

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
NEW HORIZONS COMMUNITY
CHARTER SCHOOL
OF NEWARK, NEW JERSEY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

NEW HORIZON COMMUNITY CHARTER SCHOOL
JUNE 30, 2011
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	1
Roster of Trustees and Officers	6
Consultants and Advisors	7

FINANCIAL SECTION

Independent Auditor's Report on General Purpose Financial Statements and Supplementary Schedule of Expenditures of Federal Awards and State Financial Assistance.....	8
Required Supplementary Information - Part I Management's Discussion and Analysis	10

Basic Financial Statements:

A. School-wide Financial Statements

A-1 Statement of Net Assets	21
A-2 Statement of Activities	22

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet.....	23
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	24
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25

Proprietary Funds:

B-4 Statement of Net Assets	26
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	27
B-6 Statement of Cash Flows	28

Fiduciary Funds:

B-7 Statement of Fiduciary Net Assets.....	29
B-8 Statement of Changes in Fiduciary Net Assets.....	30

Notes to Financial Statements.....	31
---	-----------

**NEW HORIZON COMMUNITY CHARTER SCHOOL
JUNE 30, 2011
TABLE OF CONTENTS**

Required Supplementary Information - Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule General Fund.....	53
C-2 Budgetary Comparison Schedule Special Revenue Fund.....	56

Notes to Required Supplementary Information:

C-3 Budget to GAAP Reconciliation.....	58
--	----

E. Special Revenue Fund:

E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund - Budgetary Basis.....	59
---	----

G. Proprietary Funds:

Enterprise Fund:

G-1 Combining Statement of Net Assets.....	60
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	61
G-3 Combining Statement of Cash Flows.....	62

Fiduciary Funds:

H-1 Combining Statement of Fiduciary Net Assets.....	63
H-2 Combining Statement of Changes in Fiduciary Net Assets.....	64
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	65
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....	66
H-5 Unemployment Compensation Insurance Trust Fund.....	67

J. Financial Trends:

J-1 Net Assets by Component.....	68
J-2 Changes in Net Assets.....	69
J-3 Fund Balances – Governmental Funds.....	71
J-4 Changes in Fund Balances – Governmental funds.....	72

J. Revenue Capacity:

J-5 Revenue Capacity.....	73
J-6 Assessed Value and Actual Value of Taxable Property.....	74
J-7 Direct and Overlapping Properties.....	75
J-8 Principal Property Taxpayers.....	76

NEW HORIZON COMMUNITY CHARTER SCHOOL
JUNE 30, 2011
TABLE OF CONTENTS

J. Debt Capacity:

J-9	Property Tax Levies and Collections	77
J-10	Ratios of Outstanding Debt by Type.....	78
J-11	Ratios of Net General Bonded Debt Outstanding.....	79
J-12	Direct and Overlapping Governmental Activities Debt.....	80

J. Demographic and Economic Information:

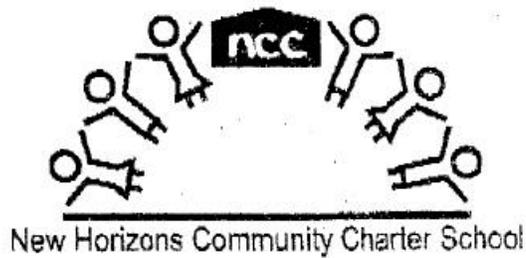
J-13	Demographic and Economic Statistics	81
J-14	Principal Employers	82

J. Operating Information:

J-15	Full Time Equivalent Charter School Employees by Function/Program	83
J-16	Operating Expenses.....	84
J-17	School Building Information	85
J-18	Insurance Schedules	86
J-19	General Fund-Other Local Revenue by Source	87
J-20	Schedule of Allowable Maintenance Expenditures by School Facility	88

SINGLE AUDIT SECTION K.

K-1	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89
K-2	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular letter 04-04.....	91
K-3	Schedule of Expenditures of Federal Awards, Schedule A	94
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B.....	95
K-5	Notes to the Schedule of Awards and Financial Assistance.....	96
K-6	Schedule of Findings of Noncompliance.....	98
K-7	Summary Schedule of Prior Audit Findings.....	102



November 3, 2011

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN 500
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the New Horizons Community Charter School for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The 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 State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** New Horizons Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

The New Horizons Community Charter School services 459 students from the City of East Orange, Irvington and Newark. The main facility, a three story newly constructed brick building, houses main academic classes, including Computers, Spanish, and Basic Skills. The second facility, NCC Recreational Center is located directly across the street from the school and is used to conduct classes in Art, Music and Physical Education. The third property houses the Business Office.

New Horizons Community Charter School is a community-based school focusing on the overall growth and development of each child and the school community. The school is affiliated with the New Community Corporation of Newark, UMDNJ, Liberty Science Center, Franklin Institute, Girl Scouts of New Jersey, Kids Camp, North Fork Bank, Scholastic Books, Newark Police Department, Newark Fire Department, Newark Service Bureau and Loyola University.

New Horizons Community Charter School will continue to implement Balanced Literacy and Everyday Mathematics. In an effort to generate higher student achievement in the area of reading, writing, and mathematics, plans are in place for the 2008-2009 school years to employ a literacy supervisor and mathematics coach to further support our efforts in improving teacher performance.

- 2) **ENROLLMENT OUTLOOK:** The school’s charter authorized a maximum enrollment of 500 students in grades kindergarten through five. At the beginning of the 2009-2010 school year, the enrollment was 476 students. At the end of the year the enrollment was 459 students. Class size is approximately 21 students per class.

Fiscal Year – June 30, 2011	
Grade	Student Enrollment
K	84
1	84
2	85
3	84
4	82
5	47

- 3) **MAJOR ACCOMPLISHMENTS** – The New Horizons Community Charter School provided a challenging core curriculum for all students that were aligned to the New Horizon Community Charter School. The Charter Education program as well as the structured behavior intervention program provided a safe and orderly instructional environment for learning.

Under the NHCCS administration the school continues to improve student performance, character development and life skills. The following initiatives took place during the 2010-2011 school year:

- Implementation of the parent/student Handbook & Code of Civility
- Increased standardized test scores on NJASK 3,4,5
- School made AYP in 2007, 2008, 2009, 2010 and 2011
- Creation of a new teacher evaluation system to enhance professional practice

- 10 new Dell computers were purchased for the kindergarten and first grade classrooms
- Study Island, a web-based software, was purchased to allow teachers to assess student performance
- Use of data analysis to drive instruction from both TerrNova and NJASK
- Continued implementation of Reading Recovery program for struggling first grade readers
- Under the auspices of Rutgers University, two of our teachers facilitated five workshops for students and parents in Family Science; the program ran for 5 weeks.
- Five evening workshops for Everyday Mathematics was provided for students and families
- Uninterrupted block schedule for test preparation in grades 3, 4, 5. Measuring Up and NJASK Coach Curriculum

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like 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 School also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School management.

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

5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2011.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the 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 INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2011.

Revenue	Amount	Percent of Total
Local	787,241	10%
State	5,813,180	73%
Federal	1,052,791	14%
Enterprise Fund	230,350	2%
Misc Revenue	<u>16,522</u>	<u>1%</u>
Total	<u>\$7,900,084</u>	<u>100%</u>

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

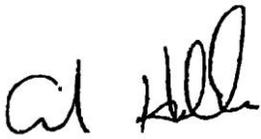
Expenditures	Amount	Percent of Total
Current	5,829,860	80%
Capital Outlay	137,118	2%
Special Revenue	1,052,791	14%
Food Service	<u>264,198</u>	<u>4%</u>
Total	<u>\$7,283,967</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent Certified Public Accountants (CPA) or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. 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 Amendments of 1996 and related OMB Circular A-133 and the state Treasury Circular letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial statement of this report. The auditor's reports related specifically to the single audit act are included in the single audit section of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "a Hollis". The signature is written in a cursive style with a large initial "a" and a stylized "Hollis".

Andre Hollis
Director, New Horizons Community Charter School

NEW HORIZONS COMMUNITY CHARTER SCHOOL

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2011**

BOARD OF TRUSTEES

Mr. Arthur Wilson, President

Msgr. William Linder, Member

Mr. Okeckukwu Anyanwu, Board Secretary

Mr. James Anderson, Member

Mr. Edgar Nemorin, Member

Dr. Obiefuna Okafor, Member

Ms. Cecilia Faulks, Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

Scott J. Loeffler, CPA
7 Cleveland Street
Caldwell, NJ 07006

ATTORNEYS

Mr. Melvin C. Randall
Love and Randall
Attorneys At Law
57 Washington Street
East Orange, NJ 07107

OFFICIAL DEPOSITORY

Chase Bank
475 Bloomfield Avenue
1st Floor
Montclair, NJ 07042

FINANCIAL SECTION

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 553
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

**UNQUALIFIED OPINION ON BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY SCHEDULE OF
FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION -
GOVERNMENT ENTITY**

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Trustees of the New Horizons Community Charter School, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the charter schools' basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustee's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that I 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. I believe that my audit provides reasonable basis for my opinion.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2011 on my consideration of the New Horizons Community Charter School, in the County of Essex, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and

other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and Budgetary Comparison schedules on pages 10 through 20 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the New Horizons Community Charter School Board of Trustees 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. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them. The school has expended certain federal and state grants in a manner, which may have violated certain of the restrictive provisions of the related grants. These items have been disclosed in the accompanying schedule of Findings of Noncompliance and Questioned costs and separately in the Auditors Management Report on Administrative Findings – Financial Compliance and Performance. The possible outcome of these matters is uncertain at this time. Accordingly, no provision for any liability has been made for possible federal and state claims for refunds of those grant monies.

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink, appearing to read "Scott J. Loeffler" with a stylized flourish at the end.

Scott J. Loeffler, CPA
November 3, 2011

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

This section of New Horizons Community Charter School annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the school's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2011-10) and the prior year (2010-10) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year include the following:

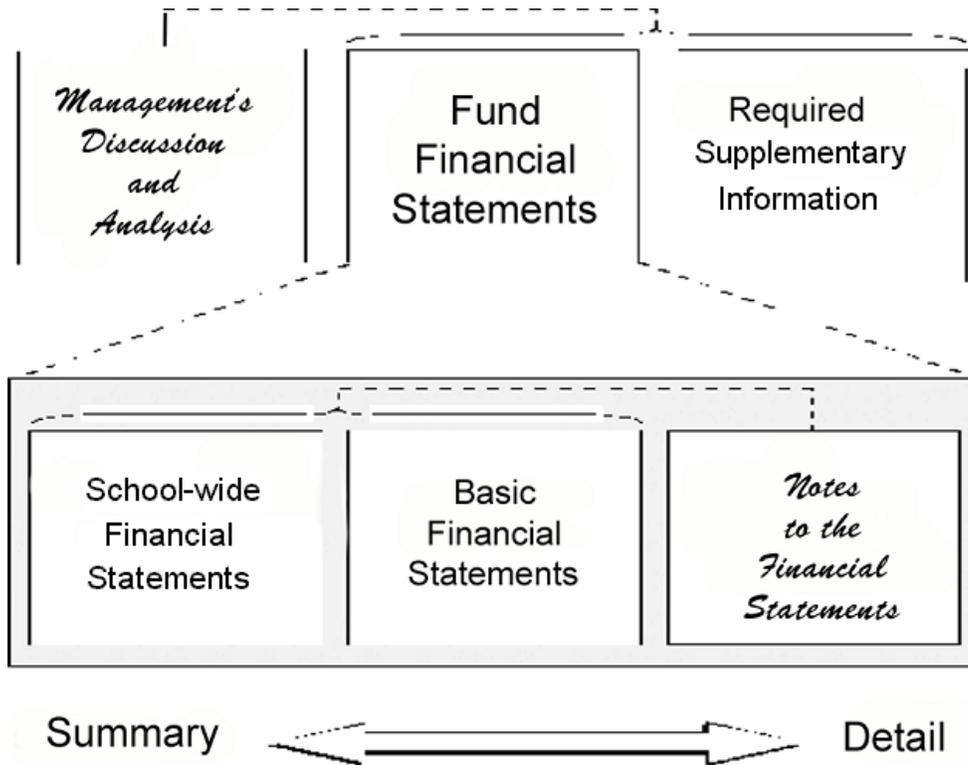
- Net assets are \$4,436,227.
- Net Assets increased by \$555,370 from July 1, 2010 to June 30, 2011.
- The General Fund balance at June 30, 2011 is \$3,648,320, an increase of \$649,965 when compared with the beginning balance at July 1, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the New Horizons Community Charter School.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the New Horizons Community Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the New Horizons Community Charter School, reporting the New Horizons Community Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the New Horizons Community Charter School operates like businesses.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the New Horizons Community Charter School's financial statements, including the portion of the New Horizons Community Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire school (except fiduciary funds)	The activities of the New Horizons Community Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the New Horizons Community Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statements of net assets	Balance sheet	Statement of net assets
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

School-wide Statements

The school-wide statements report information about the New Horizons Community Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the New Horizons Community Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the New Horizons Community Charter School's net assets and how they have changed. Net assets – the difference between the New Horizons Community Charter School's assets and liabilities – are one way to measure the New Horizons Community Charter School's financial health or position.

In the school-wide financial statements, the New Horizons Community Charter School's activities are shown in two categories:

- *Governmental activities*- Most of the New Horizons Community Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The New Horizons Community Charter School's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the New Horizons Community Charter School's funds – focusing on its most significant or “major” funds – not the New Horizons Community Charter School as a whole.

Funds are accounting devices the New Horizons Community Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

The New Horizons Community Charter School use other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is property using certain revenues (e.g., federal funds).

The New Horizons Community Charter School has three kinds of funds:

- **Governmental funds-** Most of the New Horizons Community Charter School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the New Horizons Community Charter School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the New Horizons Community Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The New Horizons Community Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The New Horizons Community Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the New Horizons Community Charter School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. I exclude these activities from the New Horizons Community Charter School's government-wide financial statements because the New Horizons Community Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE NEW HORIZONS COMMUNITY CHARTER SCHOOL AS A WHOLE

Net assets. The New Horizons Community Charter School's net assets are \$4,436,227 on June 30, 2011. (See Table A-1).

Governmental	\$4,436,227
--------------	-------------

The Statement of Net Assets of \$4,436,227 reflects total capital assets at net of assumed depreciation from inception.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

The New Horizons Community Charter School's financial position is the product of these factors:

- Total revenues during the 2010-11 school year were \$7,900,084.
- Total expenditures were \$7,283,967.

Table A-1
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Assets
As of June 30, 2011

	<u>Total</u>
Current and Other Assets	4,209,032
Capital Assets (Including Business Activities)	787,393
Total Assets	<u>\$4,996,425</u>
Long-Term Liabilities	
Other Liabilities	560,198
Total Liabilities	<u>\$560,198</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	787,393
Restricted	
Unrestricted	3,648,834
Total Net Assets	<u><u>\$4,436,227</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net assets of \$4,436,227 on June 30, 2011.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

Table A-2
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2011

Revenues	Total
Program revenues	
Charges for services	
Operating grants and contributions	
General revenues	
Local Share	787,241
Federal and State Aid-Unrestricted	5,816,903
Federal Aid	1,052,791
Food Service	226,627
Other	16,522
Decrease in Net Capital Outlay	(60,747)
Total revenues	<u>\$ 7,839,337</u>
Expenses	
Regular Instruction	2,960,798
General Administrative	1,527,562
School Administrative	2,031,501
On-behalf TPAF Social Security and Pension	362,790
Capital Outlay	137,118
Food Service	264,198
Total expenses	<u>\$ 7,283,967</u>
(Increase) in net assets	555,370
Net Assets, Beginning July 1	3,880,857
Net Assets, End of Year June 30	<u><u>\$ 4,436,227</u></u>

Changes in Net Assets. The New Horizons Community Charter School's total revenues were \$7,900,084, which represents 100% of revenues. Local shares of \$787,241 represented 10% of revenues. The federal and state aid of \$6,869,694 represented 87% of revenues, food service revenues \$226,627 represented 2% of revenue.

The smallest component of revenues is "Other Revenue." The "Other Revenue" for 2011 is \$16,522 represented 1% of revenues.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

Total revenues of the general fund and special revenue and enterprise fund were greater than expenditures, increasing net assets \$616,117 from the beginning balance at July 1, 2010.

Table A-3 (See Exhibit A-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	2,960,798	2,960,798
Support Services			
General Administrative Services	B-2	1,527,562	1,527,562
School Administrative Services	B-2	2,031,501	2,031,501
On-behalf TPAF Social Security	B-2	362,790	362,790
Capital Outlay	B-2	137,118	137,118
Food Service	B-5	264,198	264,198
Total Governmental Activities		\$ 7,283,967	\$ 7,283,967

FINANCIAL ANALYSIS OF THE NEW HORIZON COMMUNITY CHARTER SCHOOL FUNDS

The financial performance of the New Horizons Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the New Horizons Community Charter School completed the year, its general funds reported a combined fund balance of \$3,648,834.

Revenues for the New Horizons Community Charter School's school-wide funds were \$7,900,084 while total expenses were \$7,283,967. (Table A-2) (Exhibit A-2)

GENERAL FUND

The General Fund includes the primary operations of the New Horizons Community Charter School in providing educational services to students from grade K through grade 5.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

The following schedule presents a summary of Government Revenues. The summary reflects the dollar and percent increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Years Ended June 30, 2011 and 2010

General Fund Revenues	Year Ended 06/30/2011	Year Ended 06/30/2010	Amount of Increase (Decrease)
Local Sources:			
Local Share	787,241	754,005	33,236
Other Local Revenue	16,522	49,304	(32,782)
Total Local Sources	\$ 803,763	\$ 803,309	\$ 454
Intergovernmental			
State Sources	5,813,180	5,352,777	460,403
Federal Sources	1,052,791	862,697	190,094
Food Service	230,350	313,659	(83,309)
Total Intergovernmental Sources	\$ 7,096,321	\$ 6,529,133	\$ 567,188
Total Revenue	\$ 7,900,084	\$ 7,332,442	\$ 567,642

The following schedule presents a summary of Governmental expenditures. The summary reflects the dollar and percent increases (decreases) from the prior year.

Table A-5 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Years Ended June 30, 2011 and 2010

General Fund Expenditures	Year Ended 06/30/2011	Year Ended 06/30/2010	Amount of Increase (Decrease)
Current:			
Regular Instruction	2,960,798	2,643,929	316,869
General Administrative Services	1,527,562	1,033,265	494,297
School Administration	2,031,501	2,114,148	(82,647)
On-behalf TPAF Social Security	362,790	185,481	177,309
Capital outlay	137,118	167,116	(29,998)
Food Service	264,198	301,944	(37,746)
Total Expenditures	\$ 7,283,967	\$ 6,445,883	\$ 838,084

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

Total expenditures increased \$838,084.

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the General Fund unreserved-undesignated fund balance.

Table A-6
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2011

General Fund	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Unreserved-Undesignated						
Fund Balance	3,648,320	2,998,355	2,123,511	753,629	211,474	59,298
Expenditures	7,283,967	6,445,863	6,204,235	5,224,637	5,243,983	5,515,336
Percentages	50%	46%	34%	14%	4%	1%

The New Horizons Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011, in the General Fund, the New Horizons Community Charter School had invested \$1,499,602 in a broad range of capital assets, including computer and audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expenses for the year for the year was \$100,040.

Table A-7
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2011

Facilities Improvement	476,914
Equipment	1,022,688
Total - General Fund	<u>\$1,499,602</u>
Less: Accumulated Depreciation	(712,209)
Total - Net Capital Assets General Fund	<u><u>\$787,393</u></u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2011

FACTORS BEARING ON THE SCHOOL'S FUTURE

No Child Left Behind (NCLB)—The integration of the requirements of this federal legislation needs to be integrated into in a way that eliminates duplication. The challenge before the State of New Jersey is development of a single, seamless process of assessment, planning, implementation, and evaluation that satisfies both State and federal authorities.

**CONTACTING THE NEW HORIZON COMMUNITY CHARTER SCHOOL'S
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the New Horizons Community Charter School's finances and to demonstrate the New Horizons Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, New Horizons Community Charter School, 45-59A Hayes Street, Newark, New Jersey 07103.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the New Horizons Community Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2011.

SCHOOL-WIDE FINANCIAL STATEMENTS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,789,055	\$ (22,641)	\$ 3,766,414
Investments			-
Receivables, net	299,713	23,155	322,868
Rental Deposit	119,750		119,750
Restricted assets:			-
Cash and cash equivalents			
Capital reserve account - cash			
Capital assets, net (Note 2):	787,393		787,393
Total Assets	<u>4,995,911</u>	<u>514</u>	<u>4,996,425</u>
LIABILITIES			
Cash Overdraft		-	-
Accounts payable	560,198	-	560,198
Due to Newark Board of Ed.			-
Deposits payable			
Payable to federal government	-		-
Payable to state government	-		-
Deferred revenue	-		-
Noncurrent liabilities (Note 3):			
Due within one year			
Due beyond one year			
Total liabilities	<u>560,198</u>	<u>-</u>	<u>560,198</u>
NET ASSETS			
Invested in capital assets, net of related debt	787,393		787,393
Restricted for:			
Debt service			
Capital Reserve	2,500,000		2,500,000
Permanent endowment - nonexpendable			
Other purposes			
Unrestricted	1,148,320	514	1,148,834
Total net assets	<u>\$ 4,435,713</u>	<u>\$ 514</u>	<u>\$ 4,436,227</u>

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Year Ended June 30, 2011

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ 2,960,798		\$ (896,394)		\$ (2,064,404)	\$ (2,064,404)
Support services:						
General administratrion	1,527,562		(156,397)	(1,371,165)		(1,371,165)
School administrative services/ operations plant serv.	2,031,501			(2,031,501)		(2,031,501)
On - behalf TPAF Social Security	362,790			(362,790)		(362,790)
Capital Outlay	137,118			(137,118)		(137,118)
Total governmental activities	7,019,769		(1,052,791)	(5,966,978)		(5,966,978)
Business-type activities:						
Food Service		264,198			(264,198)	-
Total business-type activities					(264,198)	-
Total primary government	\$7,019,769	\$ 264,198	\$ (1,052,791)	\$ (5,966,978)	\$ (264,198)	\$ (6,231,176)
General revenues:						
				787,241		787,241
				5,813,180	3,723	5,816,903
					4,000	4,000
					222,627	222,627
				16,522	-	16,522
				(60,747)		(60,747)
Total general revenues, special items, extraordinary				6,556,196	230,350	6,786,546
Change in Net Assets				589,218	(33,848)	555,370
Net Assets—beginning				3,846,495	34,362	3,880,857
Net Assets—ending				\$ 4,435,713	\$ 514	\$ 4,436,227

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,923,329	\$ (134,274)			\$ 3,789,055
Investments					
Receivables, net	95,241	204,472			299,713
Rental Deposit	119,750				119,750
Total assets	\$ 4,138,320	\$ 70,198	\$ -	\$ -	\$ 4,208,518
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft					
Accounts payable	490,000	70,198			560,198
Due to Newark Board of Ed.					0
Payable to federal government		-			0
Payable to state government	-	-			0
Deferred revenue		-			0
Total liabilities	490,000	70,198	-	-	560,198
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	3,648,320		-		3,648,320
Capital projects fund			-		
Permanent fund					
Total Fund balances	3,648,320		-	-	
Total liabilities and fund balances	\$ 4,138,320	\$ 70,198	\$ -	\$ -	

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. The cost of the assets is 1,499,602 and the accumulated depreciation is (712,209) 787,393

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3) 0

Net assets of governmental activities \$ 4,435,713

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local share	\$ 787,241				\$ 787,241
State Share	5,164,900				5,164,900
Other Restricted Miscellaneous Revenues					
Miscellaneous	16,522				16,522
Total - Local Sources	5,968,663				5,968,663
State sources	648,280	-			648,280
Federal sources		1,052,791			1,052,791
Total revenues	6,616,943	1,052,791			7,669,734
EXPENDITURES					
Current:					
Regular instruction	\$ 2,064,404	\$ 896,394			\$ 2,960,798
Support services- General Administrative	1,371,165	156,397			1,527,562
Support Services- School Admin/ operations plant se	2,031,501				2,031,501
On-behalf TPAF Social Security	362,790				362,790
Capital outlay	137,118				137,118
Total expenditures	5,966,978	1,052,791			7,019,769
Excess (Deficiency) of revenues over expenditures	649,965				649,965
OTHER FINANCING SOURCES (USES)					
Transfers in					-
Transfers out					-
Total other financing sources and uses					-
Net change in fund balances	649,965				649,965
Fund balance—July 1	2,998,355				2,998,355
Fund balance—June 30	\$ 3,648,320				\$ 3,648,320

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

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

Total net change in fund balances - governmental funds (from B-2) \$ 649,965

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 in the period.

Depreciation expense	\$ (100,040)	
Capital outlays	39,293	
		\$ (60,747)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Change in net assets of governmental activities \$ 589,218

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

PROPRIETARY FUNDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Assets
Proprietary Funds
June 30, 2011

		Business-type Activities
		Enterprise funds
		Food Service
		<hr style="border-top: 1px solid black;"/> <hr style="border-top: 1px solid black;"/>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	-
Investments		
Accounts receivable		23,155
Other receivables		
Inventories		
Total current assets		<hr style="border-top: 1px solid black;"/> 23,155
Noncurrent assets:		
Restricted cash and cash equivalents		
Furniture, machinery & equipment		
Less accumulated depreciation		
Total noncurrent assets		<hr style="border-top: 1px solid black;"/>
Total assets		<hr style="border-top: 1px solid black;"/> 23,155
LIABILITIES		
Current liabilities:		
Cash overdraft		-
Accounts payable		22,641
Compensated absences		
Total current liabilities		<hr style="border-top: 1px solid black;"/> 22,641
Total liabilities		<hr style="border-top: 1px solid black;"/> 22,641
NET ASSETS		
Invested in capital assets net of related debt		
Restricted for:		
Capital projects		
Unrestricted		514
Total net assets	\$	<hr style="border-top: 1px solid black;"/> 514

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

Exhibit B-5

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

	Business-type Activities Enterprise Fund
	Food Service
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$ -
After School Revenue	-
Total operating revenues	-
Operating expenses:	
Cost of sales	
Salaries and Benefits	
Supplies, Materials and Other Expenses	(264,198)
Total Operating Expenses	(264,198)
Operating income (loss)	(264,198)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	3,723
Federal sources:	
National school breakfast program	33,395
National school lunch program	189,232
Total nonoperating revenues (expenses)	226,350
Income (loss) before contributions & transfers	
Capital contributions	4,000
Transfers in (out)	
Change in net assets	(33,848)
Total net assets—beginning	34,362
Total net assets—ending	\$ 514

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit B-6

Business-type
Activities
Enterprise Funds
Food
Service

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	
Payments to employees and benefits	
Payments to suppliers	(271,908)
Net cash provided by (used for) operating activities	<u>(271,908)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State and Federal Sources	300,091
Operating subsidies and transfers to other funds	4,000
Net cash provided by (used for) non-capital financing activities	<u>304,091</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase In Fixed Assets	
Proceeds from sale/maturities of investments	
Net cash provided by (used for) investing activities	
Net increase (decrease) in cash and cash equivalents	32,183
Cash Balances—beginning of year	(54,824)
Cash Balances—end of year	<u>\$ (22,641)</u>

**Reconciliation of operating income (loss) to net cash provided
(used) by operating activities:**

Operating income (loss)	\$ (33,848)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation and net amortization	
(Increase) decrease in accounts receivable, net	73,741
(Increase) decrease in inventories	
(Increase) decrease in USDA Communities	
Increase (decrease) in accounts payable	(7,710)
Increase (decrease) in accrued compensated absences	
Total adjustments	<u>32,183</u>
Net cash provided by (used for) operating activities	<u>\$ 32,183</u>

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

FIDUCIARY FUNDS

Exhibit B-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

NOT APPLICABLE

Exhibit B-8

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011**

NOT APPLICABLE

NOTES TO FINANICAL STATEMENTS

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Horizons Community Charter School has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the New Horizons Community Charter School's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) unanimously approved basic Financial Statements and Management's Discussion and Analysis for State and Local governments (Statement No. 34). This statement provides for significant changes in financial reporting and was first implemented by the New Horizons Community Charter School for the fiscal year ending June 30, 2003. In addition, the school has implemented GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

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. Encumbrance accounting is employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The New Horizons Community Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The New Horizons Community Charter School Board of Trustees is responsible for the fiscal control of the New Horizons Community Charter School. An Executive Director is appointed by the New Horizons Community Charter School and is responsible for the administrative control of the New Horizons Community Charter School. Under existing statutes, the New Horizons Community Charter School's duties and powers include, but are not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The New Horizons Community Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The accompanying financial statements present the government and its component units, entities for which the school is considered to be financially accountable. The New Horizons Community Charter School has no blended or discretely presented component units. Furthermore, the New Horizons Community Charter School is not includable in any other reporting entity as a component unit.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the New Horizons Community Charter School and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *miscellaneous revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:
(continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this measurement focus and basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available).

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the New Horizons Community Charter School considers revenues to be available if they are collected within 90 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures, which are recorded when payment is due and compensated absences and claims and judgments which are recorded only to the extent that there are expendable financial resources available.

Other items associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the New Horizons Community Charter School.

The New Horizons Community Charter School reports the following major governmental funds:

The *general fund* is the New Horizons Community Charter School's primary operating fund. It accounts for all financial resources of the New Horizons Community Charter School, except those required to be accounted for in another fund.

The New Horizons Community Charter School reports the following major proprietary fund which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:
(continued)

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for private donations for scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the intended purposes. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The New Horizons Community Charter School has elected not to follow FASB guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* in the New Horizons Community Charter School -wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

D. Assets, Liabilities and Net Assets or Equity:

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. *Inventories and Prepaid Items*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred revenue.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Accrued Liabilities and Payables

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

Net Assets

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

D. Assets, Liabilities and Net Assets or Equity: (continued)

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the New Horizons Community Charter School as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method.

5. *Fund Reserve Restrictions, Commitments and Assignments*

The Charter School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

D. Assets, Liabilities and Net Assets or Equity: (continued)

Fund Reserves Restrictions, Commitments and Assignments (continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has no funds restricted at June 30, 2011.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2011.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources at June 30, 2011.

Reserve for Encumbrances - This reserve is created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30. There were no reserve for encumbrance at June 30, 2011.

Reserve for Capital Reserve Account - This reserve is created by budget appropriation to fund future capital expenditures.

Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures - This reserve is created to represent the portion of fund balance at June 30, 2011 restricted and utilized in the adopted subsequent year's budget. At June 30, 2011 there were no reserves.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

No difference noted.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information:

In accordance with the requirements of the New Jersey Department of Education, the New Horizons Community Charter School annually prepares its operating budget for the forthcoming year. The budget, except for the special revenue fund, which is more fully explained below, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon by the Board of Trustees. Budget adoptions and amendments are recorded in the New Horizons Community Charter School minutes.

The budget is properly amended by the New Horizons Community Charter School trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount.

The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The school approved several budget transfers during 2010-2011.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

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 accounting principles generally accepted in the United States of America, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the special revenue fund from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Operating In</u>	<u>Transfers Out</u>
Budgetary Basis	\$1,052,791	\$1,052,791	-	-
Adjustments:				
Add encumbrances at June 30, 2010	-	-	-	-
Less encumbrances at June 30, 2011	-	-	-	-
GAAP Basis	<u>\$1,052,791</u>	<u>\$1,052,791</u>	-	-

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

B. Capital Reserve Account:

Funds placed in the capital reserve account are restricted to capital projects in the New Horizons Community Charter School's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR).

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), 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 the deposits to the governmental unit.

As of June 30, 2011, New Horizons Community Charter School cash and cash equivalents consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Operating Account	<u>\$3,923,329</u>	<u>(\$134,274)</u>	<u>(\$22,641)</u>	<u>\$3,766,414</u>

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

Category 2 - Collateralized with securities held by the pledging financial institutions trust department or agent in the school's name.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

Deposits (continued)

Category 3 - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the New Horizons Community Charter School's name.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>
Deposits	<u>\$3,766,414</u>	\$ 0	\$ 0	<u>\$3,766,414</u>

The New Horizons Community Charter School's cash deposits as June 30, 2011 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the New Horizons Community Charter School or bonds or other obligations of the local unit or units which the school district is located.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 18A:20-37.

The New Horizons Community Charter School had no outstanding investments at June 30, 2011.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

Investments (continued)

Receivables as of year-end for the government's individual major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Account:				
Receivables	<u>\$95,241</u>	<u>\$204,472</u>	<u>\$23,155</u>	<u>\$322,868</u>
Gross Receivables	<u>\$95,241</u>	<u>\$204,472</u>	<u>\$23,155</u>	<u>\$322,868</u>

B. Deferred Revenue

There is no deferred revenue.

C. Capital Assets

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

Primary Government:

	<u>Balance at June 30, 2011</u>
Capital assets, being depreciated:	
Building Improvements	476,914
Furniture and Fixtures	<u>1,022,688</u>
Total capital assets being depreciated	<u>\$1,499,602</u>
Less :	
Accumulated Depreciation	<u>(\$712,209)</u>
Total capital assets, being depreciated, net all funds	<u>\$787,393</u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

C. Capital Assets (continued)

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

Primary Government (continued):

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Total depreciation expense - governmental activities	<u>\$100,040</u>
--	------------------

Capital assets are depreciated in the financial statements using the straight-line method over the estimated useful life of the asset.

D. Interfund Receivables, Payables, and Transfers:

As of June 30, 2011, there were no interfund transactions reflected.

NOTE 5. OTHER INFORMATION

A. Contingent Liabilities

The New Horizons Community Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the New Horizons Community Charter School may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the various grantor agencies but the New Horizons Community Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the New Horizons Community Charter School.

The New Horizons Community Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the New Horizons Community Charter School and which might materially affect the New Horizons Community Charter School's financial position.

B. Employee Retirement Systems and Pension Plans

Plan Description

Substantially all of the New Horizons Community Charter School's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS).

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible school employees.

Public Employees' Retirement System (PERS) -Established in January 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, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) -Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system. According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trusts.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Other Pension Funds (continued)

The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Significant Legislation (continued)

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/71th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Funding Status and Funding Progress (continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Annual Pension Costs (APC) (continued)

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$362,790 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

C. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund - State classified as a single employer plan. The SHBP-Local, PDP-Local and the PRM of the TPAF are combined and reported as Health Benefits Program Fund -Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) - Local Education (including Prescription Drug Program Fund) - The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

Significant Legislation

P.L. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

Actuarial Methods and Assumptions

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers Pension and Annuity Fund (TPAF) and Public Employees Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education 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.

The State sets the contribution rate based on a pay as you go basis and not on *the annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School for the year ended June 30, 2011, was not determined or made available by the State of New Jersey. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf the School District was not determined or made available by the State of New Jersey.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to Financial Statements
Year Ended June 30, 2011

NOTE 6. RISK MANAGEMENT

The New Horizons Community Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school maintains commercial insurance coverage for property, liability, and student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 7. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of November 3, 2011, which is the date the financial statements were available to be issued. Based on this evaluation, the school has passed a resolution to create a capital reserve of fund balance of \$2,500,000 for the potential purchase of a school building.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 787,241	\$ -	\$ 787,241	\$ 787,241	\$ -
State Share	5,222,172	0	5,222,172	5,164,900	\$ 57,272
Other Restricted Miscellaneous Revenues Miscellaneous	-	-	0	16,522	\$ (16,522)
Total - Local Sources	<u>6,009,413</u>	<u>-</u>	<u>6,009,413</u>	<u>5,968,663</u>	<u>40,750</u>
Early Childhood Program Aid	-	-	0	-	-
Security Aid	199,271	-	199,271	199,271	-
Technology Aid	-	-	0	-	-
Demonstrably Effective	-	-	0	-	-
Bilingual Education	-	-	0	-	-
Special Education	86,219	-	86,219	86,219	\$ -
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	157,262	\$ (157,262)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	205,528	\$ (205,528)
Total State Sources	<u>285,490</u>	<u>-</u>	<u>285,490</u>	<u>648,280</u>	<u>(362,790)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>6,294,903</u>	<u>-</u>	<u>6,294,903</u>	<u>6,616,943</u>	<u>(322,040)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 1,869,470	-	1,869,470	1,869,470	\$ -
Other Salaries	-	-	-	-	-
Prof/Tech Services	102,444	-	102,444	78,157	24,287
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	76,541	-	76,541	56,445	20,096
Textbooks	80,000	-	80,000	48,333	31,667
Other Objects	20,000	-	20,000	11,999	8,001
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>2,148,455</u>	<u>-</u>	<u>2,148,455</u>	<u>2,064,404</u>	<u>84,051</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	295,421	-	295,421	244,639	50,782
Salaries of Secretarial and Clerical Assistants	119,474	-	119,474	82,115	37,359
Cost of Benefits	1,097,297	-	1,097,297	825,660	271,637
Purchased Professional and Technical Services	102,444	-	102,444	76,631	25,813
Other Purchased Services (400-500 series)	84,135	-	84,135	57,685	26,450
Communications/Telephone	21,660	-	21,660	18,703	2,957
Tuition	11,400	-	11,400	7,800	3,600
Supplies and Materials	34,450	-	34,450	32,481	1,969
Other Objects	26,500	-	26,500	25,451	1,049
	<u>1,792,781</u>	<u>-</u>	<u>1,792,781</u>	<u>1,371,165</u>	<u>421,616</u>
Support Services - School Admin/Operation Plant Services					
Salaries	660,613	(4,000)	656,613	585,098	71,515
Purchased Professional and Technical Services	252,412	-	252,412	252,201	211
Other Purchased Services	119,795	-	119,795	118,734	1,061
Rental of Land and Building- other than Lease Purchase Agreements	857,000	-	857,000	857,000	-
Insurance	37,351	-	37,351	34,314	3,037
General Supplies	40,000	-	40,000	34,963	5,037
Transportation- Trips	20,000	-	20,000	6,275	13,725
Energy (Energy and Electricity)	138,146	-	138,146	125,781	12,365
Other Objects	21,500	-	21,500	13,135	8,365
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>2,146,817</u>	<u>(4,000)</u>	<u>2,142,817</u>	<u>2,027,501</u>	<u>115,316</u>
Food Service					
Other Purchased Services		4,000	4,000	4,000	-
Total Food Services	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
On-behalf TPAF pension Contributions (non-budgeted)				157,262	(157,262)
Reimbursed TPAF Social Security Contributions (non-budgeted)				205,528	(205,528)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,790</u>	<u>(362,790)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>3,939,598</u>	<u>-</u>	<u>3,939,598</u>	<u>3,765,456</u>	<u>174,142</u>
TOTAL GENERAL CURRENT EXPENSE	<u>6,088,053</u>	<u>-</u>	<u>6,088,053</u>	<u>5,829,860</u>	<u>258,193</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The 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>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	60,000	-	60,000	39,293	20,707
Non-Instructional Equipment	40,000	-	40,000	4,763	35,237
Miscellaneous	106,850	-	106,850	93,062	13,788
Total Equipment	<u>206,850</u>	<u>-</u>	<u>206,850</u>	<u>137,118</u>	<u>69,732</u>
TOTAL EXPENDITURES- GENERAL FUND	6,294,903	-	6,294,903	5,966,978	327,925
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	649,965	(649,965)
Other Financing Sources:					
Operating Transfer In:	<u>-</u>	<u>-</u>	<u>-</u>		
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>		
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	649,965	(649,965)
Fund Balance, July 1	-	-	2,998,355	2,998,355	
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,998,355</u>	<u>\$ 3,648,320</u>	<u>\$ (649,965)</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

Exhibit C-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources					
State Sources	0		0	0	
Federal Sources	1,052,791		1,052,791	1,052,791	
Total Revenues	<u>1,052,791</u>		<u>1,052,791</u>	<u>1,052,791</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	595,117		595,117	595,117	
Other Salaries for Instruction					
Other Purchased Services	41,700		41,700	41,700	
Purchased Professional and Technical Services	113,648		113,648	113,648	
Travel					
Other Purchased Services (400-500 series)					
General Supplies	26,905		26,905	26,905	
Personal Services- Employee Benefits	119,024		119,024	119,024	
Textbooks					
Other Objects	0		0	0	
Total Instruction	<u>896,394</u>		<u>896,394</u>	<u>896,394</u>	
Support Services					
Salaries of Supervisor of Instruction	129,229		129,229	129,229	
Salaries of Nurse					
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits					
Purchased Professional - Educational Services	7,947		7,947	7,947	
Trips and Teachers Development					
Purchased Technical Services					
Supplies and Materials	19,221		19,221	19,221	
Internet Wiring					
Electrical wiring					
Travel					
Other purchased Services (400-500 series)					
Supplies & Materials					
Total Support Services	<u>156,397</u>		<u>156,397</u>	<u>156,397</u>	

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	1,052,791		1,052,791	1,052,791	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2011

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Year Ended June 30, 2011**

	IDEA PART I			NCLB							
	TOTAL	B-Basic	B-Basic	TITLE	TITLE	TITLE	TITLE	TITLE	Title	Title	TITLE
				I	I	I	IID	IID	II A	II A	IV
		ARRA	Reg. Prog.	ARRA	I	C/O		C/O		C/O	C/O
REVENUES											
Intergovernmental											
DEFERRED											
Federal	1,052,791	89,987	115,774	204,615	458,556	159,035	957	5,570	3,317	10,716	4,264
Other Sources											
Miscellaneous											
Total Revenues	1,052,791	89,987	115,774	204,615	458,556	159,035	957	5,570	3,317	10,716	4,264
EXPENDITURES											
Instruction											
Salaries	595,117	64,571	96,478	77,675	251,150	105,243					
Salaries Teachers Assts	0										
Transportation	0										
Other Purchased Services	41,700			41,700							
Purchased Prof. and Tech. Services	113,648	12,502		34,000	20,000	29,512	400		3,317	10,716	3,201
General Supplies	26,905			22,054		3,231	557				1,063
Textbooks	0										
Personal Services - Employee Benefits	119,024	12,914	19,296	15,535	50,230	21,049					
Other Objects	0										
Equipment Instructional	0										
Total Instruction	896,394	89,987	115,774	190,964	321,380	159,035	957		3,317	10,716	4,264
Support Services											
Salaries of Supervisors of Instruction	0										
Salaries of Program Directors	129,229				129,229						
Salaries of Other Prof. Staff	0										
Salaries of Secretarial and Clerical Ass't	0										
Personal Services - Employee Benefits	0										
Supplies and Materials	19,221			13,651				5,570			
Other Purchased Services	0										
Purchased Professional/Educational Services	7,947				7,947						
Class- room Improvements	0										
Building Improvements	0										
Other Objects	0										
Total Support Services	156,397			13,651	137,176	0	0	5,570	0	0	0
TOTAL EXPENDITURES	1,052,791	89,987	115,774	204,615	458,556	159,035	957	5,570	3,317	10,716	4,264

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

NEW HORIZONS COMMUNITY CHARTER SCHOOL
 Statement of Net Assets
 JUNE 30, 2011

	Business-Type Activities
	Enterprise Fund Food Services
ASSETS	
Current Assets	
Cash	
Accounts Receivable Federal	22,779
Accounts Receivable State	376
Total Current Assets	<u>23,155</u>
Total Assets	<u><u>23,155</u></u>
LIABILITIES	
Cash Overdraft	22,641
Accounts Payable	0
Total Current Liabilities	<u>22,641</u>
Net Assets	
Unrestricted	514
Invested in capital assets net of related debt	0
Total Net Assets	<u><u>\$514</u></u>

Exhibit G-2

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2011

	Business-Type Activities
	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	
Special Lunch and Breakfast Program	\$0
Special Functions	
Total Operating Revenues	0
OPERATING EXPENSES	
Salaries, wages and employee benefits	
Supplies, Materials & Other	(264,198)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	(264,198)
Income (Loss) From Operations	(264,198)
Nonoperating Revenues	
State Sources	
State Sources	3,723
Federal Sources	
School Breakfast Program	33,395
National School Lunch Program	189,232
U.S. D.A. Commodities	
Board Subsidy	4,000
Total Nonoperating Revenues	230,350
Net Income (Loss)	(33,848)
Total Net Assets- Beginning of Year	34,362
Total Net Assets- End of Year	\$514

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statements of Cash Flows
For the Year Ended June 30, 2011

2011

Cash flows from operating activities	
Cash Received from Customers	
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(271,908)
Net Cash (Used) by Operating Activities	<u>(\$271,908)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	4,000
Cash Received from State and Federal Subsidy Reimbursements	300,091
Net Cash Provided by Noncapital Financing Activities	<u>304,091</u>
Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	<u> </u>
Net Increase in Cash and Cash Equivalents	32,183
Cash and Cash Equivalents, Beginning of Year	(54,824)
Cash and Cash Equivalents, End of Year	<u>(\$22,641)</u>
Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	(\$33,848)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	73,741
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	(7,710)
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>32,183</u>
Net Cash Used by Operating Activities	<u>\$32,183</u>

FIDUCIARY FUNDS

Exhibit H-1

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2011**

NOT APPLICABLE

Exhibit H-2

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2011**

NOT APPLICABLE

Exhibit H-3

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2011**

NOT APPLICABLE

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and Cash Equivalents	<u> </u>	<u>\$3,602,380</u>	<u>\$3,602,380</u>	<u> </u>
Total Liabilities	<u> </u>	<u>3,602,380</u>	<u>3,602,380</u>	<u> </u>
LIABILITIES				
Payroll Deductions and Withholdings	<u> </u>	<u>1,369,295</u>	<u>1,369,295</u>	<u> </u>
Accrued Salaries and Wages	<u> </u>	<u>2,233,085</u>	<u>2,233,085</u>	<u> </u>
Total Liabilities	<u> </u>	<u>\$3,602,380</u>	<u>\$3,602,380</u>	<u> </u>

Exhibit H-5

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2011**

NOT APPLICABLE

FINANCIAL TRENDS

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
NET ASSETS BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 787,393	\$ 848,140	\$ 829,473	\$ 850,293	\$ 947,347	\$ 1,043,454
Restricted						
Unrestricted	<u>3,648,320</u>	<u>2,998,355</u>	<u>2,123,511</u>	<u>753,629</u>	<u>211,474</u>	<u>67,600</u>
Total governmental activities net assets	<u>\$ 4,435,713</u>	<u>\$ 3,846,495</u>	<u>\$ 2,952,984</u>	<u>\$ 1,603,922</u>	<u>\$ 1,158,821</u>	<u>\$ 1,111,054</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted	<u>514</u>	<u>34,362</u>	<u>22,647</u>	<u>72,646</u>	<u>41,361</u>	<u>-</u>
Unrestricted	<u>\$ 514</u>	<u>\$ 34,362</u>	<u>\$ 22,647</u>	<u>\$ 72,646</u>	<u>\$ 41,361</u>	<u>\$ -</u>
Total business-type activities net assets						
School-wide						
Invested in capital assets, net of related debt	787,393	848,140	829,473	850,293	947,347	1,043,454
Restricted						
Unrestricted	<u>3,648,834</u>	<u>3,032,717</u>	<u>2,146,158</u>	<u>826,275</u>	<u>252,835</u>	<u>67,600</u>
Total school net assets	<u>\$ 4,436,227</u>	<u>\$ 3,880,857</u>	<u>\$ 2,975,631</u>	<u>\$ 1,676,568</u>	<u>\$ 1,200,182</u>	<u>\$ 1,111,054</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expenses						
Governmental activities						
Instruction						
Regular	2,960,798	2,643,929	2,705,280	2,286,437	2,392,864	2,393,117
Support Services:						
General administration	1,527,562	1,033,265	1,182,092	1,095,248	1,179,363	1,421,113
School Administrative Services	2,031,501	2,114,148	1,729,439	1,591,924	1,449,991	1,488,001
On-behalf TPAF Social Security	362,790	185,481	179,945	164,431	144,177	139,738
Capital outlay	137,118	167,116	76,718	86,597	77,588	73,367
Unallocated depreciation	100,040	98,075	97,538	104,425	103,688	102,588
Total governmental activities expenses	<u>7,119,809</u>	<u>6,242,014</u>	<u>5,971,012</u>	<u>5,329,062</u>	<u>5,347,671</u>	<u>5,617,924</u>
Business-type activities:						
Food service	(264,198)	(313,659)	(280,762)	(236,464)	(222,993)	(200,758)
Child Care						
Total business-type activities expense	<u>(264,198)</u>	<u>(313,659)</u>	<u>(280,762)</u>	<u>(236,464)</u>	<u>(222,993)</u>	<u>(200,758)</u>
Total district expenses	<u>6,855,611</u>	<u>6,555,673</u>	<u>5,690,250</u>	<u>5,092,598</u>	<u>5,124,678</u>	<u>5,417,166</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Daily Sales - National Lunch Program	0	0	0	0	0	0
Pupil transportation	0	0	0	0	0	0
Central and other support services						
Operating grants and contributions	230,350	313,659	330,761	267,749	256,052	209,060
Capital grants and contributions	0					
Total governmental activities program revenues	<u>230,350</u>	<u>313,659</u>	<u>330,761</u>	<u>267,749</u>	<u>256,052</u>	<u>209,060</u>
Business-type activities:						
Charges for services						
Food service	0	0	0	0	0	0
Child care						
Operating grants and contributions						
Capital grants and contributions						
Total business type activities program revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>230,350</u>	<u>313,659</u>	<u>330,761</u>	<u>267,749</u>	<u>256,052</u>	<u>209,060</u>
Net (Expense)/Revenue						
Governmental activities	(7,119,809)	(6,242,014)	(6,021,011)	(5,297,777)	(5,314,612)	(5,626,226)
Business-type activities	(33,848)	0	0	0	0	0
Total district-wide net expense	<u>(7,119,809)</u>	<u>(6,242,014)</u>	<u>(6,021,011)</u>	<u>(5,297,777)</u>	<u>(5,314,612)</u>	<u>(5,626,226)</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Revenues and Other Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities:						
Local share	787,241	754,005	821,119	1,039,241	747,120	791,409
State Share	5,813,180	4,940,076	5,084,715	2,543,117	2,459,885	2,565,575
State and Federal aid	1,052,791	1,275,398	1,321,420	2,159,592	2,184,980	2,033,005
Miscellaneous income	16,522	49,304	16,102	24,842	4,174	17,776
Increase in Net Capital Outlay	39,293	116,742	76,718	7,371	7,581	14,426
Transfers						
Total governmental activities	<u>7,709,027</u>	<u>7,135,525</u>	<u>7,320,074</u>	<u>5,774,163</u>	<u>5,403,740</u>	<u>5,422,191</u>
Business-type activities:						
Investment earnings						
Transfers						
Total business-type activities	<u>0</u>	<u>0</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total district-wide	<u>905,226</u>	<u>905,226</u>	<u>1,299,063</u>	<u>476,386</u>	<u>89,128</u>	<u>(204,035)</u>
Change in Net Assets						
Governmental activities	589,218	893,511	1,349,062	445,101	56,069	(212,337)
Business-type activities	(33,848)	11,715	(49,999)	31,285	33,059	8,302
Total district	<u>555,370</u>	<u>905,226</u>	<u>1,299,063</u>	<u>476,386</u>	<u>89,128</u>	<u>(204,035)</u>

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund						
Reserved						
Unreserved	\$ 3,648,320	\$ 2,998,355	\$ 2,123,511	\$ 753,629	\$ 211,474	\$ 59,298
Total general fund	<u>\$ 3,648,320</u>	<u>\$ 2,998,355</u>	<u>\$ 2,123,511</u>	<u>\$ 753,629</u>	<u>\$ 211,474</u>	<u>\$ 59,298</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>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
June 30, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues						
Local tax Levy	\$787,241	\$754,005	\$822,475	\$1,039,241	\$747,120	\$791,409
Other local revenue	20,522	49,304	16,102	24,842	4,174	17,776
State sources	5,816,903	5,352,777	5,510,627	4,134,004	3,919,671	4,040,153
Federal sources	1,275,418	862,697	894,153	568,705	725,194	541,823
Total revenue	<u>7,900,084</u>	<u>7,018,783</u>	<u>7,243,357</u>	<u>5,766,792</u>	<u>5,396,159</u>	<u>5,391,161</u>
Expenditures						
Instruction	2,064,404	1,781,232	1,864,591	1,752,619	1,667,670	1,883,764
Regular Instruction						
Support Services:						
General administration	1,371,165	1,033,265	1,128,629	1,060,361	1,179,363	1,384,643
School administrative services/Plant	2,031,501	2,114,148	1,729,439	1,591,924	1,449,991	1,488,001
TPAF Social Security	362,790	185,481	179,945	164,431	144,177	139,738
Food Service	264,198					
Capital outlay	137,118	167,116	76,718	86,597	77,588	73,367
Debt service:						
Principal						
Interest and other charges						
Special Revenue	1,052,791	862,697	894,152	568,705	725,194	545,823
Total expenditures	<u>7,283,967</u>	<u>6,143,939</u>	<u>5,873,474</u>	<u>5,224,637</u>	<u>5,243,983</u>	<u>5,515,336</u>
Excess (Deficiency) of revenues over (under) expenditures						
Other Financing sources (uses)						
Proceeds from borrowing						
Capital leases (non-budgeted)						
Proceeds from refunding						
Payments to escrow agent						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$616,117</u>	<u>\$874,844</u>	<u>\$1,369,883</u>	<u>\$542,155</u>	<u>\$152,176</u>	<u>(\$124,175)</u>
Debt service as a percentage of noncapital expenditures						

Source: School records

REVENUE CAPACITY

EXHIBIT J-5

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
REVENUE CAPACITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOT APPLICABLE

Exhibit J-6

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Year Ended June 30, 2011**

NOT APPLICABLE

Exhibit J-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Year Ended June 30, 2011**

NOT APPLICABLE

Exhibit J-8

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Property Taxpayers
For the Year Ended June 30, 2011**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Property Tax Levies and Collections
For the Year Ended June 30, 2011**

NOT APPLICABLE

Exhibit J-10

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Year Ended June 30, 2011**

NOT APPLICABLE

Exhibit J-11

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Year Ended June 30, 2011**

NOT APPLICABLE

Exhibit J-12

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2011**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
For the Year Ended June 30, 2011**

NOT APPLICABLE

Exhibit J-14

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Employers
For the Year Ended June 30, 2011**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Year Ended June 30, 2011

<u>Function/Program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Instruction						
Regular	32	32	32	31	27	35
Special education	7	6	6	5	6	
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	11	14	14	12	11	
General administration	5	5	4	4	4	
School administrative services	3	2	2	2	2	
Other administrative services	4	4	4	3	3	-
Central services						
Administrative Information Technology	1	1	1	1	4	
Plant operations and maintenance						
Pupil transportation					-	-
Other support services					-	-
Special Schools	9	11	9	9	3	-
Food Service						
Child Care						
Total	<u>72</u>	<u>75</u>	<u>72</u>	<u>67</u>	<u>60</u>	<u>35</u>

Source: School Personnel Records

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Year Ended June 30, 2011**

<u>Pupil/Teacher Ratio</u>												
Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2006	491	4,969,513	10,121	2.68%	35	N/A	14	N/A			0.00%	98.00%
2007	464	4,969,513	10,710	5.82%	33	N/A	14	N/A			-3.19%	98.00%
2008	466	4,936,989	10,594	-1.08%	36	N/A	14	N/A			N/A	98.00%
2009	464	6,286,088	13,548	27.88%	36	N/A	14	N/A			N/A	98.00%
2010	453	6,143,939	13,563	0.11%	38	N/A	14	N/A			N/A	98.00%
2011	459	6,294,903	13,714	1.12%	40	N/A	14	N/A			N/A	98.00%

Sources: School records

NEW HORIZONS COMMUNITY CHARTER SCHOOL
School Building Information
For the Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>School Building</u>						
Building						
Square Feet	37,743	37,743	37,743	37,743	37,743	37,743
Capacity (students)	500	500	500	500	500	500
Enrollment	459	453	464	464	464	491

Number of Schools at June 30, 2011
 Elementary = 459
 Middle School = 0
 Senior High School = 0

Source: School Office

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Insurance Schedule
For the Year Ended June 30, 2011

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 1,280,000	1,000 - 7,500
Boiler and Machinery	1,000,000	1000
General Automobile Liability	1,000,000	N/A
School Board Legal Liability	1,000,000	1000
Umbrella	5,000,000	N/A
Workers' Compensation	2,000,000	N/A
 Surety Bonds		
School Board Legal Liability	1,000,000	N/A
Public Official Bond	200,000	N/A

Source: Charter School Records

Exhibit J-19

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
For the Year Ended June 30, 2011**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Schedule of Allowable Maintenance Expenditures by School Facility
For the Year Ended June 30, 2011

NOT APPLICABLE

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 553
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

I have audited the financial statements of the Board of Trustees of the New Horizons Community Charter School County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued my report thereon dated November 3, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the New Horizons Community Charter School Board of Trustees internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the New Horizons Community Charter School Board of Trustee's internal control over financial reporting. Accordingly, I do not express an opinion on effectiveness of the New Horizons Community Charter School Board of Trustee's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Horizons Community Charter School Board of Trustees financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. These are identified in the accompanying schedule of findings and questioned costs.

I also noted certain matters that I reported to management of the New Horizons Community Charter School Board of Trustees in a separate report entitled, Auditors' management Report on Administrative Findings – Financial, Compliance and Performance" dated November 3, 2011.

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

Licensed Public School Accountant No. 870



Scott J Loeffler, CPA

November 3, 2011

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 553
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

EXHIBIT K-2

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

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

Compliance

I have audited the compliance of the Board of Trustees of the New Horizons Community Charter School, in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2011. New Horizons Community Charter School 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 New Horizons Community Charter School management. My responsibility is to express an opinion on the New Horizons Community Charter School compliance based on my audit.

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

As described in the accompanying schedule of findings and questioned costs, the Board of Trustee's of the New Horizons Community Charter School did not comply with all the requirements that are applicable to its major Federal and State programs. Compliance with such requirements is necessary, in my opinion, for the New Horizons Community Charter School to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the accompanying Schedule of Findings and Questioned Costs, the Board of Trustees of the New Horizons Community Charter School, in the County of Essex, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The management of the Board of Trustees of the New Horizons Community 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 my audit, I considered the New Horizons Community Charter School internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly I do not express an opinion on the effectiveness of New Horizons Community Charter School's Board of Trustees internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as described above.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses.

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler, CPA". The signature is written in a cursive style with a horizontal line at the end.

Scott J. Loeffler, CPA
November 3, 2011

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Schedule of Federal Financial Assistance
For the Fiscal Year Ended June 30, 2011

EXHIBIT A

<u>Federal/Grantor Program Title</u>	<u>CFDA/GRANT Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2010</u>	<u>Prior Carry over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustment</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2011</u>	<u>Due to Grantor at June 30, 2011</u>
Food Subsidy											
Federal School Lunch	10.555	07/01/10-06/30/11		(92,914)		259,367	\$189,232			(22,779)	
Federal Breakfast	10.553	07/01/10-06/30/11		0		33,395	33,395				
Total Food Subsidy				<u>(92,914)</u>		<u>292,762</u>	<u>222,627</u>			<u>(22,779)</u>	
Title 1 *	84.010	09/01/10-08/31/11	497,823			356,474	458,556			(102,082)	
Title 1 ARRA *	84.389	09/01/10-08/31/11	204,615			172,480	204,615			(32,135)	
Title 1 ARRA C/O	84.389	09/01/09-08/31/10	204,615	(105,117)		105,117	0				
Title 11A	84.367	09/01/10-08/31/11	37,612				3,317			(3,317)	
Title II D	84.318	09/01/10-08/31/11	957				957			(957)	
IDEA	84.027	09/01/10-08/31/11	115,774			71,114	115,774			(44,660)	
IDEA ARRA *	84.391	09/01/10-08/31/11	89,987			68,666	89,987			(21,321)	
IDEA ARRA C/O	84.391	09/01/10-08/31/11	89,987	(55,303)		55,303	0				
NCLB 2009-2010 C/O											
Title 1 *	84.010	09/01/09-08/31/10	387,763	(100,895)	159,035	100,895	159,035				
Title IIA	84.367	09/01/09-08/31/10	50,132	(36,204)	10,716	36,204	10,716				
Title IID	84.318	09/01/09-08/31/10	1,610	(1,000)	5,570	1,000	5,570				
Title IV	84.186	09/01/09-08/31/10	6,398	(21,760)	4,264	21,760	4,264				
Total Special Revenue				<u>(320,279)</u>	<u>\$179,585</u>	<u>\$989,013</u>	<u>\$1,052,791</u>		<u>\$0</u>	<u>(\$204,472)</u>	<u>\$0</u>
GRAND TOTAL				<u>(413,193)</u>	<u>\$179,585</u>	<u>1,248,380</u>	<u>1,242,023</u>		<u>\$0</u>	<u>(\$227,251)</u>	<u>\$0</u>

*Major Program

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Schedule of State Financial Assistance
For the Fiscal Year Ended June 30, 2011**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2010</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjustments</u>	<u>(Accts Rec) June 30, 2011</u>
GENERAL FUND									
TPAF Social Security	11-495-034-5095-007	7/1/10-06/30/11	205,528		205,528	205,528			
On Behalf Pension	11-495-034-5095-002	7/1/10-06/30/11	157,262		157,262	157,262			
Charter School Aid - Local *	11-495-034-5120-071	7/1/10-06/30/11	787,241		787,241	787,241			
Charter School Aid - State *	11-495-034-5120-071	7/1/10-06/30/11	5,164,900		5,164,900	5,164,900			
Special Education	11-495-034-5120-089	7/1/10-06/30/11	86,219		86,219	86,219			
Security Aid	11-495-034-5120-084	7/1/10-06/30/11	199,271		199,271	199,271			
Total General Fund				--	6,600,421	6,600,421			
SPECIAL REVENUE FUND									
Total Special Revenue Fund				--	--	--			
ENTERPRISE FUND									
11-100-010-3350-023		7/1/10-06/30/11		(3,982)	7,329	3,723			(376)
GRAND TOTAL				(3,982)	\$6,607,750	\$6,604,144			(376)

*Major Program

The notes to the Schedule of Federal Financial and State Assistance are an integral part of this schedule.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of awards and financial assistance present the activity of all federal and state award programs of the New Horizons Community Charter School of Newark. The board of trustees is defined in the Notes to the school's general-purpose financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO 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 expenditures have been made (GASB 34).

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 account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ ---	\$6,600,421	\$6,600,421
Special Revenue Fund	1,052,791		862,697
Food Service Fund	<u>222,627</u>	<u>---</u>	<u>268,659</u>
Total Awards and Financial Assistance	<u>\$1,275,418</u>	<u>\$6,600,421</u>	<u>\$7,731,777</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. OTHER

The amount reported as TPAF Pension Contributions, \$157,262 represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2011. TPAF Social Security Contributions of \$205,528 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.

NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the schools basic financial statements and the amount subject to State single audit and major program determination.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
YEAR ENDED JUNE 30, 2011**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unqualified
	<u>YES</u> <u>NO</u>
Internal control over financial reporting:	
Material weakness(es) identified:	X
Significant deficiencies identified not considered to be material weakness(es)?	X
Noncompliance material to financial statements noted?	X

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	X
Significant deficiencies identified not considered to be material weakness(es)?	X
Type of auditor’s report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X

Identification of major programs:

<u>C DFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	No Child Left Behind – Title I
84.329	Title I - ARRA
84.367	IDEA - ARRA

Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000
Auditee qualified as low risk auditee:	X

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
YEAR ENDED JUNE 30, 2011**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000	
Auditee qualified as low risk auditee:		X
Type of auditor’s report issued:		Unqualified
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?		X
Type of auditor’s report on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?		X
Identification of major programs:		
<u>CDEA Number(s)</u>	<u>Name of State Program or Cluster</u>	
11-495-034-5120-089	Charter School Aid Local and State	

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
YEAR ENDED JUNE 30, 2011**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
JUNE 30, 2011**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND
QUESTIONED COSTS**

The New Jersey Department of Education performed an audit of the school for the period ended June 30, 2011. As a result of the audit, the school was assessed a total of \$305,074, which includes a \$55,524 in Special Revenue Fund monies. The school has reviewed and addressed the findings but has not yet received a formal response. It is recommended the school follow-up with the New Jersey Department of Education to resolve this issue.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
SUMMARY OF 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

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

The prior year findings were corrected during the school year.