |
| Business Auto | | |
| CSL | 1,000,000 | |
| Hired Autos | | |
| Non-Owned Autos | | |
| Hired Auto Physical Damage | | |
| Specified Causes of Loss Ded. | | |
| Endorsements, Forms, Conditions: | 25 | |
| Crime | | |
| Employee Dishonesty | 140,000 | \$ 500 |
| Foreign or Alteration | 25,000 | 500 |
| Theft, Disappearance & Destruction | | |
| Inside Premises | 10,000 | 500 |
| Outside Premises | 10,000 | 500 |
| Boiler and Machinery | | |
| Covered Equipment | | |
| Comprehensive Incl Production Machines | | |
| All Boilers - Pressure Vessels | | |
| All Air Cond. & Refrig. Equip, | | |
| All Electrical Equipment | | |
| All Mechanical Equipment | | |
| Coverages | | |
| Property Damage | 200,000 | 1,000 |

(Continued)

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL

Insurance Schedule

June 30, 2011

Unaudited

| | <u>Coverage</u> | <u>Deductible</u> |
|--|-----------------|-------------------|
| Professional Liability | | |
| Description of Operators : Educators Legal Liability | | |
| Limit of Liability - Each Claim | \$ 1,000,000 | |
| Policy Aggregate | 1,000,000 | \$ 1,000 |
| Electronic Data Processing | | |
| Location 001 Building 001 | | |
| Equipment Owned | 50,000 | |
| Equipment In Transit | 10,000 | |
| Media /Data | 10,000 | |
| Media/Data In Transit | 10,000 | |
| Umbrella | | |
| Liability Limit Each Occurance | 5,000,000 | |
| Aggregate | 5,000,000 | |
| Prod./Com. Ops. Ag. | 5,000,000 | |
| Retained Limit | 10,000 | |
| Underlying Insurance | | |
| Automotive Insurance | | |
| Combined Single Limit | 1,000,000 | |
| General Liability | | |
| Each Occurrence | 1,000,000 | |
| General Aggregate | 2,000,000 | |
| Products & Comp Ops | 2,000,000 | |
| Personal & Adv Injury | 1,000,000 | |
| Other Policies Carried | | |
| Bodily Injury | 1,000,000 | |
| Property Damage | 1,000,000 | |

Source: District Records

SINGLE AUDIT SECTION

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ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2011

| <u>Federal Grantor/ Pass-through Grantor / Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant or State Project Number</u> | <u>Program or Award Amount</u> | <u>Grant Period</u> | | <u>Balance June 30, 2010</u> |
|--|------------------------------------|--|--|---------------------|-----------|----------------------------------|
| | | | | <u>From</u> | <u>To</u> | |
| Special Revenue Fund: | | | | | | |
| U.S. Department of Education | | | | | | |
| Passed-through State Department of Education: | | | | | | |
| New Jersey Charter School Grant Program (CADRE 9) No Child Left Behind: | 84.282 | 06CA46G06 | \$ 360,000.00 | 3/1/2007 | 3/31/2011 | \$ 39,850.98 |
| Title I, Part A Cluster: | | | | | | |
| Title I (P.L. 103-382), Summer | 84.010 | NCLB0908232 | 271,022.00 | 9/1/2009 | 8/31/2010 | (21,048.56) |
| Title I (P.L. 103-382) | 84.010 | NCLB1008232 | 227,549.00 | 9/1/2010 | 8/31/2011 | |
| ARRA - Title I (P.L. 103-382) | 84.389 | NCLB0908232 | 176,239.00 | 7/1/2009 | 8/31/2011 | <u>(36,020.89)</u> |
| Total Title I, Part A Cluster | | | | | | <u>(57,069.45)</u> |
| Title IIA, Summer | 84.367 | NCLB0908232 | 7,932.00 | 9/1/2009 | 8/31/2010 | 3,334.91 |
| Title IIA | 84.367 | NCLB1008232 | 1,842.00 | 9/1/2010 | 8/31/2011 | |
| Title IID, Summer | 84.318 | NCLB0807232 | 1,373.00 | 9/1/2008 | 8/31/2009 | 2,921.58 |
| Title IID, Summer | 84.318 | NCLB0907232 | 3,114.00 | 9/1/2009 | 8/31/2010 | <u>(1,915.00)</u> |
| Total Title IID | | | | | | <u>1,006.58</u> |
| Title IV, Summer | 84.186 | NCLB0807232 | 1,683.00 | 9/1/2008 | 8/31/2009 | 3,261.70 |
| Title IV, Summer | 84.186 | NCLB0907232 | 4,011.00 | 9/1/2009 | 8/31/2010 | <u>(4,011.00)</u> |
| Total Title IV | | | | | | <u>(749.30)</u> |
| Title V, Summer | 84.298 | NCLB0807232 | 620.00 | 9/1/2008 | 8/31/2009 | 399.32 |
| I.D.E.I.A., Part B Cluster: | | | | | | |
| I.D.E.A. Part B Basic, Carryover | 84.027 | IDEA0907232 | 49,390.00 | 9/1/2009 | 8/31/2010 | (42,208.15) |
| I.D.E.A. Part B Basic | 84.027 | IDEA1008232 | 49,969.00 | 9/1/2010 | 8/31/2011 | |
| ARRA - I.D.E.A. | 84.391 | IDEA0908232 | 75,220.00 | 7/1/2009 | 8/31/2011 | <u>(20,907.00)</u> |
| Total I.D.E.I.A. Part B Cluster | | | | | | <u>(63,115.15)</u> |
| Total U.S. Department of Education | | | | | | <u>(76,342.11)</u> |
| Total Special Revenue Fund | | | | | | <u>(76,342.11)</u> |
| Enterprise Fund: | | | | | | |
| U.S. Department of Agriculture | | | | | | |
| Passed-through State Department of Education: | | | | | | |
| After School Snack Program | 10.555 | Unavailable | 24,391.14 | 7/1/2009 | 6/30/2010 | (2,472.34) |
| After School Snack Program | 10.555 | Unavailable | 24,266.82 | 7/1/2010 | 6/30/2011 | |
| School Breakfast Program | 10.553 | Unavailable | 46,539.12 | 7/1/2009 | 6/30/2010 | (4,697.60) |
| School Breakfast Program | 10.553 | Unavailable | 44,524.22 | 7/1/2010 | 6/30/2011 | |
| National School Lunch Program -- (Federal Share) | 10.555 | Unavailable | 83,564.11 | 7/1/2009 | 6/30/2010 | (8,872.64) |
| National School Lunch Program -- (Federal Share) | 10.555 | Unavailable | 79,667.86 | 7/1/2010 | 6/30/2011 | |
| Total U.S. Department of Agriculture | | | | | | <u>(16,042.58)</u> |
| Total Enterprise Fund | | | | | | <u>(16,042.58)</u> |
| Total Federal Financial Assistance | | | | | | <u>\$ (92,384.69)</u> |

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

These funds were not audited in accordance with U.S. OMB Circular A-133 since the total of all grant award expenditures were less than \$500,000.

| Carryover / (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Years' Balances | Balance June 30, 2011 | | Due to Grantor at June 30, 2011 |
|-------------------------------------|------------------|---------------------------|--|--------------------------|---------------------|---------------------------------------|
| | | | | (Accounts Receivable) | Deferred Revenue | |
| | | \$ (39,850.98) | | | | |
| | \$ 21,048.56 | | | | \$ 18,038.26 | |
| | 120,395.44 | (102,357.18) | | | | |
| | 86,832.00 | (85,957.11) | | \$ (35,146.00) | | |
| - | 228,276.00 | (188,314.29) | - | (35,146.00) | 18,038.26 | - |
| | 9,774.00 | (3,334.91) | | | 6,444.00 | |
| | | (3,330.00) | | | | \$ 2,921.58 |
| | 3,288.00 | | | | 1,373.00 | |
| - | 13,062.00 | (6,664.91) | - | - | 7,817.00 | 2,921.58 |
| | 1,683.00 | | | (2,328.00) | | 3,261.70 |
| - | 1,683.00 | - | - | (2,328.00) | - | 3,261.70 |
| | | | | | | 399.32 |
| | 42,208.15 | | | | 12,474.10 | |
| | 59,445.85 | (46,971.75) | | | | |
| | 13,848.00 | (46,196.36) | | (53,255.36) | | |
| - | 115,502.00 | (93,168.11) | - | (53,255.36) | 12,474.10 | - |
| - | 358,523.00 | (327,998.29) | - | (90,729.36) | 38,329.36 | 6,582.60 |
| - | 358,523.00 | (327,998.29) | - | (90,729.36) | 38,329.36 | 6,582.60 |
| | 2,472.34 | | | | | |
| | 22,299.90 | (24,266.82) | | (1,966.92) | | |
| | 4,697.60 | | | | | |
| | 41,124.30 | (44,524.22) | | (3,399.92) | | |
| | 8,872.64 | | | | | |
| | 73,247.36 | (79,667.86) | | (6,420.50) | | |
| - | 152,714.14 | (148,458.90) | - | (11,787.34) | - | - |
| - | 152,714.14 | (148,458.90) | - | (11,787.34) | - | - |
| - | \$ 511,237.14 | \$ (476,457.19) | - | \$ (102,516.70) | \$ 38,329.36 | \$ 6,582.60 |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2011

| <u>State Grantor/ Program Title</u> | <u>Grant or State Project Number</u> | <u>Program or Award Amount</u> | <u>Grant Period</u> | | <u>Balance June 30, 2010</u> | <u>Carryover / (Walkover) Amount</u> |
|---|--|--|---------------------|-----------|----------------------------------|--|
| | | | <u>From</u> | <u>To</u> | | |
| General Fund: | | | | | | |
| Non-Public State Aid | 08-495-034-5120-071 | \$ 8,953.00 | 7/1/07 | 6/30/08 | \$ 5,162.05 | |
| Abbot Kindergarten Aid | 08-495-034-5120-071 | 180,107.00 | 7/1/07 | 6/30/08 | 5,445.18 | |
| Local Mandate Emergency Aid | 08-495-034-5120-072 | 33,139.00 | 7/1/07 | 6/30/08 | 34,443.00 | |
| Technology State Aid | 08-495-034-5120-071 | 8,540.00 | 7/1/07 | 6/30/08 | 4,380.23 | |
| Special Education Aid | 11-495-034-5120-011 | 17,731.00 | 7/1/10 | 6/30/11 | | |
| Security Aid | 09-495-034-5120-084 | 93,090.00 | 7/1/08 | 6/30/09 | (4,627.00) | |
| Security Aid | 10-495-034-5120-084 | 102,934.00 | 7/1/09 | 6/30/10 | (1,833.00) | |
| Security Aid | 11-495-034-5120-084 | 80,534.00 | 7/1/10 | 6/30/11 | | |
| Early Childhood Program Aid | 08-495-034-5120-025 | 171,054.00 | 7/1/07 | 6/30/08 | (2,362.00) | |
| Demonstrably Effective Program Aid | 08-495-034-5064-002 | 94,041.00 | 7/1/07 | 6/30/08 | (1,389.00) | |
| Targeted At-Risk Aid | 08-495-034-5120-005 | 87,900.00 | 7/1/07 | 6/30/08 | 3,179.55 | |
| T.P.A.F. Social Security Aid | 11-495-034-5095-002 | 55,166.24 | 7/1/10 | 6/30/11 | | |
| Total General Fund | | | | | 42,399.01 | - |
| Enterprise Fund: | | | | | | |
| National School Breakfast Program | 10-100-010-3350-021 | 2,801.10 | 7/1/09 | 6/30/10 | (280.90) | |
| National School Lunch Program -- (State Share) | 10-100-010-3350-023 | 3,187.32 | 7/1/09 | 6/30/10 | (337.88) | |
| National School Lunch Program -- (State Share) | 11-100-010-3350-023 | 1,531.75 | 7/1/10 | 6/30/11 | | |
| Total Enterprise Fund | | | | | (618.78) | - |
| Total State Financial Assistance | | | | | \$ 41,780.23 | - |

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

These funds were not audited in accordance with U.S. OMB Circular A-133 since the total of all grant award expenditures were less than \$500,000.

| <u>Cash Received</u> | <u>Budgetary Expenditures</u> | <u>Repayment of Prior Years' Balances</u> | <u>Balance June 30, 2011</u> | | | <u>Memo</u> | |
|--------------------------|-----------------------------------|---|----------------------------------|-----------------------------|------------------------------|---|--|
| | | | <u>(Accounts Receivable)</u> | <u>Deferred Revenue</u> | <u>Due to Grantor at</u> | <u>Budgetary Receivable June 30, 2011</u> | <u>Cumulative Total Expenditures</u> |
| | | | | | \$ 5,162.05 | | |
| | | | | | 5,445.18 | | |
| | | | | | 34,443.00 | | |
| | | | | | 4,380.23 | | |
| \$ 17,731.00 | \$ (17,731.00) | | | | | | \$ 17,731.00 |
| 4,627.00 | | | | | | | |
| 1,833.00 | | | | | | | |
| 80,534.00 | (80,534.00) | | | | | | 80,534.00 |
| 2,362.00 | | | | | | | |
| 1,389.00 | | | | | | | |
| | | | | | 3,179.55 | | |
| 52,149.92 | (55,166.24) | | \$ (3,016.32) | | | \$ (3,016.32) | 55,166.24 |
| 160,625.92 | (153,431.24) | - | (3,016.32) | - | 52,610.01 | (3,016.32) | 153,431.24 |
| 280.90 | | | | | | | |
| 337.88 | | | | | | | |
| 1,395.82 | (1,531.75) | | (135.93) | | | (135.93) | 1,531.75 |
| 2,014.60 | (1,531.75) | - | (135.93) | - | - | (135.93) | 1,531.75 |
| \$ 162,640.52 | \$ (154,962.99) | - | \$ (3,152.25) | - | \$ 52,610.01 | \$ (3,152.25) | \$ 154,962.99 |

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2011

Note 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Environment Community Opportunity Charter School (hereafter referred to as the "Charter School"). The Charter School is defined in Note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: BASIS OF ACCOUNTING

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

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

There was no adjustment needed to reconcile expenditures from the budgetary basis to the GAAP basis. See Exhibit C-3, 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 expenditures are reported in the Charter School's basic financial statements on a GAAP basis as presented as follows:

| <u>Fund</u> | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|---------------------------------------|----------------------|----------------------|---------------------|
| General | | \$ 215,670.24 * | \$215,670.24 |
| Special Revenue | \$ 327,998.29 | | 327,998.29 |
| Food Service | <u>152,714.14</u> | <u>2,044.27</u> | <u>154,758.41</u> |
| Total Awards and Financial Assistance | <u>\$ 480,712.43</u> | <u>\$ 217,714.51</u> | <u>\$698,426.94</u> |

* - Includes Categorical Aid passed through sending school districts.

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 5: OTHER

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 fiscal year ended June 30, 2011.

Note 6: MAJOR PROGRAMS

For the fiscal year ended June 30, 2011, the Charter School did not have expenditures at a level requiring a single audit

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

None.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

Not Applicable.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

Not applicable.

ENVIRONMENT COMMUNITY OPPORTUNITY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARDS

Not applicable.

STATE FINANCIAL ASSISTANCE PROGRAMS

Not applicable.

