



**EAST ORANGE COMMUNITY  
CHARTER SCHOOL  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

**PREPARED BY  
EAST ORANGE COMMUNITY CHARTER  
SCHOOL**

**EAST ORANGE COMMUNITY CHARTER SCHOOL**

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# East Orange Community Charter School

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Fax # [973] 996-0398  
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Sarah Hausford  
Founder

Toddy L. Brown  
Chairman

Halden W. Simmons  
Vice Chairman

Jo Ann Johnson  
Corporate Secretary

Raymond L. Scott  
Treasurer of School Monies

Harvin T. Dash  
Principal/Executive Director

#### LOCATIONS (East Orange, NJ)

Kindergarten and First Grade  
682 Park Avenue

Second Grade  
44 Glenwood Avenue

Third Grade and  
Administrative Offices  
99 Washington Street

Fourth Grade  
106 Washington Street

October 28, 2011

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

Dear Commissioner:

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

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

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

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

**1) REPORTING ENTITY AND ITS SERVICES**

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

The Charter School provides a full range of educational services appropriate to grade levels Kindergarten through fourth grade. These include regular as well as special education and health and nutrition services that support the total education of the student and their families. The Charter School completed the 2010-2011 fiscal year with an average daily enrollment of 482 students, which is 18 students below the projected total of 500 enrolled students. The following details the changes in student enrollment of the school over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2010-2011	482	(0.00)%
2009-2010	482	(13.00)%
2008-2009	495	1.02%
2007-2008	490	0.20%
2006-2007	489	(1.81)%
2005-2006	498	4.3%
2004-2005	488	2.31%
2003-2004	477	(3.83)%
2002-2003	496	5.53%
2001-2002	470	23.36%

**2) ECONOMIC CONDITION AND OUTLOOK**

The East Orange Community Charter School is located in the City of East Orange, (the City), in the County of Essex within the State of New Jersey. The City has grown from a farmland region to a stable urban-suburban community since becoming an independent municipality in 1863. In 1909 East Orange was incorporated as a City. It measures approximately four square miles and the District is the second largest school District in Essex County, based on enrollment.

The City has maintained a strong commercial and industrial base, in part, because of its strategic location at the intersection of the Garden State Parkway and Interstate Route 280, which connects with the nearby New Jersey Turnpike. Also, the City is part of a varied transportation network with several railroad stops along the New Jersey Transit rail route and approximately 21 bus routes, and convenient access to Newark International Airport, Port Newark and Port Elizabeth, New York City, and the New Jersey Meadowlands Sports Complex.

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

Although the City has some light manufacturing and large businesses, such as Louis Berger International, the largest United State based planning firm in the international Development market, its economy is based on retail and commercial centers that form the City's economic backbone. Other major businesses in the City are Verizon; American Eagle Water Company; PNC Bank; Wachovia Bank; Bank of America and Banco Popular. Also, there are diverse array of lending and savings institutions and small businesses. In addition, the City has six businesses and main shopping areas: the Central Evergreen Arcade; Main Street; the Ampere Business District; Doddtown; the Sussex Avenue Shopping Center; and Brick Church Mall.

Located within the City are six secondary schools (three high schools and four middle schools), 12 elementary schools, two early Childhood Centers for Preschool and Kindergarten and an Adult School, as well as an alternative high school now housed in the old Bishop Francis Essex Catholic Boys High School. In and around the City are several technical, secretarial, and health care schools, which annually produce qualified, specialized office workers and health aides. Essex County College, located near the City's eastern border is a co-educational two-year public college. Also, the East orange General Hospital operates an established accredited nursing school. Additionally, Seton Hall University, Rutgers University, Montclair State University, the New Jersey Institute of Technology and the College of Medicine and Dentistry of New Jersey are all located in communities adjacent to the City.

The East Orange Public Library system serves as a Federal book depository and area reference center for suburban Essex County. More than 350,000 volumes are available at the main library and in several neighborhood branches.

The City offers a labor force of over 38,000 white and blue-collar workers. The largest employers are the federal and local governments; Veterans Administration Medical Center; East Orange General Hospital and the Kessler Institute. However, the City continues to offer an ample supply of modern office space for new and expanding businesses.

The East Orange Chamber of Commerce along with the City Council and administration are exploring ways to revitalize and jumpstart the economic climate of the town. Additionally, tax incentives are offered to businesses to relocate to the East Orange area to increase employment levels that would result in an increased tax base. This revitalization process is expected to be ongoing – which suggests that that East Orange area will continue to prosper.

3) **MAJOR INITIATIVES**

Over the course of the past thirteen (13) years a variety of assessment measures and tools have been used by teachers, content area specialists and other staff to ensure that the students of EOCCS are demonstrating clear and consistent progress. After becoming a “School in Need of Improvement” (SINI) for the first time, we analyzed data from multiple assessment areas. These measures are to ensure students are attaining the academic goals set forth in the approved charter and mandated by the New Jersey Core Curriculum Content Standards. Our grade level teaching teams continue to work together to create assessment plans for the students in order to determine appropriate measures by which to evaluate them. This information is used to individualize the curriculum for specific students to improve and modify the quality of the program provided for these students. Test results and data from other assessment measures was continued to be used as they became available and during the subsequent school year. The New Jersey Proficiency Assessments of State Standards were adopted to replace the Terra Nova Test because of the alignment of the new test with the NJ Core Curriculum Content Standards.

Since its establishment, the East Orange Community Charter School has developed, revised and amended its curriculum. The curriculum is and has been a **living** document which grows and evolves. With the revision of the **New Jersey Core Curriculum Content Standards (NJCCCS)** came the need to rewrite the curriculum on a larger scale than before in order to ensure its alignment with the state standards. The process, described and outlined below, began on several fronts all of which were required to develop a comprehensive set of drafts of the curriculum.

**DELIVERY OF SERVICE TO AT-RISK STUDENTS**

More than 75% of students enrolled at EOCCS live in homes with below average incomes. Given the many challenges that impact upon children in such a household, we consider that all students are potentially at-risk.

Any student who is observed to have health risks, exhibit behaviors that interfere with learning or relating to others in an age-appropriate way, have academic difficulties or developmental delays, are referred to the EOCCS’ I&RS Committee for review. Students who are determined to need assistance beyond the normal educational program are given additional services through a wide array of program options, including:

- Individual or group mental health services through the in-house school social worker;
- Medical monitoring and/or referral for students with potential health risks;
- Reading and/or mathematics remediation through the program options offered within the school.

**3) MAJOR INITIATIVES - CONTINUED**

In addition, EOCCS sponsors a number of parent education groups, i.e., Parents Anonymous, Brother-to-Brother and The Grandparents' Support Groups. These support groups meet on a regular schedule and provide opportunities for extensive parenting support. The goal of each program is to provide group support for parents, strengthening parenting skills and to help parents/guardians better address the diverse needs of their children. EOCCS has also applied to become a "school-wide Title I Initiative which will allow for more educational opportunities for all students.

**4) INTERNAL ACCOUNTING CONTROLS**

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

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

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

**5) BUDGETARY CONTROLS**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the fiscal year is reflected in the financial section.

5) **BUDGETARY CONTROLS - CONTINUED**

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2011.

6) **ACCOUNTING SYSTEM AND REPORT**

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the fiscal years ended June 30, 2011 and the amount of increases in relation to prior year's revenues:

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

<b><u>Revenue</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>Increase/ (decrease)</u></b>	<b><u>% Change</u></b>
Local sources	\$ 817,019	\$ 909,928	\$ (92,909)	-10.21%
State sources	5,755,224	5,880,536	(125,312)	-2.13%
Federal sources	657,010	784,561	(127,551)	-16.26%
	<u>\$ 7,229,253</u>	<u>\$ 7,575,025</u>	<u>\$ (345,772)</u>	<u>-4.56%</u>

The 4.56% decrease in total revenue sources was due to an overall decrease in state aid funding in 2010-2011

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

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2011.

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

<b><u>Expenditures</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>Increase/ (decrease)</u></b>	<b><u>% Change</u></b>
Instruction	\$ 3,041,473	\$ 3,281,991	\$ (240,518)	-7.33%
Administrative	2,478,642	2,198,959	279,683	12.72%
Support	1,726,143	1,750,858	(24,715)	-1.41%
Capital Outlay	42,096	130,196	(88,100)	-67.67%
<b>Total</b>	<b>\$ 7,288,354</b>	<b>\$ 7,362,004</b>	<b>\$ (73,650)</b>	<b>-1.00%</b>

The slight decrease of 1.00% in total expenditures was consistent with the Board commitment to better control administrative expenses during the year ended June 30, 2011.

8) **CASH MANAGEMENT**

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

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **RISK MANAGEMENT**

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation (see J-20).

10) **OTHER INFORMATION**

**Independent Audit**

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.

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

11) **ACKNOWLEDGMENTS**

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

Respectfully submitted,

*Harvin T. Dash*

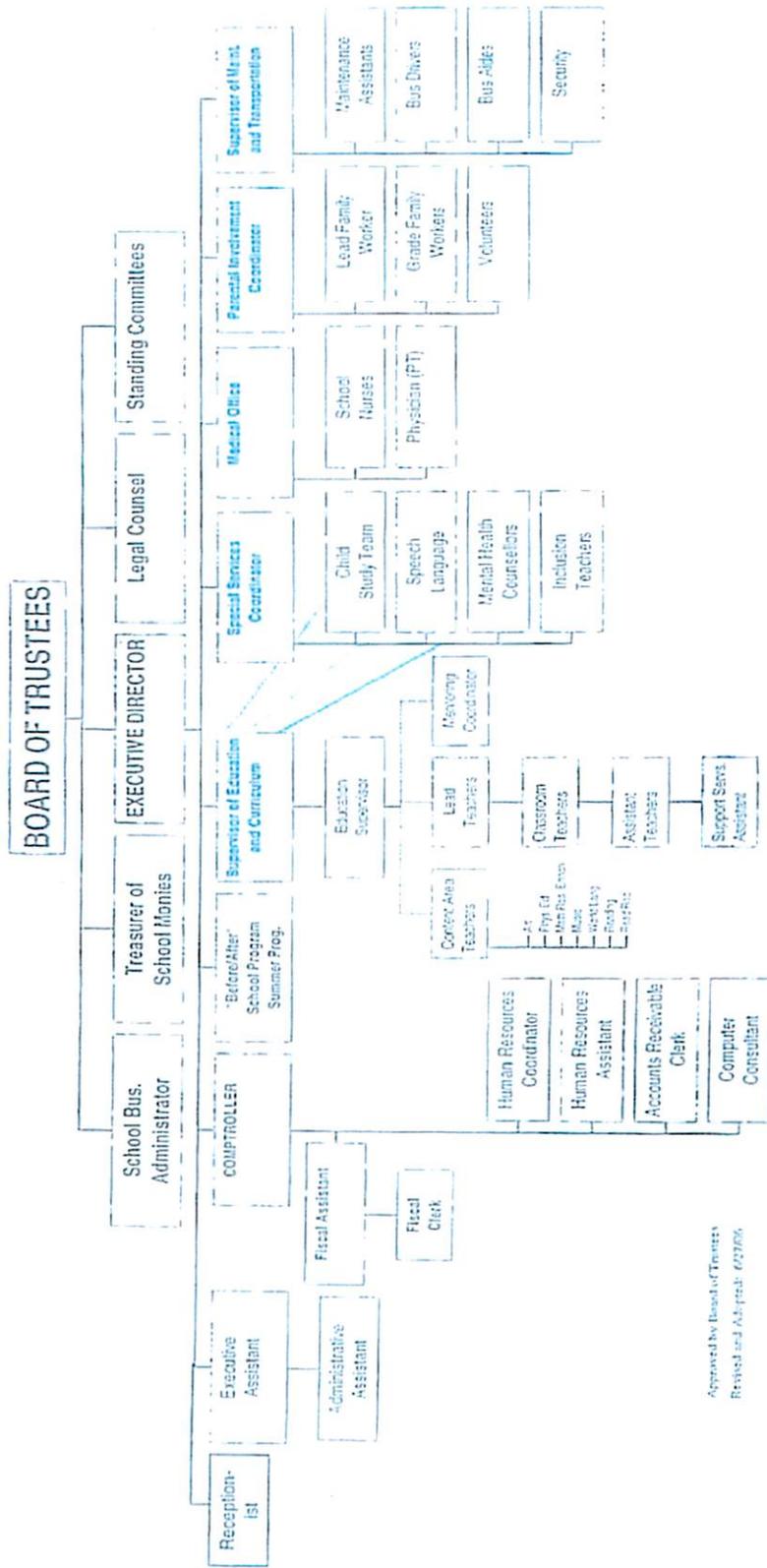
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Harvin T. Dash  
Executive Director

# EAST ORANGE COMMUNITY CHARTER SCHOOL

99 Washington St., East Orange, N.J 07017

ORGANIZATIONAL CHART  
School Year 2006 - 2007



Approved by Board of Trustees  
Revised and Adopted: 6/27/06

## **ROSTER OF OFFICIALS**

**JUNE 30, 2011**

### **Members of Board of Trustees**

**DATE APOINTED**

### **OFFICERS**

Harden W. Simmons, Vice Chairman	1998
Jo Ann Johnson, Secretary	May 11, 2000

### **MEMBERS**

Brathwaite, Monique	May 11, 2010
Davis, Cathy	May 11, 2010
Hamm, Nena	Feb 23, 2010
Jn-Louis, Tarah	Aug 24, 2010
Rutledge, Catherine	1998
Stuart, Faith	May 11, 2010
Williams-Cawley, Marsha	May 12, 2005

### **ADMINISTRATION**

Harvin T. Dash, Executive Director

Joel Julien, CPA, School Business Administrator

Terry Pierce, Comptroller

Raymond L. Scott, Treasurer of School Monies

Jennifer Wien, Teacher Representative

**EAST ORANGE COMMUNITY CHARTER SCHOOL**

**CONSULTANTS AND ADVISORS**

**Independent Auditors**

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

**Attorney**

Robert Taylor  
Counselor at Law  
60 Evergreen Place, Suite 305  
East Orange, New Jersey 07018

**Official Depository**

Wachovia Bank  
679 Park Avenue  
East Orange, New Jersey 07017

## **FINANCIAL SECTION**

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

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

## **INDEPENDENT AUDITORS' REPORT**

The Honorable President and  
Members of the Board of Trustees  
East Orange Community Charter School  
County of Essex  
East Orange, New Jersey

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

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

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

## INDEPENDENT AUDITORS' REPORT - CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 28, 2011, on our consideration of the East Orange Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read with the report in considering the results of our audit.

The Management Discussion and Analysis on pages 15 through 22 and Budgetary Comparison Information on pages 62 through 66 are not a required part of the basic financial statements but are supplementary information required by accounting principle generally accepted by United States of America. We have applied certain limited procedures which consisted of principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Orange Community Charter School's basic financial statements. The accompanying introductory section, other supplementary information including combining fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by, U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

***Olugbenga Olabintan, CPA***

October 28, 2011  
Newark, New Jersey

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



Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
#20CS00230200

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENTS DISCUSSION AND ANALYSIS**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Introduction**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets decreased by \$66,492 to \$788,447. Net assets of governmental activities decreased by \$66,492, which represents an 8.43 percent decrease from fiscal year 2010. Net assets of business-type activities, which represent food service operations/after care and summer instructional programs was zero for both 2011 and 2010, respectively, which reflects the challenge faced by management in ensuring the food service program is self sustaining.
- General revenues accounted for \$6,565,673 in revenue or 85 percent of total revenues of \$7,694,069. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$1,140,722 or 15 percent of total revenues.
- The Charter School had \$7,191,437 in expenses related to governmental activities; \$663,580 of these expenses is offset by operating grants and contributions. General revenues (primarily Federal and State aid) of \$6,642,365 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2011, of \$698,385. This is primarily due to a better control of expenses during both years ended June 30, 2011 and 2010.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Using the Basic Financial Statements**

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

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

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

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

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

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

**Reporting the Charter School as a Whole**

**Statement of Net Assets and Statements of Activities**

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2011?" The statements of Net Assets and the Statement of Activities answer this question. These Statements include all the Charter

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Statement of Net Assets and Statement of Activities-continued**

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

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

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

**Business-Type Activity** – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food operations, after care and summer instructional programs are accounted for in the enterprise fund. Enterprise fund is reported as a business activity.

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

**Governmental Funds**

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Which measure cash and all other financial assets which can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Governmental Funds- Continued**

Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Assets and the Statement of Activities and the governmental funds are reconciled in the financial statements.

**Enterprise Fund**

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

**The Charter School as a Whole**

The perspective of the Statement of Net Assets is of the Charter School as a whole. Net assets may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$788,447 at the close of 2011. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current Assets	\$ 1,097,737	\$ 1,107,777	\$ 30,901	\$ 63,011	\$ 1,128,638	\$ 1,170,788
Capital Assets, net	807,968	856,456			807,968	856,456
<b>Total Assets</b>	<b>1,905,705</b>	<b>1,964,233</b>	<b>30,901</b>	<b>63,011</b>	<b>1,936,606</b>	<b>2,027,244</b>
<b>Liabilities</b>						
Current Liabilities	399,352	350,291	30,901	63,011	430,253	413,302
Long Term Liabilities	717,906	760,002			717,906	760,002
<b>Total Liabilities</b>	<b>1,117,258</b>	<b>1,110,293</b>	<b>30,901</b>	<b>63,011</b>	<b>1,148,159</b>	<b>1,173,304</b>
<b>Net Assets</b>						
Invested in						
Capital Assets						
(net of related debt)	249,230	256,621			249,230	256,621
Unrestricted	539,217	598,318	-	-	539,217	598,318
<b>Total Net Assets</b>	<b>\$ 788,447</b>	<b>\$ 854,939</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 788,447</b>	<b>\$ 854,939</b>

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

The largest portion of the Charter School's net assets is its investment in capital assets (e.g. land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The Charter School uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the Charter School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Charter School's net assets represents resources that are subject to external restrictions on how they may be used.

The total net assets of the Charter School decreased by \$65,492 during the current fiscal year. The majority of the decrease is attributable to a slight decrease in expenses during the year ended June 30, 2011 over 2010.

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

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charge for Services			\$221,052	\$208,664	\$221,052	\$208,664
Operating grants and Contributions	\$663,580	\$784,561	256,090	277,479	919,670	1,062,040
Total Program Revenues	663,580	784,561	477,142	486,143	1,140,722	1,270,704
General Revenues:						
Local Aid	751,886	845,154			751,886	845,154
Federal and State Aid	5,755,224	5,880,536			5,755,224	5,880,536
Miscellaneous	58,563	64,774			58,563	64,774
Transfers	(103,308)	(135,885)	103,308	135,885	-	-
Total general Revenues	6,462,365	6,654,579	103,308	135,885	6,565,673	6,790,464
Total Revenues	7,125,945	7,439,140	580,450	622,028	7,706,395	8,061,168
Expenses:						
Instructions	3,041,473	3,281,991			3,041,473	3,281,991
Administrative & Support Services	4,101,477	3,813,932			4,101,477	3,813,932
Unallocated Depreciation	48,487	48,487			48,487	48,487
Food Service			418,910	390,055	418,910	390,055
After Care/ Summer Programs			161,540	231,973	161,540	231,973
Total Expenses	7,191,437	7,144,410	580,450	622,028	7,771,887	7,766,438
Change in Net Assets	\$ (65,492)	\$ 294,730	\$ -	\$ -	\$ (65,492)	\$ 294,730

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

Operating grants and contributions decreased by about 10.23 percent mainly because of the fall off of the revenues attributable to the one time ARRA Stimulus grants.

Under the New Jersey reporting guidelines, several expenses of the Charter Schools that could be considered instructional are categorized under support services such as Social Services and Mental Health.

**Governmental Activities**

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

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 3,041,473	\$ 2,561,442
Administrative & Support Services	4,101,477	3,917,928
Unallocated Depreciation	48,487	48,487
Total Expenses	<b>\$ 7,191,437</b>	<b>\$ 6,527,857</b>

**Business-Type Activity**

The business-type activity of the Charter School consists of the food service operation, the after-school program and summer instructional program. These programs had revenues of \$580,450 (which includes a transfer from the General Fund of \$103,308 to cover deficit) and operating expenses of \$580,450 for fiscal year 2011. Total revenues decreased \$41,578 and operating expenses decreased \$45,578 from the prior fiscal year. The Charter School continued in its effort to have food services be self operating without assistance from the General Fund, however, in the current year cumulative operating deficit of \$(103,308) was funded by transfer from the General Fund.

**The Charter School's Funds**

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$7,229,253 and expenditures of \$7,288,354. The negative change in fund balance for the year of \$59,101 is less than 1% of total revenue.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**General Fund Budgeting Highlights**

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

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

For the General Fund, final budgeted revenues were \$6,517,492, which included a local tax levy of \$779,502. Expenditures were budgeted at \$6,413,759. The Charter School anticipated budgeted fund balance of \$861,219 in its 2010-2011 budget. General Fund revenues were higher than expenditures by \$103,733. Actual revenues were \$6,565,673 and expenditures were \$6,624,774.

The State of New Jersey reimbursed the Charter School \$164,682 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members. This unbudgeted amount is included in both revenues and expenditures.

**Capital Assets**

At the end of fiscal year 2011, the Charter School had \$807,968 invested in capital assets all in governmental activities.

The table below reflects fiscal year 2011 balances:

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Land	\$ 50,000		\$ 50,000
Building	916,085		916,085
Leasehold improvements	155,910		155,910
Vehicle	55,300	-	55,300
Equipment	423,177	-	423,177
Total Capital Assets	1,600,472	-	1,600,472
Less Accumulated Depreciation	792,504	-	792,504
Totals	\$ 807,968	\$ -	\$ 807,968

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

The Charter School's 2011-2012 budget projects spending approximately \$-0- for capital projects.

**Long-term debt**

At June 30, 2011, the Charter School had \$558,738 in long-term debt – mortgages on one of the school building. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

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

The State of New Jersey continues to face serious budgetary constraints. These impact the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2011-2012. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Business Office  
99 Washington Street  
East Orange, New Jersey 07017**

## **BASIC FINANCIAL STATEMENTS**

## **CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

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

EAST ORANGE COMMUNITY CHARTER SCHOOL

A-1

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 210,734	\$ 5,582	\$ 216,316
Accounts receivable	589,995	25,319	615,314
Prepaid	44,095	-	44,095
Interfund receivables	252,913		252,913
Capital assets			-
Land	50,000		50,000
Building	916,085		916,085
Leasehold improvements	155,910		155,910
Vehicles	55,300		55,300
Equipment	423,177		423,177
Total capital assets	1,600,472		1,600,472
Less: accumulated depreciation	(792,504)		(792,504)
Capital assets, net	807,968	-	807,968
<b>Total assets</b>	<u>\$ 1,905,705</u>	<u>\$ 30,901</u>	<u>\$1,936,606</u>
<b>Liabilities</b>			
Accounts payable	\$ 126,992	\$ 4,316	\$ 131,308
Other current liabilities	50,621		50,621
Intergovernmental payables	221,739		221,739
Interfunds payables		26,585	26,585
Compensated absences payable	159,168		159,168
Current portion of long-term obligations	42,096		42,096
Noncurrent portion of long-term obligations	516,642		516,642
<b>Total liabilities</b>	<u>1,117,258</u>	<u>30,901</u>	<u>1,148,159</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	249,230		249,230
Unrestricted	539,217	-	539,217
<b>Total net assets</b>	<u>788,447</u>	<u>-</u>	<u>788,447</u>
<b>Total liabilities &amp; net assets</b>	<u>\$ 1,905,705</u>	<u>\$ 30,901</u>	<u>\$1,936,606</u>

See accompanying notes to financial statements.

## EAST ORANGE COMMUNITY CHARTER SCHOOL

A-2

## Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Salaries	\$ 2,800,473		\$ 374,561	\$ (2,425,912)		\$ (2,425,912)
Professional /Technical service	83,692		81,607	(2,085)		(2,085)
Other purchased services	30,309		1,072	(29,237)		(29,237)
General educational supplies	99,867		21,730	(78,137)		(78,137)
Instructional text and books	17,455			(17,455)		(17,455)
Other instructional expenses	9,677		1,061	(8,616)		(8,616)
<b>Administrative &amp; Support services:</b>						
Salaries	1,189,123		1,880	(1,187,243)		(1,187,243)
Total benefit costs	1,278,627		76,526	(1,202,101)		(1,202,101)
Professional /Technical service	479,036		51,857	(427,179)		(427,179)
Other purchased services	274,083		20,752	(253,331)		(253,331)
Rent on land and buildings	489,761			(489,761)		(489,761)
Communications and Telephones	23,911			(23,911)		(23,911)
Insurance-fidelity, liability property	36,003			(36,003)		(36,003)
Supplies and materials	131,628		20,034	(111,594)		(111,594)
Energy costs	125,382			(125,382)		(125,382)
Transportation	9,218			(9,218)		(9,218)
Interest on current loans	4,401			(4,401)		(4,401)
Interest on long term debt	38,723			(38,723)		(38,723)
Miscellaneous expenses	21,581		12,500	(9,081)		(9,081)
Unallocated depreciation	48,487			(48,487)		(48,487)
Total governmental activities	7,191,437	-	663,580	(6,527,857)	-	(6,527,857)
<b>Business-type activities:</b>						
Food service	418,910	1,226	256,090		(161,594)	(161,594)
After care/summer programs	161,540	219,826			58,286	58,286
Total business-type activities	580,450	221,052	256,090	-	(103,308)	(103,308)
Total primary government	\$ 7,771,887	\$ 221,052	\$ 919,670	(6,527,857)	(103,308)	(6,631,165)
<b>General revenues, transfers and special items:</b>						
Local sources				751,886	-	751,886
State sources				5,755,224		5,755,224
Miscellaneous				58,563		58,563
Transfers				(103,308)	103,308	-
Total general revenues, transfers and special items				6,462,365	103,308	6,565,673
Change in net assets				(65,492)	-	(65,492)
Net assets - beginning				853,939	-	853,939
Net assets - ending				\$ 788,447	\$ -	\$ 788,447

See accompanying notes to financial statements.

## **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

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

## **FUND FINANCIAL STATEMENTS**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Governmental Funds**

**Balance Sheet**

**June 30, 2011**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Totals Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 164,163	\$ 46,571	\$ 210,734
Accounts receivable:			
State	215,604	-	215,604
Federal	-	333,628	333,628
Other	40,763	-	40,763
Prepaid	44,095	-	44,095
Interfund receivable	560,975	-	560,975
<b>Total assets</b>	<b>\$ 1,025,600</b>	<b>\$ 380,199</b>	<b>\$ 1,405,799</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 54,855	\$ 72,137	\$ 126,992
Other current liabilities	50,621	-	50,621
Interfund payables	-	308,062	308,062
Intergovernmental payables - State	221,739	-	221,739
<b>Total liabilities</b>	<b>327,215</b>	<b>380,199</b>	<b>707,414</b>
 <b>Fund balances:</b>			
Unreserved:			-
Undesignated surplus	698,385	-	698,385
<b>Total fund balances</b>	<b>698,385</b>	<b>-</b>	<b>698,385</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,025,600</b>	<b>\$ 380,199</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	1,600,472
Accumulated depreciation	(792,504)
	807,968

Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Compensated absences payable	(159,168)
Long-term obligations	(558,738)

Net assets of governmental activities - A-1

\$ 788,447

*See accompanying notes to financial statements.*

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**Governmental Funds**

B-2

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources:			
Local tax levy	\$ 751,886		\$ 751,886
Contributions			-
Miscellaneous	58,563	\$ 6,570	65,133
Total revenues -local sources	<u>810,449</u>	<u>6,570</u>	<u>817,019</u>
State sources	5,590,542		5,590,542
Federal sources	-	657,010	657,010
TPAF-Social Security	164,682	-	164,682
Total revenues	<u>6,565,673</u>	<u>663,580</u>	<u>7,229,253</u>
<b>Expenditures</b>			
Current expense:			
Instruction:			
Salaries	2,425,912	374,561	2,800,473
Professional /Technical service	2,085	81,607	83,692
Other purchased services	29,237	1,072	30,309
General educational supplies	78,137	21,730	99,867
Instructional text and books	17,455	-	17,455
Other instructional expenses	8,616	1,061	9,677
Administrative cost:			-
Salaries	573,175	1,880	575,055
Total benefit costs	1,037,419	76,526	1,113,945
Professional /Technical service	305,635	51,857	357,492
Other purchased services	97,676	20,752	118,428
Communications and Telephones	23,911		23,911
Supplies and materials	56,329	20,034	76,363
Interest on current loans	4,401		4,401
Mortgage interest	38,723		38,723
Miscellaneous expenses	5,642		5,642
Support services:			
Salaries	614,068		614,068
Purchased Professional /Technical service	121,544		121,544
Other purchased services	155,655		155,655
Rent on land and buildings	489,761		489,761
Insurance-fidelity, liability property	36,003		36,003
Supplies and materials	55,265		55,265
Energy costs	125,382		125,382
Transportation - non-mandated	9,218		9,218
Transportation			-
Miscellaenous	3,439	12,500	15,939
Food Services - Transfer to cover deficit	103,308		103,308
Capital outlay:			-
Mortgage payment - principal portion	42,096		42,096
TPAF-Social Security	164,682	-	164,682
Total expenditures	<u>6,624,774</u>	<u>663,580</u>	<u>7,288,354</u>
Excess (deficiency) of revenues over (under) expenditures	(59,101)	-	(59,101)
Fund balances, beginning of year	757,486	-	757,486
Fund balances, end of year	<u>\$ 698,385</u>	<u>\$ -</u>	<u>\$ 698,385</u>

*See accompanying notes to financial statements.*

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**And Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2011**

B-3

**Total net change in fund balances - governmental funds (B-2)** **\$ (59,101)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Depreciation expense	\$	(48,487)	
Capital outlays		-	(48,487)

Acquisition of long term loan principal is other financing source in the governmental funds, but the acquisition increases long-term liabilities in the Statement of Net Assets and it is not reported in the Statement of Activities.

Acquisition of long term loan principal	-		-
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Repayment of long term loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and it is not reported in the Statement of Activities.

Repayment of long term loan principal	42,096		42,096
---------------------------------------	--------	--	--------

In the Statement of Activities, certain operating expenses, e.g. compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amounts exceeds the paid amount, the difference is a reduction in the reconciliation, when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.

Amount of Compensated absences paid in excess of earned amount	-		-
--	---	--	---

**Change in net assets of governmental activities (A-2)** **\$ (65,492)**

*See accompanying notes to financial statements.*

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Proprietary Funds**

**B-4**

**Statement of Net Assets**

**June 30, 2011**

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 5,582
Accounts receivable:	
Federal	18,237
State	280
Other	6,802
Prepaid	-
Total current assets	<u>\$ 30,901</u>

**Liabilities**

**Current liabilities**

Accounts payable	\$ 4,316
Interfund payable - General Fund	26,585
Total current liabilities	<u>\$ 30,901</u>

**Net assets**

Unrestricted	-
Total net assets	<u>\$ -</u>

*See accompanying notes to financial statements.*

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Proprietary Funds**

B-5

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**Year ended June 30, 2011**

	<u>Food Services</u>	<u>Summer/ After-Care Program</u>	<u>TOTAL</u>
<b>Operating revenues:</b>			
Charges for services:			
Parent fees		\$ 141,503	\$ 141,503
Daily sales - nonreimbursable programs	\$ 1,226		1,226
Miscellaneous revenue		78,323	78,323
<b>Total Operating revenues</b>	<u>1,226</u>	<u>219,826</u>	<u>221,052</u>
<b>Operating expenses:</b>			
Cost of sales	366,425		366,425
Salaries	39,265	120,343	159,608
Employee benefits			-
Professional /Technical service			-
Supplies and materials	13,220		13,220
Depreciation			-
Miscellaneous		41,197	41,197
<b>Total operating expenses</b>	<u>418,910</u>	<u>161,540</u>	<u>580,450</u>
<b>Operating income (loss)</b>	<u>(417,684)</u>	<u>58,286</u>	<u>(359,398)</u>
<b>Nonoperating revenues:</b>			
State sources:			
State School Breakfast Program	-		-
State School Lunch Program	3,533		3,533
Federal sources:			
National School Lunch Program	161,938		161,938
National School Breakfast Program	90,619		90,619
After School Snacks	-		-
<b>Total nonoperating revenues</b>	<u>256,090</u>	<u>-</u>	<u>256,090</u>
<b>Net income/(loss) before contributions &amp; transfers</b>	<u>(161,594)</u>	<u>58,286</u>	<u>(103,308)</u>
<b>Other financing sources:</b>			
Miscellaneous revenue			-
Operating transfer in - Board contribution	161,594	(58,286)	103,308
	<u>161,594</u>	<u>(58,286)</u>	<u>103,308</u>
<b>Change in net assets</b>	-	-	-
<b>Total net assets-beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total net assets-end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to financial statements.*

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Proprietary Fund**

**B-6**

**Statement of Cash Flows**

**Year ended June 30, 2011**

**Cash flows from operating activities**

Operating loss	\$ (359,398)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	
Changes in assets and liabilities:	
Decrease in accounts receivable	113,099
Increase in prepaid	(6,802)
Decrease in due to General Fund	(87,213)
Decrease in accounts payable	(21,276)
Net cash provided in operating activities	<u>(361,590)</u>

**Cash flows from noncapital financing activities**

Cash received from state reimbursements	3,533
Cash received from federal reimbursements	252,557
Operating subsidies and transfers from other funds	103,308
Net cash provided by noncapital financing activities	<u>359,398</u>

**Cash flows from investing activities**

Net increase in cash and cash equivalents	(2,192)
Cash and cash equivalents, beginning	7,774
Cash and cash equivalents, ending	<u>\$ 5,582</u>

*See accompanying notes to financial statements.*

## **FIDUCIARY FUNDS FINANCIAL STATEMENTS**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL      B-7**  
**Fiduciary Funds**

**Statement of Fiduciary Net Assets**

**June 30, 2011**

	Agency Fund Payroll
<b>Assets</b>	
Cash and cash equivalents	\$ 226,328
Interfund receivables	-
Total assets	\$ 226,328
<b>Liabilities and net assets</b>	
<b>Liabilities:</b>	
Accounts payables	\$ -
Interfund payables	226,328
Total liabilities	226,328
<b>Net Assets</b>	
<b>Restricted</b>	
Unemployment compensation	-
Total net assets	-
Total liabilities and net assets	\$ 226,328

*See accompanying notes to financial statements.*

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Fiduciary Funds**

**B-8**

**Statement of Changes in Fiduciary Net Assets**

**Year ended June 30, 2011**

	<b><u>Expendable Trust Fund</u></b>
	<b>New Jersey</b>
	<b><u>Unemployment Benefits</u></b>
Revenues:	
General fund appropriation	\$ 212,741
Total revenues	<u>212,741</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>212,741</u>
Total expenditures	<u>212,741</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u>\$ -</u>

*See accompanying notes to financial statements.*

## **NOTES TO FINANCIAL STATEMENTS**

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity:**

East Orange Community Charter School (the "Charter School") was incorporated in the State of New Jersey on January 23, 1998 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. East Orange Community Charter School is federal tax exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

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

**B. Component Units:**

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**C. Basis of Presentation**

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

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

**D. Basic Financial Statements**

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

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

***Government-wide Financial Statements***

The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**D Basic Financial Statements - Continued**

*Fund Financial Statements*

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

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

**E. Governmental Funds**

*General Fund* - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non instructional equipment which are classified in the Capital Outlay sub-fund.

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**E. Governmental Funds - Continued**

*Special Revenue Fund* - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.

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

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

**F. Proprietary Funds**

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

***Enterprise Funds***

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**F. Proprietary Funds - Continued**

***Enterprise Funds - Continued***

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

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

***Internal Service (Self-Insurance) Fund***

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

**G. Fiduciary Funds**

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

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

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

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**H. Measurement Focus and Basis of Accounting**

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

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

***Basis of accounting***

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

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**I. Budgets/Budgetary Control**

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year end. The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**J. Cash, Cash Equivalent and Investments**

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

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

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**J. Cash, Cash Equivalent and Investments - Continued**

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

**K. Tuition Payable**

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

**L. Inventories and Prepaid Expenses**

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

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

**M. Interfund Assets/Liabilities.**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**N. Capital Assets**

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

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

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

**O. Compensated Absences**

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

**P. Deferred Revenue**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**Q. Accrued Liabilities and Long-Term Obligations**

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

**R. Fund Balance**

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

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

**S. Net Assets**

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

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

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

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

**S. Net Assets - Continued**

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

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

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

**T. Contributed Capital**

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

**U. Interfund Transactions**

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

**V. Use of Estimates**

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

**W. On-Behalf Payments**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include petty cash, change funds and amounts in deposits, money market accounts and short term investments with original maturities of three months or less.

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

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the charter school in its cash, cash equivalents and investments:

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

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

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

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

**Deposits**

New Jersey statutes require that Charter School deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED**

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

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

**Investments**

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

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

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

	<b>General Fund</b>	<b>Special Rev Fund</b>	<b>Enterprise Fund</b>	<b>Agency Fund</b>	<b>Total</b>
Operating - Account	\$ 164,163	\$ 46,571	\$ 5,582	\$ 226,328	\$ 442,644

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying value is not material to the Charter School-wide statements. All bank balances were covered by the federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey Statutes.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED**

**Risk Category**

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

Category 1 – Insured or collateralized with securities held by the Charter School or its agents in the Charter School’s name.

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

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

As of June 30, 2011, the Charter School has funds invested and on deposits in checking accounts. These funds constitute deposits with financial institutions as defined by GASB Statement No. 3 and are classified as Category 1, both at year end and throughout the year.

**New Jersey Cash Management Fund**

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

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 3 RECEIVABLES**

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

State Aid	\$ 215,884
Federal Aid	351,865
Other	47,565
	<u>\$ 615,314</u>

**NOTE 4 NET ASSETS**

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

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

Capital assets,net	\$ 807,968
Less:Long-Term obligations	<u>(558,738)</u>
(All long-term debt relates to capital assets)	<u>249,230</u>

**RESTRICTED**

Designated for subsequent years expenditures	<u>-</u>
--	----------

**UNRESTRICTED**

Net assets (deficit) not restricted above	<u>539,217</u>
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<b>NET ASSETS</b>	<u><u>\$ 788,447</u></u>
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Business-type activities net assets did not have any capital assets or restrictions as of June 30, 2011.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 5 CAPITAL ASSETS**

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

<u><b>Governmental Activities</b></u>	<b>Beginning Balance</b>	<b>Net Additions (Deletions)</b>	<b>Ending Balance</b>
<b>Capital assets not depreciated:</b>			
Land	\$ 50,000		\$ 50,000
Total	50,000		50,000
<b>Capital assets being depreciated:</b>			
Buildings	916,085		916,085
Leasehold improvements	155,910		155,910
Vehicles	55,300		55,300
Machinery and equipment	423,177		423,177
Total capital assets being depreciated	1,550,472		1,550,472
Less: accumulated depreciation	744,017	\$ 48,487	792,504
<b>Total capital assets being depreciated net of accumulated depreciation</b>	<b>806,455</b>	<b>(48,487)</b>	<b>757,968</b>
<u><b>Business-Type Activities</b></u>			
None	-	-	-
Capital assets net	\$ 856,455	\$ (48,487)	\$ 807,968

Depreciation expense of \$48,487 was charged to an unallocated function.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 6 PENSIONS PLANS**

**a) Description of Plans**

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

***i. Teachers Pension and Annuity Fund (TPAF)***

The Teachers' Pension and Annuity Fund was established as a January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

***ii. Public Employees' Retirement System (PERS)***

The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 6 PENSIONS PLANS – CONTINUED**

**b) Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A:for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the First day of the month after the member attains normal retirement age.

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

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

**b) Significant Legislation**

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 6 PENSIONS PLANS - CONTINUED**

**b) Significant Legislation - Continued**

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

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

**c) Contribution requirement**

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 4.5 % and 3%, respectively of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

The Charter School's contribution to PERS for the year ended June 30, 2011 was \$182,772.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$164,682 during the period ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the general-purpose financial statements.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 7 POST EMPLOYMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service.

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

**NOTE 8 DEFERRED COMPENSATION**

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 403(b). The plan, which is administered by American Skandia Advisor Funds, Inc. and Primerica Financial Services permits participants to defer a portion of their salary until future years.

**NOTE 9 COMPENSATED ABSENCES**

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

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 10 RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**New Jersey Unemployment Compensation**

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

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES**

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 560,975	
Special Revenue Fund	-	\$ 308,062
Enterprise Fund		26,585
Fiduciary Fund	-	226,328
Total	<u>560,975</u>	<u>560,975</u>
GASB No 34 mandated eliminations within governmental activities		
Special Revenue	(308,062)	(308,062)
Enterprise Fund	(26,585)	(26,585)
External - Due from Trust and Agency Fund	<u>\$ 226,328</u>	<u>\$ 226,328</u>

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 12 STATE & FEDERAL RECEIPTS**

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

**NOTE 13 SUBSEQUENT EVENTS**

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

**NOTE 14 OPERATING LEASES**

The Charter School has commitments to lease facilities and equipment under various operating lease agreements that expire within the next 3-4 years. Total operating lease payments made during the year ended June 30, 2011 were \$489,761.

**NOTE 15 MORTGAGE PAYABLE**

On January 31, 2006, the outstanding mortgage on the Charter School's building – 99 Washington Street, East Orange, New Jersey was refinanced for \$748,000 with Valley National Bank. The current payment is \$5,798 monthly principal and interest. The current interest rate is 3.875% per annum to adjust every five years. The mortgage is scheduled to mature on February 1, 2021. Future minimum payments under the mortgage agreement are as follows:

<b>Year Ending June 30,</b>	<b>Mortgage Payment</b>
2012	\$ 48,785
2013	50,710
2014	52,710
2015	54,789
2016	56,950
Thereafter	294,794
<b>Total</b>	<b><u>\$ 558,738</u></b>

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**NOTE 16 LINE OF CREDIT**

The Charter School has a line of credit in the amount of \$300,000 executed with Wells Fargo Bank. The line of credit was utilized during the year ended June 30, 2011 to assist the Charter School in managing its cash flows during the months of August and September 2010. All outstanding balances were paid during the year there was no outstanding balance as of June 30, 2011.

Interest accrued on the unpaid principal balance at Wells Fargo Bank's Prime Rate Plus 1% and the rate changes from time to time in accordance with changes in the Bank's Prime Rate. Interest expense (on the amount of the Line of Credit utilized) during the year was \$4,401.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

**BUDGETARY COMPARISON SCHEDULES**

EAST ORANGE COMMUNITY CHARTER SCHOOL  
General Fund

C-1

Budget Comparison Schedule

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Actual	Variance Final to Actual	
<b>Revenues</b>					
<b>Local Sources:</b>					
Local tax levy	\$ 779,502	\$ (27,616)	\$ 751,886	\$ 751,886	\$ -
Contributions	-	-	-	-	-
Miscellaneous	13,659	44,904	58,563	58,563	-
<b>Total revenues -local sources</b>	<b>793,161</b>	<b>17,288</b>	<b>810,449</b>	<b>810,449</b>	<b>-</b>
State sources	5,559,649	30,893	5,590,542	5,590,542	-
TPAF-Social Security	164,682	-	164,682	164,682	-
<b>Total revenues</b>	<b>6,517,492</b>	<b>48,181</b>	<b>6,565,673</b>	<b>6,565,673</b>	<b>-</b>
<b>Expenditures</b>					
<b>Current expense:</b>					
<b>Instruction</b>					
Salaries	2,254,166	171,746	2,425,912	2,425,912	-
Professional /Technical service	46,000	(43,915)	2,085	2,085	-
Other purchased services	63,100	(33,863)	29,237	29,237	-
General educational supplies	90,500	(12,363)	78,137	78,137	-
Instructional text and books	64,000	(46,545)	17,455	17,455	-
Other instructional expenses	10,000	(1,384)	8,616	8,616	-
<b>Total current expense</b>	<b>2,527,766</b>	<b>33,676</b>	<b>2,561,442</b>	<b>2,561,442</b>	<b>-</b>
<b>Administrative cost:</b>					
Salaries	533,208	39,967	573,175	573,175	-
Total benefit costs	848,595	188,824	1,037,419	1,037,419	-
Professional /Technical service	168,700	136,935	305,635	305,635	-
Other purchased services	52,500	45,176	97,676	97,676	-
Communications and Telephones	53,373	(29,462)	23,911	23,911	-
Supplies and materials	43,000	13,329	56,329	56,329	-
Interest on current loans	7,900	(3,499)	4,401	4,401	-
Interest on long term loans	45,866	(7,143)	38,723	38,723	-
Miscellaneous expenses	4,000	1,642	5,642	5,642	-
<b>Total administrative cost</b>	<b>1,757,142</b>	<b>385,769</b>	<b>2,142,911</b>	<b>2,142,911</b>	<b>-</b>
<b>Support services:</b>					
Salaries	820,170	(206,102)	614,068	614,068	-
Purchased Professional /Technical service	95,700	25,844	121,544	121,544	-
Other purchased services	128,000	27,655	155,655	155,655	-
Rent on land and buildings	500,000	(10,239)	489,761	489,761	-
Insurance-fidelity, liability property	52,000	(15,997)	36,003	36,003	-
Supplies and materials	61,000	(5,735)	55,265	55,265	-
Energy costs	219,192	(93,810)	125,382	125,382	-
Transportation costs - non-mandated	5,000	4,218	9,218	9,218	-
Transportation	-	-	-	-	-
Miscellaneous	5,000	(1,561)	3,439	3,439	-
Food Services - Transfer to cover deficit	-	103,308	103,308	103,308	-
<b>Total support services</b>	<b>1,886,062</b>	<b>(172,419)</b>	<b>1,713,643</b>	<b>1,713,643</b>	<b>-</b>
<b>Capital outlay:</b>					
Instructional equipment	47,000	(47,000)	-	-	-
Non-instructional equipment	-	-	-	-	-
Mortgage payments - principal	31,107	10,989	42,096	42,096	-
<b>Total capital outlay</b>	<b>78,107</b>	<b>(36,011)</b>	<b>42,096</b>	<b>42,096</b>	<b>-</b>
TPAF-Social Security	164,682	-	164,682	164,682	-
<b>Total expenditures</b>	<b>6,413,759</b>	<b>211,015</b>	<b>6,624,774</b>	<b>6,624,774</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>103,733</b>	<b>(162,834)</b>	<b>(59,101)</b>	<b>(59,101)</b>	<b>-</b>
<b>Fund balances, beginning of year</b>	<b>757,486</b>	<b>-</b>	<b>757,486</b>	<b>757,486</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 861,219</b>	<b>\$ (162,834)</b>	<b>\$ 698,385</b>	<b>\$ 698,385</b>	<b>\$ -</b>

See independent auditor's report

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Special Revenue Fund**

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**Budget Comparison Schedule**

**Year ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues</b>					
State sources	\$ 6,570	\$ -	\$ 6,570	\$ 6,570	\$ -
Federal sources	657,010		657,010	657,010	-
<b>Total revenues -all sources</b>	<b>663,580</b>	<b>-</b>	<b>663,580</b>	<b>663,580</b>	<b>-</b>
<b>Expenditures</b>					
<b>Current Expenditures:</b>					
<b>Instruction:</b>					
Salaries of teachers	374,561	-	374,561	374,561	-
Purchased Prof. and technical services	81,607	-	81,607	81,607	-
Other purchased services	1,072	-	1,072	1,072	-
General supplies	21,730		21,730	21,730	-
Textbooks	-		-	-	-
Miscellaneous expenditures	1,061		1,061	1,061	-
<b>Total instruction</b>	<b>480,031</b>	<b>-</b>	<b>480,031</b>	<b>480,031</b>	<b>-</b>
<b>Support services</b>					
Salaries of supervisors of instruction	1,880	-	1,880	1,880	-
Employee benefits	76,526	-	76,526	76,526	-
Purchased professional educational services	51,857	-	51,857	51,857	-
Other purchase services	20,752	-	20,752	20,752	-
Supplies	20,034	-	20,034	20,034	-
Miscellaneous expenditures	12,500	-	12,500	12,500	-
<b>Total support services</b>	<b>183,549</b>	<b>-</b>	<b>183,549</b>	<b>183,549</b>	<b>-</b>
<b>Capital Outlay:</b>					
Facilities acquisition and construction services:			-		-
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
<b>Total facilities acquisition and construction services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>\$ 663,580</b>	<b>\$ -</b>	<b>\$ 663,580</b>	<b>\$ 663,580</b>	<b>\$ -</b>

*See independent auditor's report*

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Notes to Required Supplementary Information**  
**Year ended June 30, 2011**

**NOTE**

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

		General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 6,565,673	
	[C-2]		\$ 663,580
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		0	0
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	 [B-2]	 \$ 6,565,673	 \$ 663,580
Note 1			
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]		\$ 663,580
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			0
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfer (outflows) to general fund			0
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	 [B-2]		 \$ 663,580

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

*See independent auditor's report*

## OTHER SUPPLEMENTARY INFORMATION

**SCHOOL LEVEL SCHEDULES  
NOT APPLICABLE**

## **SPECIAL REVENUE FUND**

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
Special Revenue Fund

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Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2011

	<u>Title 1</u> <u>2010-2011</u>	<u>Title 1</u> <u>C/Fwd</u> <u>2009-2010</u>	<u>Title 1A</u> <u>SIA</u> <u>2010-2011</u>	<u>Title 1A</u> <u>ARRA</u> <u>2009-2011</u>	<u>Title II</u> <u>Part A</u> <u>2010-2011</u>	<u>Title IIA</u> <u>C/Fwd</u> <u>2009-2010</u>	<u>Title II</u> <u>Part D</u> <u>2010-2011</u>	<u>Title IV</u> <u>2010-2011</u>	<u>IDEA</u> <u>Basic</u>	<u>IDEA</u> <u>ARRA</u>	<u>NJ School</u> <u>Boards Assoc</u> <u>Grant</u>	<u>Total</u>
<b>Revenues</b>												
Local sources											\$ 6,570	\$ 6,570
Federal sources	\$ 359,342	\$ 3,908	\$ 14,600	\$ 77,215	\$ 33,754	\$ 4,805	\$ 1,222	\$ 5,512	\$ 110,386	\$ 46,266		657,010
Total revenues -all sources	<u>359,342</u>	<u>3,908</u>	<u>14,600</u>	<u>77,215</u>	<u>33,754</u>	<u>4,805</u>	<u>1,222</u>	<u>5,512</u>	<u>110,386</u>	<u>46,266</u>	<u>6,570</u>	<u>663,580</u>
<b>Expenditures</b>												
<b>Current Expenditures:</b>												
<b>Instruction:</b>												
Salaries of teachers	214,230		2,160	24,594	9,000				89,577	35,000		374,561
Purchased Prof. and technical services	61,570	64			16,000		503			3,470		81,607
Other purchased services		57		1,015								1,072
General supplies	4,811	158	8,706	7,259						796		21,730
Textbooks												-
Miscellaneous expenditures		611		450								1,061
Total instruction	<u>280,611</u>	<u>890</u>	<u>10,866</u>	<u>33,318</u>	<u>25,000</u>	<u>-</u>	<u>503</u>	<u>-</u>	<u>89,577</u>	<u>39,266</u>	<u>-</u>	<u>480,031</u>
<b>Support services</b>												
Support salaries			1,880									1,880
Employee benefits	42,846			6,965	1,800				17,915	7,000		76,526
Purchased professional educational services	33,548	3,018			5,400	3,160	719	3,118	2,894			51,857
Other purchase services	2,337		1,554	15,661				1,200				20,752
Supplies			300	8,771	1,554	1,645		1,194			6,570	20,034
Miscellaneous expenditures			-	12,500								12,500
Total support services	<u>78,731</u>	<u>3,018</u>	<u>3,734</u>	<u>43,897</u>	<u>8,754</u>	<u>4,805</u>	<u>719</u>	<u>5,512</u>	<u>20,809</u>	<u>7,000</u>	<u>6,570</u>	<u>183,549</u>
<b>Capital Outlay:</b>												
<b>Facilities acquisition and construction services</b>												
Instructional equipment	-	-	-	-	-	-	-	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-	-	-	-	-	-	-	-
Construction services	-	-	-	-	-	-	-	-	-	-	-	-
Total facilities acquisition and construction serv	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 359,342</u>	<u>\$ 3,908</u>	<u>\$ 14,600</u>	<u>\$ 77,215</u>	<u>\$ 33,754</u>	<u>\$ 4,805</u>	<u>\$ 1,222</u>	<u>\$ 5,512</u>	<u>\$ 110,386</u>	<u>\$ 46,266</u>	<u>\$ 6,570</u>	<u>\$ 663,580</u>

See independent auditor's report

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

## **ENTERPRISE FUND**

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Enterprise Funds**

**G-1**

**Combining Statement of Net Assets**

**June 30, 2011**

**Assets**

Current assets:

Cash and cash equivalents	\$ 5,582
Accounts receivable:	
Federal	18,237
State	280
Other	-
Total current assets	<u>\$ 24,099</u>

**Liabilities**

Current liabilities

Accounts payable	\$ 4,316
Interfund payable - General Fund	26,585
Total current liabilities	<u>\$ 30,901</u>

**Net assets**

Unrestricted	\$ -
Total net assets	<u>\$ -</u>

*See independent auditor's report*

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**Enterprise Fund**

G-2

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**

**Year ended June 30, 2011**

	<u>Food Services</u>	<u>Summer After-Care Program</u>	<u>Total</u>
Operating revenues:			
Charges for services:			
Parent fees		\$141,503	\$ 141,503
Daily sales - nonreimbursable programs	\$ 1,226	-	1,226
Miscellaneous revenue	-	78,323	78,323
Total Operating revenues	<u>1,226</u>	<u>219,826</u>	<u>221,052</u>
Operating expenses:			
Cost of sales	366,425	-	366,425
Salaries	39,265	120,343	159,608
Employee benefits	-	-	-
Professional /Technical service	-	-	-
Supplies and materials	13,220	-	13,220
Depreciation	-	-	-
Miscellaneous	-	41,197	41,197
Total operating expenses	<u>418,910</u>	<u>161,540</u>	<u>580,450</u>
Operating income (loss)	<u>(417,684)</u>	<u>58,286</u>	<u>(359,398)</u>
Nonoperating revenues:			
State sources:			
State School Breakfast Program	-	-	-
State School Lunch Program	3,533	-	3,533
Federal sources:			
National School Lunch Program	161,938	-	161,938
National School Breakfast Program	90,619	-	90,619
After School Snacks	-	-	-
Total nonoperating revenues	<u>256,090</u>	<u>-</u>	<u>256,090</u>
Net income/(loss) before contributions & transfers	(161,594)	58,286	(103,308)
Other financing sources:			
Miscellaneous revenue			-
Operating transfer in - Board contribution	161,594	(58,286)	103,308
	<u>161,594</u>	<u>(58,286)</u>	<u>103,308</u>
Change in net assets	-	-	-
Total net assets-beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets-end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See independent auditor's report*

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Food Services Enterprise Fund**

**G-3**

**Statement of Cash Flows**

**Year ended June 30, 2011**

<b>Cash flows from operating activities</b>	
Operating loss	\$ (359,398)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	-
Changes in assets and liabilities:	
Decrease in accounts receivable	113,099
Increase in prepaid	(87,213)
Decrease in due to General Fund	(21,276)
Decrease in accounts payable	(361,590)
Net cash provided in operating activities	<u>-</u>
<b>Cash flows from noncapital financing activities</b>	3,533
Cash received from state reimbursements	252,557
Cash received from federal reimbursements	103,308
Operating subsidies and transfers from other funds	<u>359,398</u>
Net cash provided by noncapital financing activities	-
<b>Cash flows from investing activities</b>	-
	(2,192)
Net increase in cash and cash equivalents	7,774
Cash and cash equivalents, beginning	<u>\$ 5,582</u>

*See independent auditor's report*

## FIDUCIARY FUND

**EAST ORANGE COMMUNITY CHARTER SCHOOL      H-1**  
**Fiduciary Funds**

**Combining Statement of Fiduciary Net Assets**

**June 30, 2011**

	Agency Fund Payroll
<b>Assets</b>	
Cash and cash equivalents	\$ 226,328
Interfund receivables	-
<b>Total assets</b>	<b>\$ 226,328</b>
 <b>Liabilities and fund balances</b>	
<b>Liabilities:</b>	
Accounts payables	\$ -
Interfund payables	226,328
<b>Total liabilities</b>	<b>226,328</b>
 <b>Net Assets</b>	
<b>Restricted</b>	
Unemployment compensation	-
<b>Total net assets</b>	-
<b>Total liabilities and net assets</b>	<b>\$ 226,328</b>

*See independent auditor's report*

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
Fiduciary Funds**

**H-2**

**Combining Statement of Changes in Fiduciary Net Assets**

**Year ended June 30, 2011**

	<u><b>Expendable Trust Fund</b></u> <b>New Jersey</b> <u><b>Unemployment Benefits</b></u>
Revenues:	
General fund appropriation	\$ 212,741
Total revenues	<u>212,741</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>212,741</u>
Total expenditures	<u>212,741</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

*See independent auditor's report*

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**

H-4

**Year ended June 30, 2011**

	<b>Balance June 30, 2010</b>	<b>Cash Receipts</b>	<b>Cash Disbursement</b>	<b>Balance June 30, 2011</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 104,410	\$5,030,506	\$ 4,908,588	\$ 226,328
Interfund receivable	-	-		-
<b>Total assets</b>	<b>\$ 104,410</b>	<b>\$5,030,506</b>	<b>\$ 4,908,588</b>	<b>\$ 226,328</b>
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ 34,431	\$4,804,178	\$ 4,838,609	\$ -
Interfund payable	69,979	226,328	69,979	226,328
<b>Total liabilities</b>	<b>\$ 104,410</b>	<b>\$5,030,506</b>	<b>\$ 4,908,588</b>	<b>\$ 226,328</b>

*See independent auditor's report*

## LONG-TERM DEBT

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**Long-Term Debt**  
**Schedule of Obligations Under Renovation Loan**

I-2

Year ended June 30, 2011

Mortgage	Interest Rate Payable	Amount of Original Issue	Amount Outstanding June 30, 2010	Acquired Current Year	Retired Current Year	Amount Outstanding June 30, 2011
Valley National Bank Refinanced Loan 99 Washington Street	6.25%	\$ 748,000	\$ 600,834		\$ 42,096	\$ 558,738
			<u>\$ 600,834</u>	<u>\$ -</u>	<u>\$ 42,096</u>	<u>\$ 558,738</u>

*See independent auditor's report*

## STATISTICAL SECTION

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

J-1

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

	<b>Fiscal Year Ending June 30,</b>							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$249,230	\$255,621	\$173,912	\$176,926	\$179,899	\$180,025	\$ 621,259	\$379,225
Restricted	-	-	-	-	-	-	-	-
Unrestricted	<u>539,217</u>	<u>598,318</u>	<u>385,297</u>	<u>169,029</u>	<u>215,157</u>	<u>146,816</u>	<u>(118,024)</u>	<u>203,394</u>
<b>Total governmental activities net assets</b>	<u>\$788,447</u>	<u>\$853,939</u>	<u>\$559,209</u>	<u>\$345,955</u>	<u>\$395,056</u>	<u>\$326,841</u>	<u>\$ 503,235</u>	<u>\$582,619</u>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	28,484	-	-	(108,368)	-
<b>Total business-type activities net assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,368)</u>	<u>\$ -</u>
<b>School-wide</b>								
Invested in capital assets, net of related debt	\$249,230	\$255,621	\$173,912	\$176,926	\$179,899	\$180,025	\$ 621,259	\$379,225
Restricted	-	-	-	-	-	-	-	-
Unrestricted	<u>539,217</u>	<u>598,318</u>	<u>385,297</u>	<u>197,513</u>	<u>215,157</u>	<u>146,816</u>	<u>(226,392)</u>	<u>203,394</u>
<b>Total charter school net assets</b>	<u>\$788,447</u>	<u>\$853,939</u>	<u>\$559,209</u>	<u>\$374,439</u>	<u>\$395,056</u>	<u>\$326,841</u>	<u>\$ 394,867</u>	<u>\$582,619</u>

**Note**

The Exhibit J-1 should contain information for the last 10 years. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44.

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

J-2

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

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>								
<b>Governmental activities</b>								
Instruction								
Regular	\$ 3,041,473	\$ 3,281,991	\$ 2,979,268	\$ 2,858,868	\$ 2,604,656	\$ 2,536,813	\$ 2,509,521	\$ 2,397,865
Special education	-	-	-	-	-	-	-	-
Other special education	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-
Support Services:								
Tuition	-	-	-	-	-	-	-	-
Student & instruction related services	1,497,453	1,450,976	1,546,279	1,445,563	1,361,014	1,332,027	1,258,885	1,299,757
General administration	2,570,145	2,292,655	2,154,223	1,881,529	1,624,326	1,683,984	1,658,618	1,609,152
Plant Operations and Maintenance	125,382	163,997	140,000	147,399	172,024	122,743	95,725	129,482
Interest on long-term debt	38,723	36,530	38,174	51,219	45,866	31,094	23,005	24,527
Unallocated depreciation	48,487	-	35,399	35,399	58,651	107,745	131,311	103,670
Total governmental activities expenses	<u>7,321,663</u>	<u>7,226,149</u>	<u>6,893,343</u>	<u>6,419,977</u>	<u>5,866,537</u>	<u>5,814,406</u>	<u>5,677,065</u>	<u>5,564,453</u>
<b>Business-type activities:</b>								
Food service	418,910	390,055	317,835	337,666	324,291	302,344	321,218	259,737
Child Care	161,540	231,973	278,773	199,147	182,931	154,661	181,162	151,592
Total business-type activities expense	<u>580,450</u>	<u>622,028</u>	<u>596,608</u>	<u>536,813</u>	<u>507,222</u>	<u>457,005</u>	<u>502,380</u>	<u>411,329</u>
Total charter school expenses	<u>\$ 7,902,113</u>	<u>\$ 7,848,177</u>	<u>\$ 7,489,951</u>	<u>\$ 6,956,790</u>	<u>\$ 6,373,759</u>	<u>\$ 6,271,411</u>	<u>\$ 6,179,445</u>	<u>\$ 5,975,782</u>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
Charges for services:								
Operating grants and contributions	\$ 663,580	\$ 694,808	\$ 547,839	\$ 534,713	\$ 787,254	\$ 780,868	\$ 838,629	\$ 757,886
Capital grants and contributions	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>663,580</u>	<u>694,808</u>	<u>547,839</u>	<u>534,713</u>	<u>787,254</u>	<u>780,868</u>	<u>838,629</u>	<u>757,886</u>
<b>Business-type activities:</b>								
Charges for services								
Food service	1,226	833	2,215	5,770	2,334	7,854	3,680	4,896
Child care	219,826	207,831	218,894	227,631	193,782	152,274	166,921	161,537
Operating grants and contributions	256,090	277,479	277,031	272,089	284,299	252,956	223,411	203,946
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>477,142</u>	<u>486,143</u>	<u>498,140</u>	<u>505,490</u>	<u>480,415</u>	<u>413,084</u>	<u>394,012</u>	<u>370,379</u>
Total charter school program revenues	<u>\$ 1,140,722</u>	<u>\$ 1,180,951</u>	<u>\$ 1,045,979</u>	<u>\$ 1,040,203</u>	<u>\$ 1,267,669</u>	<u>\$ 1,193,952</u>	<u>\$ 1,232,641</u>	<u>\$ 1,128,265</u>
<b>Net (Expense)/Revenue</b>								
Governmental activities	\$ (6,658,083)	\$ (6,531,341)	\$ (6,345,504)	\$ (5,885,264)	\$ (5,079,283)	\$ (5,033,538)	\$ (4,838,436)	\$ (4,806,567)
Business-type activities	(103,308)	(135,885)	(98,468)	(31,323)	(26,807)	(43,921)	(108,368)	(40,950)
Total charter school-wide net expense	<u>\$ (6,761,391)</u>	<u>\$ (6,667,226)</u>	<u>\$ (6,443,972)</u>	<u>\$ (5,916,587)</u>	<u>\$ (5,106,090)</u>	<u>\$ (5,077,459)</u>	<u>\$ (4,946,804)</u>	<u>\$ (4,847,517)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
<b>Governmental activities:</b>								
Property taxes levied for general purposes, net	\$ 751,886	\$ 845,154	\$ 798,269	\$ 1,137,970	\$ 877,153	\$ 836,563	\$ 761,722	\$ 757,393
Grants and contributions	5,755,224	5,880,536	5,693,922	4,750,514	4,265,196	4,162,698	3,891,984	4,042,837
Miscellaneous income	58,563	64,774	6,325	6,701	31,956	10,172	105,346	53,111
Transfers	(103,308)	(135,885)	(69,984)	(59,807)	(26,807)	(152,289)	-	(40,950)
Total governmental activities	<u>6,462,365</u>	<u>6,654,579</u>	<u>6,428,532</u>	<u>5,835,378</u>	<u>5,147,498</u>	<u>4,857,144</u>	<u>4,759,052</u>	<u>4,812,391</u>
<b>Business-type activities:</b>								
Transfers	103,308	135,885	69,984	59,807	26,807	152,289	-	40,950
Total business-type activities	<u>103,308</u>	<u>135,885</u>	<u>69,984</u>	<u>59,807</u>	<u>26,807</u>	<u>152,289</u>	<u>-</u>	<u>40,950</u>
Total charter school-wide	<u>\$ 6,565,673</u>	<u>\$ 6,790,464</u>	<u>\$ 6,498,516</u>	<u>\$ 5,895,185</u>	<u>\$ 5,174,305</u>	<u>\$ 5,009,433</u>	<u>\$ 4,759,052</u>	<u>\$ 4,853,341</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ (195,718)	\$ 123,238	\$ 83,028	\$ (49,886)	\$ 68,215	\$ (176,394)	\$ (79,384)	\$ 5,824
Business-type activities	-	-	(28,484)	28,484	-	108,368	(108,368)	-
Total charter school	<u>\$ (195,718)</u>	<u>\$ 123,238</u>	<u>\$ 54,544</u>	<u>\$ (21,402)</u>	<u>\$ 68,215</u>	<u>\$ (68,026)</u>	<u>\$ (187,752)</u>	<u>\$ 5,824</u>

**Note**

Exhibit J-2 is a ten year schedule. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44.

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

J-3

**Fund Balances, Governmental Funds,  
Last Eight Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
General Fund								
Reserved	\$ 249,230	\$ 255,621	\$ 173,912	\$ 176,929	\$ 179,899	\$ 180,025	\$ 621,259	\$ 379,225
Unreserved	539,217	598,318	385,297	169,029	215,157	146,816	(118,024)	203,394
Total general fund	<u>\$ 788,447</u>	<u>\$ 853,939</u>	<u>\$ 559,209</u>	<u>\$ 345,958</u>	<u>\$ 395,056</u>	<u>\$ 326,841</u>	<u>\$ 503,235</u>	<u>\$ 582,619</u>
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:								
Special revenue fund	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note**

Charter Schools are not required by GASB to report years prior to the implementation date of Statement 44.
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**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

J-4

**Changes in Fund Balances, Governmental Funds**  
**Last Eight Fiscal Years**  
(Unaudited)

Function	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>								
Local tax levy	\$ 751,886	\$ 845,154	\$ 798,269	\$ 1,137,970	\$ 877,153	\$ 836,563	\$ 761,722	\$ 757,393
Miscellaneous	65,133	62,774	6,325	6,701	31,956	10,172	105,346	
State sources	5,755,224	5,880,536	5,693,922	4,750,514	4,265,196	4,170,586	3,895,984	4,046,837
Federal sources	657,010	784,561	547,839	534,713	787,254	772,980	834,619	753,886
<b>Total revenue</b>	<b>7,229,253</b>	<b>7,573,025</b>	<b>7,046,355</b>	<b>6,429,898</b>	<b>5,961,559</b>	<b>5,790,301</b>	<b>5,597,671</b>	<b>5,558,116</b>
<b>Expenditures</b>								
<b>Instruction:</b>								
Salaries	\$ 2,800,473	\$ 2,837,867	\$ 2,719,775	\$ 2,578,673	\$ 2,457,403	\$ 2,355,100	\$ 2,319,751	\$ 2,189,940
Professional /Technical service	83,692	63,427	57,348	79,138	47,064	51,618	35,964	49,762
Other purchased services	30,309	92,884	37,065	47,005	15,573	33,210	9,645	4,461
General educational supplies	99,867	223,886	100,695	90,074	46,074	56,159	104,925	121,670
Instructional text and books	17,455	44,349	52,898	55,990	35,417	35,419	30,648	27,141
Other instructional expenses	9,677	19,578	11,487	7,988	3,125	5,307	8,588	4,991
<b>Support services:</b>								
Salaries	1,189,123	1,282,172	1,131,233	1,060,213	1,013,908	1,145,467	1,026,641	1,074,882
Total benefit costs	1,148,401	962,295	915,684	1,033,014	854,398	737,763	791,565	691,227
Professional /Technical service	479,036	358,156	269,231	250,341	239,979	193,086	285,491	324,700
Other purchased services	274,083	149,991	287,986	255,910	209,480	162,784	202,979	135,765
Rent on land and buildings	489,761	481,317	476,734	425,273	423,362	465,972	403,068	410,600
Communications and telephones	23,911	82,435	89,018	13,268	82,746	35,851	46,055	25,739
Insurance-fidelity, liability property	36,003	35,021	39,419	34,219	39,540	33,294	32,743	38,143
Total charter school expenses	131,628	118,923	91,808	93,895	92,310	77,908	116,217	101,862
Energy costs	125,382	163,997	140,000	147,399	172,024	122,743	95,725	129,482
Transportation	9,218	346	0	9,080	4,791	19,170	23,753	14,296
Interest on current loans	4,401	10,212	7,918	5,497	11,937	-	14,797	19,310
Interest on long term debt	38,723	36,530	38,174	51,219	45,866	31,094	23,005	
Miscellaneous expenses	21,581	2,311	131,019	16,156	11,348	143,175	33,897	13,832
Transfer to cover food deficit	103,308	135,885	69,984	59,807	26,807	152,289	0	40,950
Capital outlay	42,096	40,443	32,385	32,426	64,321	60,735	373,345	420,883
<b>Total expenditures</b>	<b>7,158,128</b>	<b>7,142,025</b>	<b>6,699,861</b>	<b>6,346,585</b>	<b>5,897,473</b>	<b>5,918,144</b>	<b>5,978,802</b>	<b>5,839,636</b>
Excess (Deficiency) of revenues over (under) expenditures	71,125	431,000	346,494	83,313	64,086	(127,843)	(381,131)	(281,520)
<b>Other financing sources/(uses):</b>								
Long term debt	-	-	-	-	-	-	-	500,000
Operating transfers in/(out)	-	-	-	-	-	-	-	-
Total other financing sources/(uses)	-	-	-	-	-	-	-	500,000
<b>Net change in fund balances</b>	<b>\$ 71,125</b>	<b>\$ 431,000</b>	<b>\$ 346,494</b>	<b>\$ 83,313</b>	<b>\$ 64,086</b>	<b>\$ (127,843)</b>	<b>\$ (381,131)</b>	<b>\$ 218,480</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>0.61%</b>	<b>0.66%</b>	<b>0.70%</b>	<b>0.91%</b>	<b>1.00%</b>	<b>0.53%</b>	<b>0.68%</b>	<b>0.36%</b>

Note: Noncapital expenditures are total expenditures less capital outlay.

Source: Charter School's Records

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**County of Essex, New Jersey**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Fiscal Year Ending June 30,</u>		<u>2006</u>	<u>2005</u>	<u>2004</u>
				<u>2008</u>	<u>2007</u>			
Other Local Revenue By Source:								
Contributions		\$ 2,000						\$ 6,705
Miscellaneous revenue	\$ 58,563	62,774	\$ 6,325	\$ 6,701	\$ 31,956	\$ 10,172	\$ 105,346	44,493
Total	<u>\$ 58,563</u>	<u>\$ 64,774</u>	<u>\$ 6,325</u>	<u>\$ 6,701</u>	<u>\$ 31,956</u>	<u>\$ 10,172</u>	<u>\$ 105,346</u>	<u>\$ 51,198</u>

Source: Charter School's Records

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**County of Essex, New Jersey**

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**Ratios of Outstanding Debt by Type**  
**Last Eight Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income ▪	Per Capita ▪
	General Obligation Bonds <sup>b</sup>	Certificate s of Participati on	Capita l Leases	Bond Anticipatio n Notes (BANs)	Capital Leases			
2004	\$ 494,783	\$ -	\$ -	\$ -	\$ -	\$ 494,783	0.04%	\$ 30
2005	404,353	-	-	-	-	404,353	0.04%	25
2006	737,842	-	-	-	-	737,842	0.06%	45
2007	706,088	-	-	-	-	706,088	0.06%	43
2008	673,662	-	-	-	-	673,662	0.06%	41
2009	641,277	-	-	-	-	641,277	0.06%	39
2010	600,834	-	-	-	-	600,834	0.06%	36
2011	558,738	-	-	-	-	558,738	0.05%	34

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
County of Essex, New Jersey**

**J-14**

**DEMOGRAPHICS AND ECONOMIC STATISTICS  
Last Eight Fiscal Years**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2004	69,212	\$1,141,167,456	\$ 16,488	9.70%
2005	69,212	1,141,167,456	16,488	9.70%
2006	69,212	1,141,167,456	16,488	9.70%
2007	69,212	1,141,167,456	16,488	9.70%
2008	69,212	1,141,167,456	16,488	8.50%
2009	69,212	1,141,167,456	16,488	12.50%
2010	64,270	1,059,683,760	16,488	12.50%
2011	64,270	1,059,683,760	16,488	12.50%

**Source:**

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

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

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

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
County of Essex, New Jersey**

**J-15**

**PRINCIPAL EMPLOYERS  
Current Year**

<u>Employer</u>	<u>2011</u>		
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
Federal and Local Governments	6,187	N/A	22.58%
Veteran's Administration Medical Center	N/A	N/A	N/A
East Orange General Hospital	N/A	N/A	N/A
Kessler Institute	N/A	N/A	N/A
Louis Berger & Associates	N/A	N/A	N/A
	<u>6,187</u>		<u>22.58%</u>

Source: web  
site:www.pfm.com/pdf/East\_Orange.pdf -

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

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**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM**  
Last Eight Fiscal Years

<u>Function/Program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Instruction</b>								
Regular	53	53	53	53	50	51	59	49
Special education	4	4	4	4	4	3	2	2
Vocational	-	-	-	-	1	18	11	15
Other instruction	-	-	-	-	1	7	7	9
<b>Support Services:</b>								
Student & instruction related services								
General administration	9	9	9	9	9	12	15	13
School administrative services	5	5	5	5	3			
Other administrative services	1	1	1	1				
Central services	3	3	3	3				
Administrative Information Technology	-	-	-	-				
Plant operations and maintenance	4	4	4	4	4	3	4	8
Pupil transportation	1	1	1	1	1	3	7	4
Other support services	7	7	7	7	7	18	21	13
Special Schools								
Food Service								
<b>Total</b>	<u>87</u>	<u>87</u>	<u>87</u>	<u>87</u>	<u>80</u>	<u>115</u>	<u>126</u>	<u>113</u>

Source: Charter School Personnel Records

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

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**OPERATING STATISTICS**

Last Eight Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2004	475	\$ 5,399,443	\$11,367	N/A	75	1:12	1:12	477.0	443	N/A	92.87%
2005	480	5,567,655	11,599	2.04%	79	1:12	1:12	488.0	454	2.31%	93.03%
2006	491	5,826,315	11,866	2.30%	79	1:12	1:12	498.0	454	2.05%	91.16%
2007	489	5,775,349	11,811	-0.47%	56	1:12	1:12	489.0	461	-1.81%	94.27%
2008	481	6,257,443	13,009	10.15%	57	1:12	1:12	490.0	465	0.20%	94.90%
2009	495	6,621,384	13,377	2.82%	57	1:12	1:12	490.0	465	0.00%	94.90%
2010	495	7,054,840	14,252	6.55%	57	1:12	1:12	482.0	465	-1.63%	96.47%
2011	482	7,072,908	14,674	26.51%	57	1:12	1:12	482.0	458	0.00%	95.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
County of Essex, New Jersey**

**J-18**

**School Building Information  
Last Eight Fiscal Years**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Square Feet	49,500	49,500	49,500	49,500	49,500	49,500	49,500	49,500
Capacity (students)	500	500	500	500	500	500	500	500
Enrollment	482	489	489	489	489	491	480	475

**Source:** School Records

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-19**

**SCHEDULE OF ALLOWABLE MAINTENANCE**  
**BY SCHOOL FACILITY**  
**Last Eight Fiscal Years**

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

2004	\$ 650,364
2005	593,701
2006	886,780
2007	970,424
2008	957,851
2009	1,009,239
2010	920,693
2011	999,549
	-
<b>Total</b>	<b><u><u>\$6,988,601</u></u></b>

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

Source: Charter School records

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
County of Essex, New Jersey**

**J-20**

**INSURANCE SCHEDULE**

**June 30, 2011**

	<b>Coverage</b>	<b>Deductible</b>
<b>Commercial property and general liability:</b>		
<b>Property:</b>		
Building and Contents	\$ 2,994,210	\$ 1,000
Electronic Data Processing	800,000	1,000
Boiler & Machinery	100,000,000	5,000
<b>Crime Coverage:</b>		
Blanket Faithful Performance	25,000	500
Money & Securities	5,000	500
Money Orders/Counterfeit	5,000	500
Depositors' Forgery	25,000	500
Bond Board Secretary	160,000	1,000
Bond Board Treasurer	160,000	1,000
<b>Comprehensive General Liability</b>		
Single Kinit for Bodily Injury/Property Damage	6,000,000	
Products/Completed Operations Aggregate	6,000,000	
Annual Aggregate for Child Molestation/Sexual Abuse	3,000,000	
Each Occurrence for Personal Injury/Advert Injury	6,000,000	
Each Claim for Employee Benefits Liability	6,000,000	
Premise Medical Payments Per Person	1,000	100
Premise Medical Payments Per Accident	10,000	
Automobile Liability	6,000,000	1,000
Supplemental Indemnity - 7-day waiting period	Statutory	
<b>School Leaders Errors &amp; Omissions:</b>		
Coverage A	1,000,000	5,000
Coverage B	100,000	5,000
Coverage B - Annual Aggregate	300,000	
Workman's Compensation (Each Accident, Each Employee, Policy Limit)	1,000,000	
Student Accident - Gold Plan	1,000,000	

Source: Charter School Records

## **SINGLE AUDIT SECTION**

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

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**K-1**

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

The Honorable Chairperson and  
Members of the Board of Trustees  
East Orange Community Charter School  
County of Essex  
East Orange, New Jersey

We have audited the financial statements of East Orange Community Charter School (“the Charter School”) in the county of Essex, State of New Jersey as of and for the year ended June 30, 2011, and have issued our report thereon, dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the *Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey*.

### **Internal Control over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

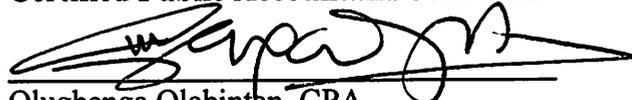
We noted certain matters that we reported to the Board of Trustees of the East Orange Community Charter School in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 28, 2011.

This report is intended for the information of the management, the East Orange Community Charter School's, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Olugbenga Olabintan, CPA*

October 28, 2011  
Newark, New Jersey

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



Olugbenga Olabintan, CPA  
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K-2

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF NEW JERSEY OMB  
CIRCULAR 04-04

The Honorable Chairperson and  
Members of the Board of Trustees  
East Orange Community Charter School  
Essex County, New Jersey

## Compliance

We have audited the compliance of the of the of East Orange Community Charter School (“the Charter School”) in the county of Essex, State of New Jersey, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011. Charter School’s major federal and state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Charter School management. Our responsibility is to express an opinion on Charter School’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the audit requirements as prescribed by the *Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey, and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB’s Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School Board of Trustees’ compliance with those requirements.

In our opinion, East Orange Community Charter School complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the fiscal year ended June 30, 2011.

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF NEW JERSEY OMB CIRCULAR 04-04**

**Internal Control Over Compliance**

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Orange Community Charter Schools' internal control over compliance.

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

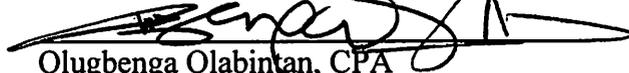
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weakness. We did not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

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

*Olugbenga Olabintan, CPA*

October 28, 2011  
Newark, New Jersey

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



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Licensed Public School Accountant  
#20CS00230200

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Grant Period	Award Amount	Balance at June 30, 2010	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011
<b>Special Revenue Fund:</b>												
<b>U.S. Department of Education:</b>												
Passed-Through State Department of Education												
Title I - FY 2010-2011	84.010A	9/1/10-8/31/11	\$ 393,977		\$ 452		\$ 237,069	\$ (359,342)		\$ (121,821)		
Title I - SIA FY 2010-2011	84.010A	9/1/10-8/31/11	46,512					(14,600)		(14,600)		
Title II Part A - FY 2010-2011	84.367A	9/1/10-8/31/11	33,754		22			(33,754)		(33,732)		
Title II, Part D - FY 2010-2011	84.318	9/1/10-8/31/11	910		311			(1,222)		(911)		
Title IV - FY 2010-2011	84.186	9/1/10-8/31/11	5,512		3,912			(5,512)		(1,600)		
IDEA - Basic FY 2010-2011	84.173	9/1/10-8/31/11	110,386				72,904	(110,386)		(37,482)		
Title I - FY 2009-2010	84.010A	9/1/09-8/31/10	416,446	\$ (160,410)	(35)		164,353	(3,908)		-		
Title IA - ARRA - FY 2009-2011	84.389	7/1/09-8/31/11	255,064	(29,997)			29,997	(77,215)		(77,215)		
Title II Part A - FY 2009-2010	84.367A	9/1/09-8/31/10	40,718	(28,959)	3,088		30,676	(4,805)		-		
Title II, Part D - FY 2009-2010	84.318	9/1/09-8/31/10	4,143	0	(311)		311			-		
Title IV - FY 2009-2010	84.186	9/1/09-8/31/10	5,512	(1,600)	(3,912)		5,512	-		-		
IDEA - Basic FY 2009-2010	84.027	9/1/09-8/31/10	110,953	(37,528)			37,528	-		-		
IDEA - Basic ARRA - FY 2009-2011	84.391	7/1/09-8/31/11	150,852	(27,636)			27,635	(46,266)		(46,267)		
Title I - FY 2008-2009	84.010A	9/1/08-8/31/09	396,915	(11,072)	(417)		11,489			-		
Title II Part A - FY 2008-2009	84.367A	9/1/08-8/31/09	40,017	(12,397)	(3,101)		15,498			-		
Title II, Part D - FY 2008-2009	84.318	9/1/08-8/31/09	3,296	(2)	(9)		11			-		
<b>Total U.S. Department of Education</b>				<u>(309,601)</u>	<u>-</u>		<u>632,983</u>	<u>(657,010)</u>		<u>(333,628)</u>		
<b>Enterprise Fund:</b>												
<b>U.S. Department of Agriculture</b>												
Passed-Through New Jersey Dept of Agriculture												
National School lunch program	10.555	7/1/10-6/30/11	161,938				150,238	(161,938)		(11,700)		
National School lunch program	10.555	7/1/09-6/30/10	167,074	80,256			(80,256)					
National School breakfast program	10.553	7/1/10-6/30/11	90,619				84,081	(90,619)		(6,538)		
National School breakfast program	10.553	7/1/09-6/30/10	97,230	45,142			(45,142)					
<b>Total Enterprise Fund/Total U.S. Department of Agriculture</b>				<u>125,398</u>			<u>108,921</u>	<u>(252,557)</u>		<u>(18,238)</u>		
<b>Total Expenditures of Federal Awards</b>				<u>\$ (184,203)</u>	<u>\$ -</u>		<u>\$ 741,904</u>	<u>\$ (909,567)</u>		<u>\$ (351,866)</u>		

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL**  
County of Essex, New Jersey

Schedule of Expenditures of State Awards

Year ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010	Deferred Revenue at June 30, 2010	Due to Grantor at June 30, 2010	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011
<b>State Department of Education</b>														
<b>General Fund:</b>														
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 6,042,889						\$ 6,460,493	\$ (6,042,889)		\$ (195,865)		\$ 221,739
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	6,226,304	\$ (88,509)		\$ 120,200			88,509		(120,200)			
Equalization Aid	09-495-034-5120-078	7/1/08-6/30/09	6,009,059	(74,549)		48,230			74,549		(48,230)			
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	121,477	-					121,477	(121,477)		-		
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	178,062	-					178,062	(178,062)		-		
TPAF-Social security	11-100-034-5095-002	7/1/10-6/30/11	164,682						144,943	(164,682)		(19,739)		
TPAF-Social security	10-100-034-5095-002	7/1/09-6/30/10	157,724	(13,625)					13,625			-		
<b>Total General Fund, Total State Department of Education</b>				<u>(176,683)</u>		<u>168,430</u>			<u>7,081,658</u>	<u>(6,507,110)</u>	<u>(168,430)</u>	<u>(215,604)</u>		<u>221,739</u>
<b>State Department of Agriculture</b>														
<b>Enterprise Fund:</b>														
State School breakfast program	11-100-010-3350-021	7/1/10-6/30/11	-						-	-		0		
State School breakfast program	10-100-010-3350-021	7/1/09-6/30/10	6,533	(3,024)					3,024	-		-		
State School lunch program	11-100-010-3350-023	7/1/10-6/30/11	3,533						3,253	(3,533)		(280)		
State School lunch program	10-100-010-3350-023	7/1/09-6/30/10	6,642	(3,194)					3,194	-		-		
<b>Total Enterprise Fund, Total State Department of Agriculture</b>				<u>(6,218)</u>					<u>9,471</u>	<u>(3,533)</u>		<u>(280)</u>		
<b>Total State Financial Assistance</b>				<u>\$ (182,901)</u>		<u>\$ 168,430</u>			<u>\$ 7,091,129</u>	<u>\$ (6,510,643)</u>	<u>\$ (168,430)</u>	<u>\$ (215,884)</u>		<u>\$ 221,739</u>

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state award programs of the Board of Trustees, East Orange Community Charter School. The board of trustees is defined in Note 1 to the Board's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of those recorded in the Enterprise Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<b>General Fund</b>		\$6,507,110	\$6,507,110
<b>Special Revenue Fund</b>	\$657,010	-	657,010
<b>Enterprise Fund</b>	252,557	3,533	256,090
<b>Total</b>	<u>\$909,567</u>	<u>\$6,510,643</u>	<u>\$7,420,210</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5 ON-BEHALF PAYMENTS**

TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  No

Significant deficiency(cies) identified? \_\_\_\_\_ Yes  None reported

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes  No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_yes  no

Significant deficiency(ies) identified? \_\_\_\_\_yes  none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

\_\_\_\_\_yes  no

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_yes \_\_\_\_\_ no



**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION II FINANCIAL STATEMENTS AUDIT**

- NONE -

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION III MAJOR FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

NONE –

**EAST ORANGE COMMUNITY CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**STATUS OF PRIOR YEAR FINDINGS**

-NONE-