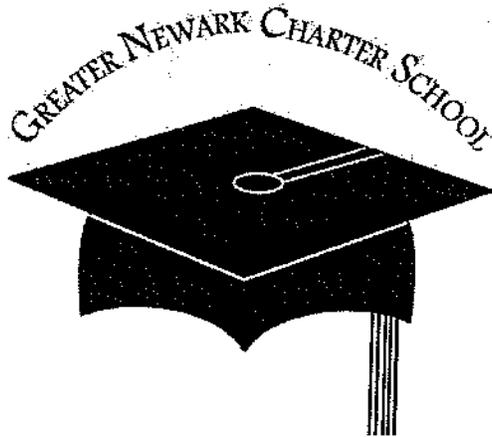


COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012



Great Tomorrows Begin Here Today

PREPARED BY

**GREATER NEWARK CHARTER SCHOOL
NEWARK, NEW JERSEY**

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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(COUNTY OF ESSEX, NEW JERSEY)**

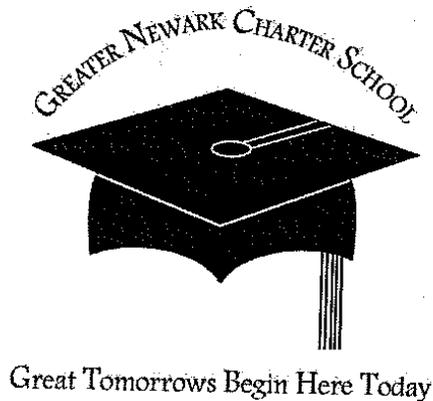
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INTRODUCTORY SECTION



November 26, 2012

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

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Greater Newark Charter School (“GNCS”, the “School” or the “Charter School”) for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the Management’s Discussion and Analysis, the basic financial statements, required supplementary information and other supplementary information, as well as the auditor’s report thereon. The statistical section includes ten unaudited fiscal years of data. The Charter School is required to undergo an annual single audit in conformity with the provisions of the New Jersey OMB Circular Letter 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*” Information related to this single audit, including the auditor’s report on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

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

School Description

Startup and Current Year: Greater Newark Charter School commenced operation in the 2000-2001 school year and just completed its twelfth year of operation.

Address: The School is located in a traditional school building at 72 Central Avenue in Newark, NJ 07102 during the 2011-2012 school year.

Number of Students, Grades, and Classes: Enrollment was purposefully capped at 180 to maintain small class sizes. The school's charter authorized a maximum enrollment of 200 students in grades 5-8. There are two classes at each grade level.

Class Size: Class size is approximately 22 students per class.

School Year: School began August 23rd, 2011 and ended June 25th, 2012.

Student/Teacher Ratio: 14:1

Charter School of Residence: The School draws its students from the City of Newark, City of East Orange, City of Irvington, City of Union, City of Orange and the City of Hillside.

Employees: The School employs 1 lead person, 1 supervisor of curriculum and instruction, 1 teacher of school culture, 13 classroom teachers, 1 full-time social worker, 1 full-time nurse, 1 full-time administrative assistant, 1 part-time administrative assistant, 1 director of finance and operations, 1 part-time school business administrator, 1 part-time cafeteria aid, 1 high school placement person, and a child study team. This past year, the school also employed an interim school leader.

Defining Attributes: The defining attributes of the School are its emphasis on a rigorous, college preparatory program, good mental health, and character education.

Community/Organizational Affiliation: Fairview Lake YMCA Camp, Glass Roots, The Greater Newark Conservancy, Newark Library, Newark Museum, NJPAC, NJ Seeds, The National Junior Honor Society, The Wight Foundation, and the Wingspan Arts.

2) **ECONOMIC CONDITION AND OUTLOOK**

The Charter School's economic condition has been very strong since its inception in the fall of 2000. Each of the past twelve years, the School has ended with a positive fund balance and has met all of its financial obligations. We are projecting an even better economic outlook in future years, now that our facility challenges have been resolved.

3) **MAJOR ACCOMPLISHMENTS**

Governance: Board of Trustees:

The Board of Trustees has adopted a two level strategic plan. A management level plan and a governance level plan. The goal of our strategic plan is to be the best middle school in Newark as measured by NJASK scores and high school placement results

Management: School Administration

School administration completed, among others, the following initiatives:

- The Yes You Can Program presented to the seventh grade for their personal responsibility for the health of their relationships.
- Wingspan Arts provided trained artists to provide instruction in drumming, poetry, visual arts, hip-hop dancing and step.
- Fairview Lake YMCA donated over 20 invitations valued at \$20,000 to a week-long sleep over camp for the students.
- NJPAC partnered with GNCS to provide a residency program during the school year. The residency was ballroom dance.
- GNCS maintained its ongoing associations with the Glassroots organization which provides students with glass art making classes.
- Enrollment goal of 170 students by October 15, 2010 was met and exceeded.
- During the year, over 650 pillars were awarded to students by their teachers.
- PTO sponsored organized and managed two fund-raisers, raising over \$10,000 in coupon and cheesecake sales.
- On-site counseling services to students included over 400 individual contacts and nearly 130 individual sessions.

3) **MAJOR ACCOMPLISHMENTS - CONTINUED**

Management: School Administration - continued

- Staff participated in Affirmative Action Online Training and a Suicide Prevention workshop in-house.
- Over 73% of incoming fifth graders received a home visit.
- The Mobile Dentist cleaned and performed minor dentistry on a total of 83 students for the year.
- The 8th grade students raised almost \$10,000 for their graduation trip to Washington DC.
- By the end of January 2012, according to the Accelerated Reading Program reports, the GNCS student body had taken 871 AR test and had passed 580 AR tests. Teachers increased the programmed passing score from 60% to 80% to ensure comprehension, and AR tests still passed at 80% or higher. Furthermore, according to the most recent computerized reading assessment, approximately 70% of the students in the 8th grade have raised their Zone of Proximal Development (reading level).

Curriculum Development:

The School's curriculum is reviewed each summer by the lead person, the supervisor or curriculum and instruction, and teachers, after careful analysis of the New Jersey Core Curriculum Content Standards (NJCCCS) compared with student performance on the NJASK.

The alignment of the curriculum with NJCCCS remains the focus of the school's curriculum development. In the past, the school relied on Terra Nova test data and GEPA test data to determine which standards students were not learning. Presently, the school relies on results from NJASK to make determinations, as well as examining data generated by the four benchmarks students complete during the school year.

The additional data generated from the quarterly benchmark assessments in Math, Literacy, and Science is vital because it is "real-time" data. After each assessment, teachers analyze results to determine which standards continue to challenge students. Next, teachers complete a data analysis worksheet for each class. By doing this, teachers develop a deeper understanding about possible misconceptions students struggle with relevant to the curriculum. This knowledge immediately informs their future planning and instruction.

3) **MAJOR ACCOMPLISHMENTS - CONTINUED**

Curriculum Development: - continued

These data analysis worksheets are an integral part of the process. The worksheets are completed within days of each assessment administration date. Shortly after the analysis, the teacher and lead person meet to review both student performance and the teacher's analysis of the data. In order to do this work well, teachers need time. Throughout the school year, teachers are provided six hours of prep time each week to continue the curriculum development essential to their planning.

Delivery of Educational Program Leading to High Achievement for All Students

The school focuses to deliver the educational program through:

- Delivery of services to At-Risk Students
The school employs a certified special education teacher. The special education students are supported in a resource room (skill center) for part of each school day. The Intervention and Referral Services (I&RS) team at the school was implemented as a means to assist staff members having difficulty addressing the learning, behavioral, or health difficulties experienced by their students. The team consists of two teachers, the school nurse, and the supervisor of curriculum and instruction.
- Innovative/Exemplary Programs and Practices – Data Driven Instruction (DDI), Collegial Staff Environment, & Culture of Achievement, aimed to surpass the results of traditional schools in the surrounding community. To systematically address the issue of continued curriculum alignment, GNCS utilizes a data driven benchmark assessment program. In short, the school infused their daily instructional decisions about what to teach with much more real-time data about what students know and don't know relevant to specific standards.

Parent/Community Involvement and Public Relations/Outreach

The PTO continued to support GNCS through a variety of fundraising activities. During the 2011-2012 school year, parents were involved with the school in a number of ways:

- The PTO sponsored two fundraisers resulting in over \$10,000 to help pay for the school's field trips.
- Initial PTO meetings were held in September and October to survey parent concerns and interests.

3) MAJOR ACCOMPLISHMENTS - CONTINUED

Parent/Community Involvement and Public Relations/Outreach - continued

- Parents help organized 8th grade yearbook and end of year activities which center around an overnight trip to Washington DC.
- Back to School Night
- Fall Report Card Conferences
- Potluck thanksgiving feast
- Family fun night
- School dances
- Field trip chaperones
- New Parent Orientation
- Attendance at Board of Trustees meetings

Student and Staff Recruitment Activities-Admission Policies

- Admission Timeline and Recruitment Activities
The school conducted a lottery for the 2012-2013 school year for grades 5-8. The lottery was advertised in local newspapers.
- Admission Results
The school's admission results for the 2011-2012 school year has an enrollment of 176 students, 107 on waiting list, 14 withdrawn and a total of 92% retention rate.
- Student Withdrawal and Exit Interviews
14 students withdrew from the school during the 2011-2012 school year due to relocation, transportation or family issues.
- Staff Recruitment
There were 40 interviews conducted during the year. There were 5 positions available and over 1,500 resumes received.
- Exit Interview Procedures and Data
All exiting staff members are asked to participate in an exit interview with the lead person.

Self-Evaluation and Accountability Plan (SEAP)

The major features of the self-evaluation and accountability plan include: a charter goals document, benchmark assessments, and NJASK testing and student exhibitions.

3) **MAJOR ACCOMPLISHMENTS - CONTINUED**

Self-Evaluation and Accountability Plan (SEAP) – continued

The Board of Trustees will conduct an annual review and evaluation of the effectiveness of the school. The Board will use a minimum of six measures in this evaluation. These measures are as follow:

- Percentage of the school students at or above grade level in reading and mathematics.
- Student performance against the school's measurable student objectives and anticipated outcomes.
- Attendance rates of students
- Quality of student behavior
- Degree to which the school community internalizes the schools objectives and anticipated outcomes and integrates the objectives and outcomes into all aspects of the school and home, including curriculum, instructional approach and culture.

The purpose of the self-evaluation and accountability plan is to clearly delineate the instruments, measurements and timetable by which the charter's broad academic and non-academic goals and specific objectives are assessed and reported to various audiences. It also seeks to precisely articulate the alignment between the charter's goals and objectives and those of the NJCCCS. Finally, this is a functional instrument for school administrators and staff to determine and reassess students' needs, evaluate and plan curriculum and establish educational priorities.

4) **INTERNAL ACCOUNTING CONTROLS**

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

As a recipient of federal awards and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those

4) **INTERNAL ACCOUNTING CONTROLS - continued**

programs. Internal control is also subject to periodic evaluation by the Charter School's Board of Trustees.

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

5) **BUDGETARY CONTROLS**

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

6) **ACCOUNTING SYSTEM AND REPORT**

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue funds for the fiscal year ended June 30, 2012.

<u>Revenue</u>	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$ 329,002	\$ 308,520	\$ 20,482	6.64%
State sources	2,355,767	2,144,177	211,590	9.87%
Federal sources	165,963	165,381	582	0.35%
Total	<u>\$ 2,850,732</u>	<u>\$ 2,618,078</u>	<u>\$ 232,654</u>	8.89%

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

The decrease in revenues is due to decrease in student enrollment and end of ARRA funding for both the Title I and IDEA grants.

The monies received from State and the number of children enrolled in our program determines Federal sources attributable to grants in aid. As our enrollment increases, we anticipate an increase in aid in the said programs.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2012.

Expenditures	2012	2011	Increase (Decrease)	% Change
Instructional	\$ 1,226,266	\$ 1,284,678	\$ (58,412)	-4.55%
Support Services:				
Administrative Expenses	616,230	348,853	267,377	76.64%
Support Services	574,547	627,617	(53,070)	-8.46%
TPAF - Reimbursed and on-behalf payments	183,836	76,833	107,003	139.27%
Total Expenses	<u>\$ 2,600,879</u>	<u>\$ 2,337,981</u>	<u>\$ 262,898</u>	11.24%

8) **CASH MANAGEMENT**

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

9) **RISK MANAGEMENT**

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation.

10) **OTHER INFORMATION**

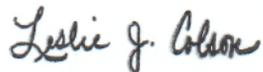
Independent Audit

The State of New Jersey Statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Koh LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the New Jersey OMB Letter Circular 04-04. The auditor's report on the general-purpose financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11) **ACKNOWLEDGMENTS**

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

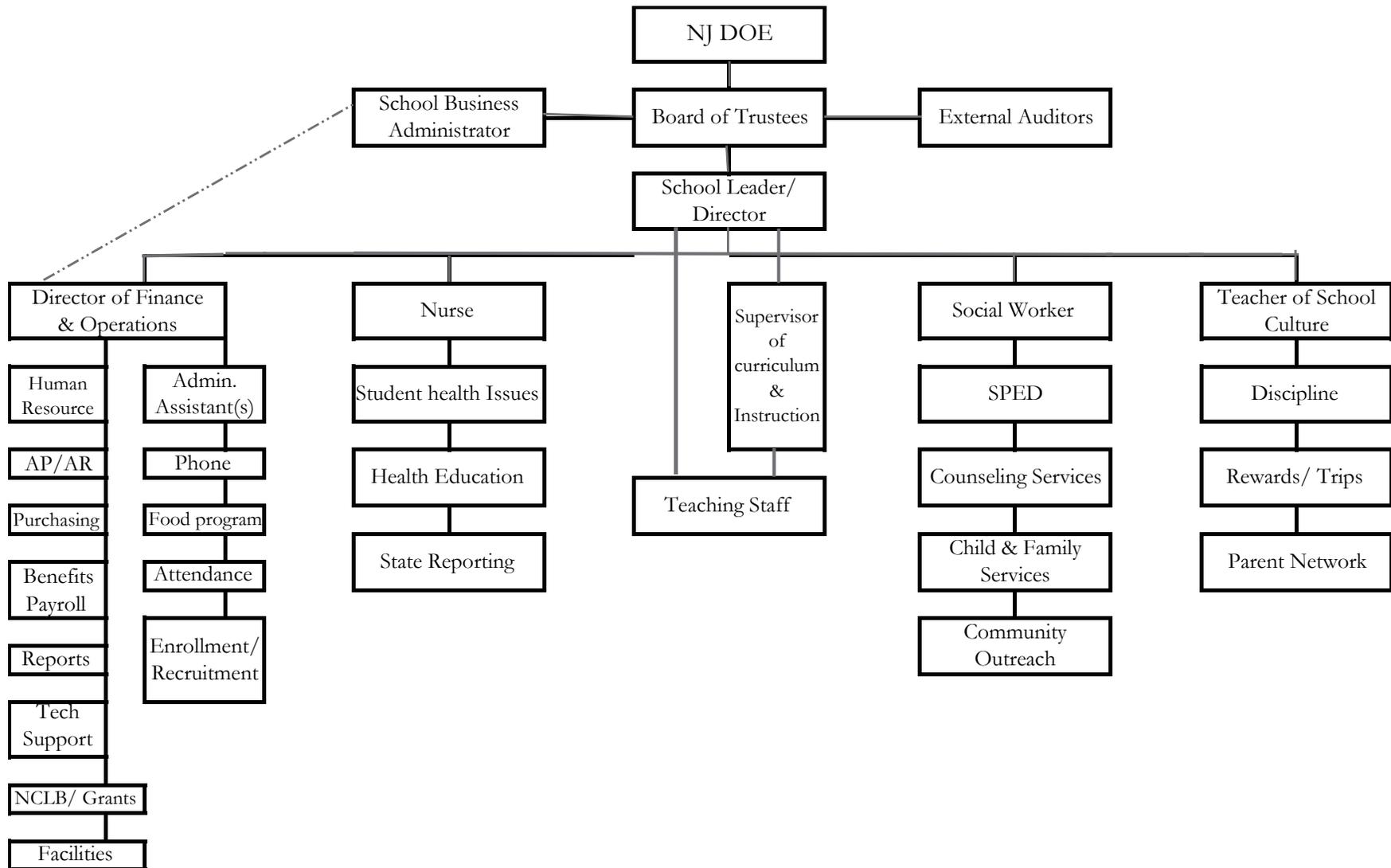
Respectfully submitted,



Leslie Colson
Board President

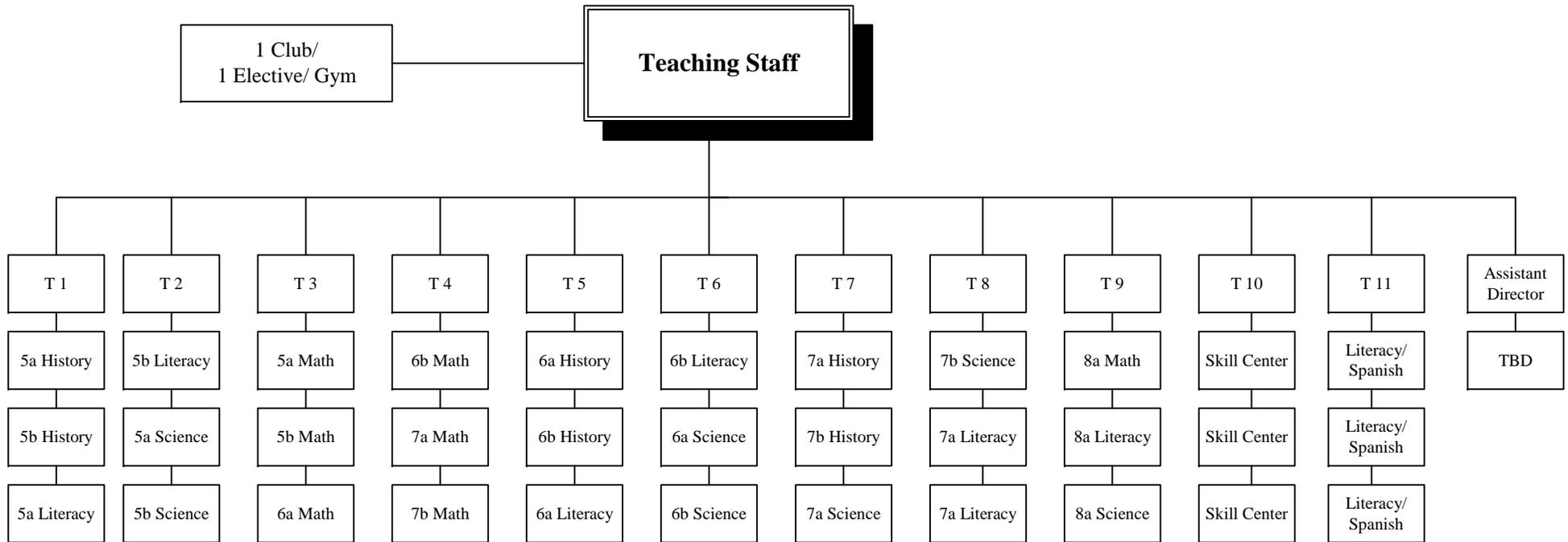
Greater Newark Charter School Organizational Chart

Greater Tomorrows Begin Here Today!



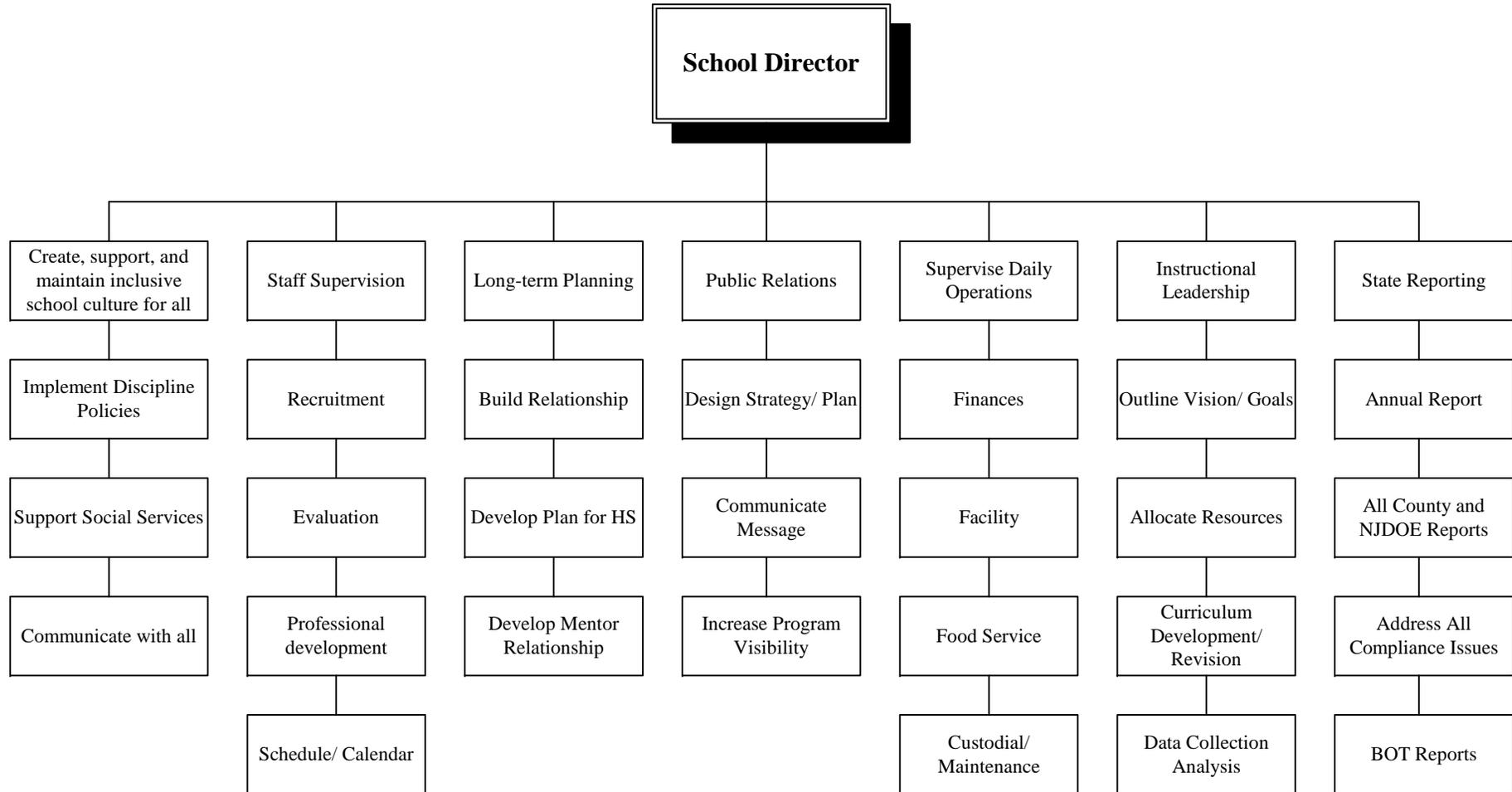
Greater Newark Charter School Organizational Chart

Greater Tomorrows Begin Here Today!



Greater Newark Charter School Organizational Chart

Greater Tomorrows Begin Here Today!



Greater Newark Charter School
Greater Tomorrows Begin Here Today!

ROSTER OF OFFICIALS

BOARD OF TRUSTEES

Leslie Colson	President, Voting
Gerald Fitzhugh	Personnel Committee
Wellington Davenport	Board Secretary/ School Business Administrator, Non-Voting
Clyde Dawson	Finance Chairperson, Voting
Niathan Allen	Member, Voting
Tracey Arrington	Member. Non-Voting
Uriel Burwell	Member, Non-Voting
Leroy Mack	Member, Non-Voting
Karen Mirro-Drew	Recording Secretary, Non-Voting
Christopher Pringle	School Director, Non-voting
Leslie Spriggins-Jackson	Member/Parent Representative, Voting
Monthly Teacher Representative	Member/Teacher Representative, Non-Voting

Greater Newark Charter School
Greater Tomorrows Begin Here Today!

CONSULTANTS AND ADVISORS

AUDIT FIRM

Galleros Koh LLP
71 W. Main Street, Suite 302
Freehold, NJ 07728

ATTORNEY

AG&L
1037 Raymond Blvd. Suite 710
Newark, NJ 07102

OFFICIAL DEPOSITORIES

Capital One Bank
507 S. Livingston Avenue
Livingston, NJ 07039

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Trustees
Greater Newark Charter School
County of Essex
Newark, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Greater Newark Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our 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 Charter School, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 26, 2012, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

The Management Discussion and Analysis on pages 18 through 26 and Budgetary Comparison Information on pages 59 through 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, other supplementary information including combining and individual 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 and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards (SEFA) and state financial assistance (SFA) are also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements. The combining and individual fund financial statements, schedules, SEFA and SFA are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400

November 26, 2012

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Introduction

This section of the Greater Newark Charter School's (the "Charter School") annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

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

It is noteworthy to report that the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of GASB Statement No. 54 are effective for financial statements for periods ending June 30, 2011; therefore they are introduced in this report for the first time. GASB Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications is detailed in Note 1Q, Fund Balance and Equity in the Notes to Financial Statements section of this report.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- General revenues accounted for \$2,500,933 or 88% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$329,294 or 12% of total revenues of \$2,830,227.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

- The Charter School had \$2,622,390 in expenses; only \$329,294 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$2,500,933 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$2,569,934 in revenues and \$2,320,081 in expenditures. The General Fund's fund balance increased \$249,853 over 2011.

Basic Financial Statements

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

The report is organized so the reader can understand the Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the statement of activities, are governmental- wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Greater Newark Charter School, the General Fund is the most significant fund.

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

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and Statements of Activities

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2012. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

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

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. The table below provides a summary of the Charter School's net assets at June 30, 2012.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. The table below provides a summary of the Charter School's net assets at June 30, 2012 and 2011.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current Assets	\$ 1,402,756	\$ 1,220,822	\$ 21,849	\$ 17,465	\$ 1,424,605	\$ 1,238,287
Capital Assets, net	384,420	418,255	-	-	384,420	418,255
Total Assets	<u>1,787,176</u>	<u>1,639,077</u>	<u>21,849</u>	<u>17,465</u>	<u>1,809,025</u>	<u>1,656,542</u>
Liabilities						
Current Liabilities	<u>58,090</u>	<u>126,009</u>	<u>19,857</u>	<u>7,292</u>	<u>77,947</u>	<u>133,301</u>
Net Assets						
Invested in Capital Assets	384,420	418,255	-	-	384,420	418,255
Unrestricted	1,344,666	1,094,813	1,992	10,173	1,346,658	1,104,986
Total Net Assets	<u>\$ 1,729,086</u>	<u>\$ 1,513,068</u>	<u>\$ 1,992</u>	<u>\$ 10,173</u>	<u>\$ 1,731,078</u>	<u>\$ 1,523,241</u>

The total net assets of the Charter School have increased by \$207,837 at the end of the fiscal year.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole

The table that follows reflects the change in net assets for fiscal years 2012 and 2011.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Operating grants and Contributions	\$ 234,964	\$ 247,214	\$ 94,330	\$ 93,748	\$ 329,294	\$ 340,962
Total Program Revenues	234,964	247,214	94,330	93,748	329,294	340,962
General Revenues:						
Local Aid	321,038	300,789	-	-	321,038	300,789
Federal and State Aid	2,171,931	2,067,344	-	-	2,171,931	2,067,344
Miscellaneous	7,964	2,731	-	-	7,964	2,731
Total General Revenues	2,500,933	2,370,864	-	-	2,500,933	2,370,864
Total Revenues	2,735,897	2,618,078	94,330	93,748	2,830,227	2,711,826
Expenses:						
Instructions	1,453,965	1,339,072	-	-	1,453,965	1,339,072
Support Services:						
Administrative expenses	417,859	361,214	-	-	417,859	361,214
Support services	614,220	637,695	-	-	614,220	637,695
Unallocated depreciation	33,835	35,637	-	-	33,835	35,637
Food service	-	-	102,511	95,196	102,511	95,196
Total Expenses	2,519,879	2,373,618	102,511	95,196	2,622,390	2,468,814
Change in Net Assets	\$ 216,018	\$ 244,460	\$ (8,181)	\$ (1,448)	\$ 207,837	\$ 243,012

In 2012, total revenues increased by \$118,401 or 4% while total expenses incurred increased by \$153,576 or 6% over 2011.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2012.

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instructional	\$ 1,453,965	\$ 1,264,708
Support Services:		
Administrative expenses	417,859	380,846
Support services	614,220	605,526
Unallocated depreciation	33,835	33,835
Total Expenses	<u>\$ 2,519,879</u>	<u>\$ 2,284,915</u>

Business-Type Activity

The only business-type activity of the Charter School is the food service operation. This program had revenues of \$94,330 and operating expenses of \$102,511 for fiscal year 2012.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources of \$2,850,732 and expenditures and other financing uses of \$2,600,879. The positive change in fund balance for the year reflects that the Charter School was able to meet current cost with the current year revenues and did not have to use the fund balance to finance current year's expenditures to implement all of its planned programs by the end of the fiscal year.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue based budgets. The budgeting systems are designed to tightly control the total budget, but provide the flexibility for Charter School management teams.

For the General Fund, final budgeted revenues and other financing sources were \$2,510,498, which included a local tax levy of \$314,587. Expenditures and other financing uses were budgeted at \$3,176,903. The Charter School anticipated an ending fund balance of \$428,408. In its 2011-2012 budget, General Fund expenditures and other financing uses were more than revenues and other financing sources by \$666,405. Actual revenues and other financing sources were \$2,684,769 and expenditures were \$2,434,916.

The State of New Jersey reimbursed the Charter School \$69,001 during the year ended June 30, 2012 for the employer’s share of social security contributions and payments totaling \$114,835 were made on behalf of the Charter School for post-retirement medical benefits of TPAF members. This unbudgeted amount is included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2012, the Charter School had \$384,420 invested in capital assets all in governmental activities. The table below reflects fiscal year 2012 balances:

	Governmental Activities	Business Type Activities	Total
Leasehold improvement	\$ 526,400	\$ -	\$ 526,400
Machinery & equipment	198,764	-	198,764
Total Capital Assets	725,164	-	725,164
Less: Accumulated Depreciation	340,744	-	340,744
Totals	<u>\$ 384,420</u>	<u>\$ -</u>	<u>\$ 384,420</u>

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Economic Factors and Next Year's Budget

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

Contacting the Charter School's Financial Management

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

GREATER NEWARK CHARTER SCHOOL
72 Central Avenue
Newark, New Jersey

BASIC FINANCIAL STATEMENTS

**CHARTER SCHOOL
WIDE FINANCIAL STATEMENTS**

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,324,810	\$ 347	\$ 1,325,157
Accounts receivable	32,491	21,502	53,993
Interfund receivable	45,455	-	45,455
Capital assets, net	<u>384,420</u>	<u>-</u>	<u>384,420</u>
Total assets	<u>\$ 1,787,176</u>	<u>\$ 21,849</u>	<u>\$ 1,809,025</u>
Liabilities			
Current Liabilities:			
Intergovernmental payable:			
State	\$ 52,949	\$ -	\$ 52,949
Interfund payables	<u>5,141</u>	<u>19,857</u>	<u>24,998</u>
Total current liabilities	<u>58,090</u>	<u>19,857</u>	<u>77,947</u>
Net assets			
Invested in capital assets, net of related debt	384,420	-	384,420
Unrestricted	<u>1,344,666</u>	<u>1,992</u>	<u>1,346,658</u>
Total net assets	<u>1,729,086</u>	<u>1,992</u>	<u>1,731,078</u>
Total liabilities and net assets	<u>\$ 1,787,176</u>	<u>\$ 21,849</u>	<u>\$ 1,809,025</u>

See accompanying notes to financial statements.

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:						
Instruction						
Salaries	\$ 1,064,817	\$ -	\$ 133,023	\$ (931,794)	\$ -	\$ (931,794)
Allocated benefit costs	227,699	-	49,899	(177,800)	-	(177,800)
Professional /Technical service	29,907	-	2,728	(27,179)	-	(27,179)
Other purchased services	46,308	-	-	(46,308)	-	(46,308)
General educational supplies	72,237	-	3,607	(68,630)	-	(68,630)
Instructional text and books	8,336	-	-	(8,336)	-	(8,336)
Other instructional expenses	4,661	-	-	(4,661)	-	(4,661)
Administrative cost:						
Salaries	222,100	-	-	(222,100)	-	(222,100)
Allocated benefit costs	47,493	-	37,013	(10,480)	-	(10,480)
Professional /Technical service	42,177	-	-	(42,177)	-	(42,177)
Other purchased services	77,993	-	-	(77,993)	-	(77,993)
Communications and Telephones	13,333	-	-	(13,333)	-	(13,333)
Supplies and materials	14,763	-	-	(14,763)	-	(14,763)
Support services:						
Salaries	185,528	-	-	(185,528)	-	(185,528)
Allocated benefit costs	39,673	-	8,694	(30,979)	-	(30,979)
Purchased Professional /Technical service	49,185	-	-	(49,185)	-	(49,185)
Other purchased services	111,624	-	-	(111,624)	-	(111,624)
Rent on land and buildings	148,800	-	-	(148,800)	-	(148,800)
Insurance-fidelity, liability property	25,239	-	-	(25,239)	-	(25,239)
Supplies and materials	11,710	-	-	(11,710)	-	(11,710)
Transportation-other than to/from school	6,345	-	-	(6,345)	-	(6,345)
Utilities	36,116	-	-	(36,116)	-	(36,116)
Unallocated depreciation	33,835	-	-	(33,835)	-	(33,835)
Total governmental activities	<u>2,519,879</u>	<u>-</u>	<u>234,964</u>	<u>(2,284,915)</u>	<u>-</u>	<u>(2,284,915)</u>
Business-type activities:						
Food Service	102,511	-	94,330	-	(8,181)	(8,181)
Total business-type activities	<u>102,511</u>	<u>-</u>	<u>94,330</u>	<u>-</u>	<u>(8,181)</u>	<u>(8,181)</u>
Total primary government	<u>\$ 2,622,390</u>	<u>\$ -</u>	<u>\$ 329,294</u>	<u>\$ (2,284,915)</u>	<u>\$ (8,181)</u>	<u>\$ (2,293,096)</u>
General revenues, transfers and special items:						
Local sources				\$ 321,038	-	\$ 321,038
State sources				2,171,931	-	2,171,931
Miscellaneous				7,964	-	7,964
Total general revenues, transfers and special items				<u>2,500,933</u>	<u>-</u>	<u>2,500,933</u>
Changes in net assets				<u>216,018</u>	<u>(8,181)</u>	<u>207,837</u>
Net assets - beginning				<u>1,513,068</u>	<u>10,173</u>	<u>1,523,241</u>
Net assets - ending				<u>\$ 1,729,086</u>	<u>\$ 1,992</u>	<u>\$ 1,731,078</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,324,810	\$ -	\$ 1,324,810
Accounts receivable:			
State	31,163	-	31,163
Federal	-	1,328	1,328
Interfund receivables	<u>36,841</u>	<u>8,614</u>	<u>45,455</u>
Total assets	<u>\$ 1,392,814</u>	<u>\$ 9,942</u>	<u>\$ 1,402,756</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Intergovernmental payables:			
State	48,148	4,801	52,949
Federal	-	-	-
Interfund payables	-	5,141	5,141
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>48,148</u>	<u>9,942</u>	<u>58,090</u>
Fund balances:			
Unassigned	<u>1,344,666</u>	<u>-</u>	<u>1,344,666</u>
	<u>1,344,666</u>	<u>-</u>	<u>1,344,666</u>
Total liabilities and fund balances	<u>\$ 1,392,814</u>	<u>\$ 9,942</u>	<u>\$ 1,402,756</u>

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

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

Cost of capital assets	\$ 725,165
Accumulated depreciation	<u>(340,745)</u>
	384,420
Net assets of governmental activities - A-1	<u>\$ 1,729,086</u>

See accompanying notes to financial statements.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Total
Revenues			
Local Sources:			
Local tax levy	\$ 321,038	\$ -	\$ 321,038
Miscellaneous	7,964	-	7,964
Total revenues -local sources	<u>329,002</u>	<u>-</u>	<u>329,002</u>
State sources	2,171,931		2,171,931
Federal sources	-	165,963	165,963
Reimbursed TPAF - Social Security (non-budgeted)	69,001	-	69,001
TPAF pension and post-retirement medical benefits on-behalf payments (non-budgeted)	114,835	-	114,835
Total revenues	<u>2,684,769</u>	<u>165,963</u>	<u>2,850,732</u>
Expenditures			
Current expense:			
Instruction:			
Salaries	931,794	133,023	1,064,817
Professional /technical service	27,179	2,728	29,907
Other purchased services	46,308	-	46,308
General educational supplies	68,630	3,607	72,237
Instructional text and books	8,336	-	8,336
Other instructional expenses	4,661	-	4,661
Administrative cost:			
Salaries	222,100	-	222,100
Total benefit costs	219,259	26,605	245,864
Professional /technical service	42,177	-	42,177
Other purchased services	77,993	-	77,993
Communications and Telephones	13,333	-	13,333
Supplies and materials	14,763	-	14,763
Judgments against charter school	-	-	-
Interest on current loans	-	-	-
Support services:			
Salaries	185,528	-	185,528
Purchased professional /technical service	49,185	-	49,185
Other purchased services	111,624	-	111,624
Rent on land and buildings	148,800	-	148,800
Insurance-fidelity, liability property	25,239	-	25,239
Supplies and materials	11,710	-	11,710
Transportation-other than to/from school	6,345	-	6,345
Utilities	36,116	-	36,116
Miscellaneous	-	-	-
Capital outlay:			
Instructional equipment	-	-	-
Non-instructional equipment	-	-	-
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	69,001	-	69,001
TPAF pension and post-retirement medical benefits on-behalf payments (non-budgeted)	114,835	-	114,835
Total expenditures	<u>2,434,916</u>	<u>165,963</u>	<u>2,600,879</u>
Excess of revenues over expenditures	249,853	-	249,853
Fund balances, July 1, 2011	<u>1,094,813</u>	<u>-</u>	<u>1,094,813</u>
Fund balances, June 30, 2012	<u>\$ 1,344,666</u>	<u>\$ -</u>	<u>\$ 1,344,666</u>

See accompanying notes to financial statements.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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

YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds (B-2) \$ 249,853

**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 depreciation expense exceeded capital outlays in the period.

Depreciation expense (33,835)

Change in net assets of governmental activities (A-2) \$ 216,018

See accompanying notes to financial statements.

PROPRIETARY FUNDS

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets

Current assets:

Cash and cash equivalents	\$ 347
Accounts receivable:	
Federal	21,303
State	<u>199</u>

Total Assets	<u>\$ 21,849</u>
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Liabilities

Current liabilities

Accounts payable	\$ 19,857
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Net assets

Unrestricted	<u>1,992</u>
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Total Liabilities and Net Assets	<u>\$ 21,849</u>
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See accompanying notes to financial statements.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2012

Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Miscellaneous revenue	-
Total Operating revenues	<u>-</u>
Operating expenses:	
Cost of sales	102,511
Total operating expenses	<u>102,511</u>
Operating income (loss)	<u>(102,511)</u>
Nonoperating revenues:	
State sources:	
State School Breakfast Program	-
State School Lunch Program	1,394
Federal sources:	
National School Lunch Program	80,860
National School Breakfast Program	12,076
Total nonoperating revenues	<u>94,330</u>
Change in net assets	(8,181)
Total net assets-beginning of year	<u>10,173</u>
Total net assets-end of year	<u>\$ 1,992</u>

See accompanying notes to financial statements.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

Cash flows from operating activities

Operating loss	\$ (102,511)
Adjustment to reconcile operating loss to net cash from operating activities	
Changes in assets and liabilities:	
Decrease in accounts receivable	319
Decrease in interfund payable	<u>18,424</u>
Net cash from operating activities	(83,768)

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	<u>94,330</u>
Net increase in cash and cash equivalents	10,562
Cash and cash equivalents, beginning	<u>(8,767)</u>
Cash and cash equivalents, ending	<u>\$ 1,795</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

Assets

Cash and cash equivalents	<u>\$ 42,928</u>
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Total assets	<u><u>\$ 42,928</u></u>
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Liabilities and Net Assets

Liabilities:

Payroll withholdings payable	\$ 22,471
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Interfund payables	<u>20,457</u>
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Total liabilities	<u>42,928</u>
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Net Assets

Restricted

Unemployment compensation	<u>-</u>
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Total net assets	<u>-</u>
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Total liabilities and net assets	<u><u>\$ 42,928</u></u>
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See accompanying notes to financial statements.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2012

Revenues:	
General fund appropriation	\$ -
Total revenues	<u>-</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>-</u>
Total expenditures	<u>-</u>
Excess of revenue over expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Greater Newark Charter School (the "Charter School") is presented to assist in understanding the Charter School's financial statements and notes, which represents the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. The Charter School is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was approved by the State Department of Education. A school director is appointed by the board and is responsible for the administrative control of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is in the degree of oversight responsibility maintained by the Charter School's management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The accompanying financial statements present the activities of the Charter School. Furthermore, the Charter School is not includable in any other reporting entity as a component unit.

B. Component Units

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation-Continued

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

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

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the financial statements include the following:

The financial statements include:

- i) A Management Discussion and Analysis (MD&A) section providing an analysis of the Charter School's overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School's activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

D. Basic Financial Statements

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Charter School-wide Financial Statements

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

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

Fund Financial Statements

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

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Governmental Funds

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

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separated question on the ballot either during the annual election or at a special election. As of June 30, 2012 there was no debt service fund.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds– Continued

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2012, there was no Debt Service Fund.

F. Proprietary Funds

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

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

Internal Service (Self-Insurance) Fund – The self-insurance fund is used to cover the self-insured limits of the various insurance policies for all funds. GNCS does not use self insurance fund.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Fiduciary Funds

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

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

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

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

H. Measurement Focus and Basis of Accounting

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting – Continued

Measurement Focus- continued

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

Basis of Accounting

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

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control

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

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

The accounting records of special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances –Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Deposits, Investments and Risk Disclosure

Cash and equivalents include petty cash, funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

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

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

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

Custodial credit risk is the risk that in the event of a bank failure, the Charter School’s deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution’s trust department but not in the Charter School’s name. The Charter School’s aggregate bank balances were not exposed to custodial credit risk at June 30, 2012.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Receivable and Payable

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.

L. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the 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.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Capital Assets – Continued

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	15-20
Vehicles	10
Office Equipment	5-10
Computer Equipment	5

M. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Fund Balance and Equity - continued

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Net Assets

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

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

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

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

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

O. Interfund Transactions

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

P. Use of Estimates

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. On-Behalf Payments

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

R. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 26, 2012.

NOTE 2 ACCOUNTING STANDARDS

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of GASB No. 54 are effective for financial statements for periods ending June 30, 2011; therefore they are introduced in this report for the first time. GASB No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications is detailed in Note 1Q, *Fund Balance and Equity*.

NOTE 3 Cash and Cash Equivalents

As of June 30, 2012, cash and cash equivalents consisted of the following:

	<u>General</u>	<u>Enterprise</u>	<u>Fiduciary</u>	<u>Total</u>
Operating Account	<u>\$ 1,324,810</u>	<u>\$ 347</u>	<u>\$ 42,928</u>	<u>\$ 1,368,085</u>

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 4 Receivables

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

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Intergovernmental	<u>\$ 31,163</u>	<u>\$ 1,328</u>	<u>\$ 21,502</u>	<u>\$ 53,993</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there were no deferred revenue reported in the governmental funds.

NOTE 5 Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Governmental Activities:				
Leasehold Improvements	\$ 526,400	\$ -	\$ -	\$ 526,400
Machinery and Equipment	198,764	-	-	198,764
Total Depreciable Cost	725,164	-	-	725,164
Accumulated Depreciation	306,909	33,835	-	340,744
Net Book Value	<u>\$ 418,255</u>	<u>\$ (33,835)</u>	<u>\$ -</u>	<u>\$ 384,420</u>

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 6 Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012 is as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Food Program</u>	<u>Agency Fund</u>	<u>Total</u>
Receivables	\$ 36,841	\$ 8,614	\$ -	\$ -	\$ 45,455
(Payables)	-	(5,141)	(19,857)	(20,457)	(45,455)
Net	<u>\$ 36,841</u>	<u>\$ 3,473</u>	<u>\$ (19,857)</u>	<u>\$ (20,457)</u>	<u>\$ -</u>

The above interfund accounts either funded cash overdrafts or originated from expenditures paid by one fund on behalf of another fund.

NOTE 7 Due to State Government

As of June 30, 2012, \$48,148 is payable to the New Jersey Department of Education due to adjustments in the average daily enrollment and other reimbursements to be made.

NOTE 8 Lease Commitment

On May 7, 2003, the Charter School entered into a five year lease agreement ending in June 30, 2008 with the St. Patrick Pro-Cathedral School Facility located at 72 Central Avenue, Newark, NJ 07102. The lease is renewable for another five years at the option of the Charter School.

The lease provides that the Charter School is responsible for capital improvements to the school facility of not less than \$1,000,000. These improvements shall be made over the first three years of the lease term. Majority of the work shall be performed in the first two years of the lease term.

For the year ended June 30, 2012, the total rent expense amounted to \$148,800 which includes \$600 for parking fees.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 Lease Commitment - Continued

Future minimum lease payments, should the Charter School opt to renew the agreement until 2018, are as follows:

2013	\$ 165,000
2014	225,000
2015	230,000
2016	235,000
2017	240,000
2018 and thereafter	<u>245,000</u>
	<u>\$ 1,340,000</u>

NOTE 9 Compensated Absences

The charter school accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter school employees are granted varying amounts of vacation and sick leave in accordance with the charter school's personnel policy. Upon termination, employees are paid for accrued vacation. The charter school's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the charter school for the unused sick leave in accordance with the charter school's agreement with the various employee unions. In the charter school wide Statement of Net Assets, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability of vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As if June 20, 2012, there is no compensated absences liability in the Food Service Fund.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 10 PENSIONS PLANS

A. Description of Plans

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

i. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1, 1995, 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. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

ii. Public Employees' Retirement System (PERS)

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 10 PENSIONS PLANS - CONTINUED

The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 10 PENSIONS PLANS - CONTINUED

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks.

C. Significant Legislation - Continued

Chapter 120, P.L 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service.

The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 10 PENSIONS PLANS – CONTINUED

D. Contribution Requirement

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

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$69,001 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the basic financial statements.

NOTE 11 POST- RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post retirement medical benefits.

The cost of these benefits is funded through contribution by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 12 RISK MANAGEMENT

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

A. Property and Liability Insurance

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

B. New Jersey Unemployment Compensation Insurance

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

NOTE 13 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2012, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 314,587	\$ -	\$ 314,587	321,038	\$ (6,451)
Miscellaneous	1,286	-	1,286	7,964	(6,678)
Total revenues -local sources	<u>315,873</u>	<u>-</u>	<u>315,873</u>	<u>329,002</u>	<u>(13,129)</u>
State sources:					
Core Curriculum Standards Aid	2,023,961	-	2,023,961	2,005,727	18,234
Special Education Aid	60,379	-	60,379	57,707	2,672
Categorical Security Aid	73,100	-	73,100	71,312	1,788
Consolidated Aid	37,185	-	37,185	37,185	-
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	69,001	(69,001)
TPAF pension and post-retirement medical benefits on-behalf payments (non-budgeted)	-	-	-	114,835	(114,835)
Total revenues	<u>2,510,498</u>	<u>-</u>	<u>2,510,498</u>	<u>2,684,769</u>	<u>(174,271)</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	941,279	-	941,279	888,410	52,869
Other salaries for instruction	79,793	-	79,793	43,384	36,409
Professional /Technical service	36,250	-	36,250	27,179	9,071
Other purchased services	26,000	21,000	47,000	46,308	692
General supplies	128,740	-	128,740	68,630	60,110
Textbooks	25,000	-	25,000	8,336	16,664
Miscellaneous expenses	6,000	-	6,000	4,661	1,339
Total current expense	<u>1,243,062</u>	<u>21,000</u>	<u>1,264,062</u>	<u>1,086,908</u>	<u>177,154</u>
Administrative cost:					
Salaries-administration	148,679	23,000	171,679	171,351	328
Salaries of secretarial/clerical assistants	75,698	(18,200)	57,498	50,749	6,749
Total benefit costs	356,945	(50,800)	306,145	219,259	86,886
Purchased professional /technical service	107,600	-	107,600	42,177	65,423
Other purchased services	66,272	12,000	78,272	77,993	279
Communications and Telephones	34,000	-	34,000	13,333	20,667
Supplies and materials	17,000	-	17,000	14,763	2,237
Judgments against charter school	-	-	-	-	-
Interest on current loans	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-
Total administrative cost	<u>806,194</u>	<u>(34,000)</u>	<u>772,194</u>	<u>589,625</u>	<u>182,569</u>
Support services:					
Salaries	185,547	-	185,547	185,528	19
Purchased professional /technical service	54,000	-	54,000	49,185	4,815
Other purchased services	103,100	9,000	112,100	111,624	476
Rent on land and buildings	145,000	4,000	149,000	148,800	200
Insurance-fidelity, liability property	30,000	-	30,000	25,239	4,761
Supplies and materials	25,000	-	25,000	11,710	13,290
Transportation-other than to/from school	13,000	-	13,000	6,345	6,655
Utilities	67,000	-	67,000	36,116	30,884
Miscellaneous	-	-	-	-	-
Total support services	<u>622,647</u>	<u>13,000</u>	<u>635,647</u>	<u>574,547</u>	<u>61,100</u>

continued

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	5,000	-	5,000	-	5,000
Purchase of land/improvements	500,000	-	500,000	-	500,000
Total capital outlay	<u>505,000</u>	<u>-</u>	<u>505,000</u>	<u>-</u>	<u>505,000</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	69,001	(69,001)
TPAF pension and post-retirement medical benefits on-behalf payments (non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,835</u>	<u>(114,835)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,836</u>	<u>(183,836)</u>
Total expenditures	<u>3,176,903</u>	<u>-</u>	<u>3,176,903</u>	<u>2,434,916</u>	<u>741,987</u>
Excess (deficiency) of revenues over expenditures	(666,405)	-	(666,405)	249,853	916,258
Fund balances, beginning	<u>1,094,813</u>	<u>-</u>	<u>1,094,813</u>	<u>1,094,813</u>	<u>-</u>
Fund balances, ending	<u>\$ 428,408</u>	<u>\$ -</u>	<u>\$ 428,408</u>	<u>\$ 1,344,666</u>	<u>\$ 916,258</u>

See independent auditors' report.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenues					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	165,963	-	165,963	165,963	-
Total revenues -all sources	<u>165,963</u>	<u>-</u>	<u>165,963</u>	<u>165,963</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	133,023	-	133,023	133,023	-
Other salaries for instruction	-	-	-	-	-
Purchased professional/technical services	2,728	-	2,728	2,728	-
Other purchased services	-	-	-	-	-
Instructional supplies	3,607	-	3,607	3,607	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>139,358</u>	<u>-</u>	<u>139,358</u>	<u>139,358</u>	<u>-</u>
Support services					
Salaries of supervisors of instruction	-	-	-	-	-
Salaries of secretarial/clerical asst.	-	-	-	-	-
Employee benefits	26,605	-	26,605	26,605	-
Purchased professional educational services	-	-	-	-	-
Travel	-	-	-	-	-
Rent	-	-	-	-	-
Other purchase services	-	-	-	-	-
Supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>26,605</u>	<u>-</u>	<u>26,605</u>	<u>26,605</u>	<u>-</u>
Capital Outlay:					
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>165,963</u>	<u>-</u>	<u>165,963</u>	<u>165,963</u>	<u>-</u>
Excess(Deficiency) of Revenues Over					
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2012

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 2,684,769	[C-2] \$ 165,963
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>2,684,769</u>	[B-2] <u>165,963</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 2,434,916	[C-2] 165,963
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 2,434,916</u>	[B-2] <u>\$ 165,963</u>

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

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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

YEAR ENDED JUNE 30, 2012

	Title I	Title II Part D	IDEA	Total
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	130,807	2,728	32,428	165,963
Total revenues -all sources	<u>130,807</u>	<u>2,728</u>	<u>32,428</u>	<u>165,963</u>
Expenditures				
Current Expenditures:				
Instruction:				
Salaries of teachers	106,000	-	27,023	133,023
Other salaries for instruction	-	-	-	-
Purchased Prof. and technical services	-	2,728	-	2,728
Other purchased services	-	-	-	-
Supplies and materials	3,607	-	-	3,607
Miscellaneous expenditures	-	-	-	-
Total instruction	<u>109,607</u>	<u>2,728</u>	<u>27,023</u>	<u>139,358</u>
Support services				
Salaries of supervisors of instruction	-	-	-	-
Salaries of secretarial/clerical asst.	-	-	-	-
Employee benefits	21,200	-	5,405	26,605
Purchased professional educational services	-	-	-	-
Travel	-	-	-	-
Rent	-	-	-	-
Other purchase services	-	-	-	-
Supplies	-	-	-	-
Miscellaneous expenditures	-	-	-	-
Total support services	<u>21,200</u>	<u>-</u>	<u>5,405</u>	<u>26,605</u>
Capital Outlay:				
Facilities acquisition and construction services:				
Instructional equipment	-	-	-	-
Noninstructional equipment	-	-	-	-
Construction services	-	-	-	-
Total facilities acquisition and construction services	-	-	-	-
Total expenditures	<u>\$ 130,807</u>	<u>\$ 2,728</u>	<u>\$ 32,428</u>	<u>\$ 165,963</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

At June 30, 2012, there was no capital project fund.

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 of the Charter School is that the costs of providing goods and services be financed through user charges. Food Service Fund - provides for the operation of food services for the Charter School.

EXHIBIT G-1

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2012

	FOOD SERVICE
Assets	
Current assets:	
Cash and cash equivalents	\$ 347
Accounts receivable:	
Federal	21,303
State	199
	<u>21,502</u>
Interfund receivable - General Fund	<u>-</u>
Total Assets	<u><u>\$ 21,849</u></u>
Liabilities	
Current liabilities -	
Interfund payable - General Fund	19,857
Net assets	
Unrestricted	<u>1,992</u>
Total Liabilities and Net Assets	<u><u>\$ 21,849</u></u>

See independent auditors' report.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

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

YEAR ENDED JUNE 30, 2012

	<u>FOOD SERVICE</u>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Food service vendor guarantee	-
Miscellaneous revenue	-
Total Operating revenues	<u>-</u>
Operating expenses:	
Cost of sales	102,511
Salaries	-
Employee benefits	-
Professional /Technical service	-
Supplies and materials	-
Depreciation	-
Miscellaneous	-
Total operating expenses	<u>102,511</u>
Operating income (loss)	<u>(102,511)</u>
Nonoperating revenues:	
State sources:	
State School Breakfast Program	-
State School Lunch Program	1,394
Federal sources:	
National School Lunch Program	80,860
National School Breakfast Program	12,076
Total nonoperating revenues	<u>94,330</u>
Changes in net assets	(8,181)
Total net assets, beginning of year	<u>10,173</u>
Total net assets, end of year	<u>\$ 1,992</u>

See independent auditors' report.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

	FOOD SERVICE
Cash flows from operating activities	
Operating loss	\$ (102,511)
Adjustment to reconcile operating loss to net cash from operating activities	
Changes in assets and liabilities:	
Increase in accounts receivable	319
Increase in interfund receivable	18,424
Net cash from operating activities	(83,768)
Cash flows from noncapital financing activities	
Cash received from state and federal reimbursements	94,330
Cash flows from investing activities	-
Net increase in cash and cash equivalents	10,562
Cash and cash equivalents, beginning	(8,767)
Cash and cash equivalents, ending	<u>\$ 1,795</u>

See independent auditors' report.

FIDUCIARY FUNDS

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

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

At June 30, 2012 there was no non-expandable trust fund utilized by the Charter School.

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

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

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	<u>New Jersey Unemployment Benefits</u>	<u>Agency Fund Payroll</u>	<u>Student Activity Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ -	\$ 116	\$ 42,812	\$ 42,928
Interfund receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 42,812</u>	<u>\$ 42,928</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 22,471	\$ 22,471
Payroll deductions and withholdings	-	-	-	-
Interfund payables	<u>-</u>	<u>116</u>	<u>20,341</u>	<u>20,457</u>
Total liabilities	<u>-</u>	<u>116</u>	<u>42,812</u>	<u>42,928</u>
Net Assets				
Restricted				
Unemployment compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 42,812</u>	<u>\$ 42,928</u>

See independent auditors' report.

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
(TRUST FUND)

YEAR ENDED JUNE 30, 2012

New Jersey
Unemployment Benefits

Revenues:	
General fund appropriation	\$ -
Employees' contributions	-
Total revenues	<u>-</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>-</u>
Total expenditures	<u>-</u>
Excess(deficiency) of revenue over expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

See independent auditors' report.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

STUDENT ACTIVITY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ 24,372	\$ 61,851	\$ 43,411	\$ 42,812
Interfund receivable	<u>-</u>	<u>7,674</u>	<u>7,674</u>	<u>-</u>
Total Assets	<u>\$ 24,372</u>	<u>\$ 69,525</u>	<u>\$ 51,085</u>	<u>\$ 42,812</u>
Liabilities				
Accounts payable	\$ 16,675	\$ 28,040	\$ 33,836	\$ 22,471
Interfund accounts payable	<u>7,697</u>	<u>7,697</u>	<u>20,341</u>	<u>20,341</u>
Total Liabilities	<u>\$ 24,372</u>	<u>\$ 35,737</u>	<u>\$ 54,177</u>	<u>\$ 42,812</u>

See independent auditors' report.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ -	\$ 1,481,051	\$ 1,480,935	\$ 116
Interfund receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 1,481,051</u>	<u>\$ 1,480,935</u>	<u>\$ 116</u>
Liabilities				
Payroll deductions and withholdings	\$ -	\$ 1,470,805	\$ 1,470,805	\$ -
Interfund accounts payable	<u>-</u>	<u>26,305</u>	<u>26,421</u>	<u>116</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 1,497,110</u>	<u>\$ 1,497,226</u>	<u>\$ 116</u>

See independent auditors' report.

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

STATISTICAL SECTION (Unaudited)

GASB requires that ten years of statistical data be presented. State law usually grants charters for less than 10 years. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included up to ten years.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

INTRODUCTION TO THE STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	71
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	77
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	79
Sources: <i>Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting charter-wide information include information beginning in that year.</i>	

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NET ASSETS BY COMPONENT

Last Nine Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities									
Invested in capital assets, net of related debt	\$ 384,420	\$ 418,255	\$ 453,892	\$ 476,654	\$ 490,765	\$ 515,723	\$ 557,330	\$ 596,999	\$ 531,340
Unrestricted	1,344,666	1,094,813	814,716	460,850	45,311	112,390	147,064	75,890	116,342
Total governmental activities net assets	<u>\$ 1,729,086</u>	<u>\$ 1,513,068</u>	<u>\$ 1,268,608</u>	<u>\$ 937,504</u>	<u>\$ 536,076</u>	<u>\$ 628,113</u>	<u>\$ 704,394</u>	<u>\$ 672,889</u>	<u>\$ 647,682</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	1,992	10,173	11,621	(8,857)	-	-	-	-	-
Total business-type activities net assets	<u>\$ 1,992</u>	<u>\$ 10,173</u>	<u>\$ 11,621</u>	<u>\$ (8,857)</u>	<u>\$ -</u>				
School-wide									
Invested in capital assets, net of related debt	\$ 384,420	\$ 418,255	\$ 453,892	\$ 476,654	\$ 490,765	\$ 515,723	\$ 557,330	\$ 596,999	\$ 531,340
Unrestricted	1,346,658	1,104,986	826,337	451,993	45,311	112,390	147,064	75,890	116,342
Total charter school net assets	<u>\$ 1,731,078</u>	<u>\$ 1,523,241</u>	<u>\$ 1,280,229</u>	<u>\$ 928,647</u>	<u>\$ 536,076</u>	<u>\$ 628,113</u>	<u>\$ 704,394</u>	<u>\$ 672,889</u>	<u>\$ 647,682</u>

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

CHANGES IN NET ASSETS

Last Nine Fiscal Years

(Accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses									
Governmental activities									
Instruction									
Regular	\$ 1,453,965	\$ 1,339,072	\$ 1,699,761	\$ 3,491,636	\$ 1,074,485	\$ 948,481	\$ 849,794	\$ 754,490	\$ 464,056
Special education	-	-	-	-	-	-	-	-	-
Other special education	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-
Support Services:									
Tuition	-	-	-	-	-	-	-	-	-
Student & instruction related services	465,420	492,845	391,736	872,987	552,034	519,123	458,516	355,102	433,090
General administration	417,859	361,214	341,601	1,490,751	-	525,276	417,645	424,309	238,688
School Administrative Services	-	-	-	-	441,014	-	-	-	-
Central Services	-	-	-	-	-	-	-	-	-
Administrative information technology	-	-	-	-	-	-	-	-	-
Plant Operations and Maintenance	148,800	144,850	128,600	324,104	-	216,300	229,000	301,980	151,000
Pupil transportation	-	-	-	-	-	-	-	-	-
Other support services	-	-	-	-	-	-	-	-	-
Special Schools	-	-	-	-	-	-	-	-	-
Charter Schools	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	-
Unallocated depreciation	33,835	35,637	42,513	17,458	24,957	41,607	55,077	64,659	38,051
Total governmental activities expenses	<u>2,519,879</u>	<u>2,373,618</u>	<u>2,604,211</u>	<u>6,196,936</u>	<u>2,092,490</u>	<u>2,250,787</u>	<u>2,010,032</u>	<u>1,900,540</u>	<u>1,324,885</u>
Business-type activities:									
Food service	102,511	95,196	102,406	119,941	86,358	92,512	62,342	50,927	48,596
Child Care	-	-	-	-	-	-	-	-	-
Total business-type activities expense	<u>102,511</u>	<u>95,196</u>	<u>102,406</u>	<u>119,941</u>	<u>86,358</u>	<u>92,512</u>	<u>62,342</u>	<u>50,927</u>	<u>48,596</u>
Total district expenses	<u>\$ 2,622,390</u>	<u>\$ 2,468,814</u>	<u>\$ 2,706,617</u>	<u>\$ 6,316,877</u>	<u>\$ 2,178,848</u>	<u>\$ 2,343,299</u>	<u>\$ 2,072,374</u>	<u>\$ 1,951,467</u>	<u>\$ 1,373,481</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation	-	-	-	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-	-	-	-
Operating grants and contributions	234,964	247,214	417,538	65,971	223,238	254,874	217,706	259,618	113,118
Capital grants and contributions	-	-	-	-	-	-	-	-	641,834
Total governmental activities program revenues	<u>234,964</u>	<u>247,214</u>	<u>417,538</u>	<u>65,971</u>	<u>223,238</u>	<u>254,874</u>	<u>217,706</u>	<u>259,618</u>	<u>754,952</u>
Business-type activities:									
Charges for services:									
Food service	-	-	-	-	-	-	-	-	-
Child care	-	-	-	-	-	-	-	-	-
Operating grants and contributions	94,330	93,748	122,884	111,084	86,358	92,512	62,342	50,927	48,596
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>94,330</u>	<u>93,748</u>	<u>122,884</u>	<u>111,084</u>	<u>86,358</u>	<u>92,512</u>	<u>62,342</u>	<u>50,927</u>	<u>48,596</u>
Total district program revenues	<u>\$ 329,294</u>	<u>\$ 340,962</u>	<u>\$ 540,422</u>	<u>\$ 177,055</u>	<u>\$ 309,596</u>	<u>\$ 347,386</u>	<u>\$ 280,048</u>	<u>\$ 310,545</u>	<u>\$ 803,548</u>
Net (Expense)/Revenue									
Governmental activities									
	\$ (2,284,915)	\$ (2,126,404)	\$ (2,186,673)	\$ (5,742,799)	\$ (1,869,252)	\$ (1,995,913)	\$ (1,792,326)	\$ (1,640,922)	\$ (569,933)
Business-type activities									
	(8,181)	(1,448)	20,478	32,460	-	-	-	-	-
Total district-wide net expense	<u>\$ (2,293,096)</u>	<u>\$ (2,127,852)</u>	<u>\$ (2,166,195)</u>	<u>\$ (5,710,339)</u>	<u>\$ (1,869,252)</u>	<u>\$ (1,995,913)</u>	<u>\$ (1,792,326)</u>	<u>\$ (1,640,922)</u>	<u>\$ (569,933)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 2,492,969	\$ 2,368,133	\$ 2,491,120	\$ 6,376,798	\$ 3,591,784	\$ 3,591,784	\$ 3,316,631	\$ 2,776,792	\$ 2,310,216
Taxes levied for debt service	-	-	-	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-	-	82,393	224,167
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-
Tuition Received	-	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-	-
Miscellaneous income	7,964	2,731	26,657	21,213	27,893	27,893	73,634	37,141	27,557
Transfers	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>2,500,933</u>	<u>2,370,864</u>	<u>2,517,777</u>	<u>6,398,011</u>	<u>3,619,677</u>	<u>3,619,677</u>	<u>3,390,265</u>	<u>2,896,326</u>	<u>2,561,940</u>
Business-type activities:									
Investment earnings	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 2,500,933</u>	<u>\$ 2,370,864</u>	<u>\$ 2,517,777</u>	<u>\$ 6,398,011</u>	<u>\$ 3,619,677</u>	<u>\$ 3,619,677</u>	<u>\$ 3,390,265</u>	<u>\$ 2,896,326</u>	<u>\$ 2,561,940</u>
Change in Net Assets									
Governmental activities									
	\$ 216,018	\$ 244,460	\$ 331,104	\$ 401,429	\$ (89,672)	\$ (78,639)	\$ 31,505	\$ 25,207	\$ 558,165
Business-type activities									
	(8,181)	(1,448)	20,478	(8,857)	-	-	-	-	-
Total district	<u>\$ 207,837</u>	<u>\$ 243,012</u>	<u>\$ 351,582</u>	<u>\$ 392,572</u>	<u>\$ (89,672)</u>	<u>\$ (78,639)</u>	<u>\$ 31,505</u>	<u>\$ 25,207</u>	<u>\$ 558,165</u>

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUNDS
Last Nine Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund									
Assigned	\$ -	\$ -	\$ 18,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	1,344,666	1,094,813	796,492	460,850	45,311	110,032	147,064	75,890	116,342
Total general fund	<u>\$1,344,666</u>	<u>\$1,094,813</u>	<u>\$ 814,716</u>	<u>\$ 460,850</u>	<u>\$ 45,311</u>	<u>\$ 110,032</u>	<u>\$ 147,064</u>	<u>\$ 75,890</u>	<u>\$ 116,342</u>
All Other Governmental Funds									
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned, reported in:									
Special revenue fund	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Nine Fiscal Years
(Unaudited)

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues									
Local Sources:									
Local tax levy	\$ 321,038	\$ 300,789	\$ 310,634	\$ 326,659	\$ 427,841	\$ 303,507	\$ 310,558	\$ 248,469	\$ 202,070
Miscellaneous	7,964	7,731	26,657	72,460	22,667	51,910	10,149	12,051	30,266
State sources	2,452,729	2,309,558	2,258,202	2,224,346	1,392,177	1,409,716	1,321,644	1,141,609	777,787
Total Revenues	2,781,731	2,618,078	2,595,493	2,623,465	1,842,685	1,765,133	1,642,351	1,402,129	1,010,123
Current expense									
Instruction									
Salaries	1,064,817	991,168	1,003,583	874,394	799,355	619,671	\$ 612,234	\$ 507,102	\$ 268,355
Professional /technical service	29,907	28,528	40,627	19,409	-	-	0	0	6,500
Other purchased services	46,308	17,133	16,462	33,674	-	-	0	0	25,460
General educational supplies	72,237	46,915	93,289	112,212	71,301	62,977	45,354	51,828	21,331
Instructional text and books	8,336	10,792	4,536	22,162	19,453	30,659	18,825	24,602	9,333
Other instructional expenses	4,661	-	15,099	17,817	19,983	22,191	8,399	836	7,837
Administrative cost:									
Salaries	222,100	225,238	187,693	202,948	162,620	256,801	195,413	208,356	120,634
Total benefit costs	245,864	268,579	319,197	256,144	238,681	217,012	153,609	157,134	100,175
Professional /Technical service	42,177	52,620	38,790	45,334	36,574	40,756	45,072	30,169	12,893
Other purchased services	77,993	19,465	16,290	32,394	24,872	23,260	23,960	16,365	6,508
Communications and Telephones	13,333	5,394	11,599	20,997	9,609	16,344	10,656	11,832	11,091
Supplies and materials	14,763	2,927	6,693	9,487	9,911	13,343	14,964	17,332	10,246
Judgments against charter school	-	-	-	-	-	-	-	-	-
Interest on current loans	-	-	-	26,874	7,500	1,948	1,708	1,521	2,762
Miscellaneous expenses	-	-	3,695	14,082	14,352	17,329	19,783	19,580	7,404
Support services:									
Salaries	185,528	183,636	109,088	136,151	145,923	120,275	86,379	61,291	55,660
Purchased Professional /Technical ser	49,185	39,870	26,730	31,162	70,599	123,165	79,873	8,000	8,069
Other purchased services	111,624	139,751	123,196	115,547	92,837	70,648	61,594	45,703	27,609
Rent on land and buildings	148,800	144,850	128,600	128,000	103,633	103,659	101,520	81,415	84,058
Insurance-fidelity, liability property	25,239	30,898	28,637	20,244	23,359	17,799	14,864	12,380	9,536
Supplies and materials	11,710	12,367	14,974	24,475	18,229	17,654	26,077	22,585	4,808
Transportation-other than to/from schor	6,345	2,570	7,375	-	-	-	-	-	-
Utilities	36,116	38,447	45,474	39,201	34,108	26,674	35,295	33,134	35,122
Miscellaneous	-	-	-	-	-	-	190	1,098	67,325
Capital outlay				25,218	4,500	-	15,408	130,319	12,079
TPAF - Social security	114,835	76,833	77,716	-	-	-	-	-	-
Total Expenditures	2,531,878	2,337,981	2,319,343	2,207,926	1,907,399	1,802,165	1,571,177	1,442,582	914,795
Excess (Deficiency) of Revenues									
Over Expenditures	249,853	280,097	276,150	415,539	(64,714)	(37,032)	71,174	(40,453)	95,328
Other financing sources(uses):									
Long term debt	-	-	-	-	-	-	-	-	-
Operating transfers in/(out)	-	-	-	-	-	-	-	-	-
Total other financing sources/(uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 249,853	\$ 280,097	\$ 276,150	\$ 415,539	\$ (64,714)	\$ (37,032)	\$ 71,174	\$ (40,453)	\$ 95,328
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.29%	0.29%	0.29%	0.11%	0.12%	0.31%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

GENERAL FUND-OTHER LOCAL REVENUE BY SOURCE

Last Nine Fiscal Years

(accrual basis of accounting)

Fiscal Year Ending June 30,	Donations	Miscellaneous Revenue	Annual Total
2012	\$ -	\$ 7,964	\$ 7,964
2011	-	2,731	2,731
2010	-	26,657	26,657
2009	1,291	71,169	72,460
2008	-	22,667	22,667
2007	-	51,910	51,910
2006	-	10,149	10,149
2005	-	12,051	12,051
2004	-	30,266	30,266

Source: Charter School Records and Prior Audit Reports

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2004	277,911	\$ 3,615,344,199	\$ 24,218	10.90%
2005	280,666	\$ 3,615,344,199	25,513	8.30%
2006	280,666	\$ 3,615,344,199	25,513	8.50%
2007	280,666	\$ 3,615,344,199	25,513	8.50%
2008	280,135	\$ 3,615,344,199	25,513	8.50%
2009	280,135	\$ 3,615,344,199	25,513	9.54%
2010	280,135	\$ 3,615,344,199	25,513	9.54%
2011	280,135	\$ 3,615,344,199	25,513	9.54%
2012	280,135	\$ 3,615,344,199	25,513	9.54%

Source:

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

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

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

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**PRINCIPAL EMPLOYERS
Current Year**

2012			
Employer	Employees	Rank [Optional]	Percentage of Total Municipal Employment
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airlines	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Newark Public Schools	7,846	7	5.60%
Prudential Insurance	4,492	8	3.21%
City of Newark	3,984	9	2.85%
Horizon Blue Cross & Blue Shield	3,900	10	2.79%
	<u>110,972</u>		<u>79.27%</u>

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Jersey-City-Economy.html>

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

UNAUDITED

Date established 2000/2001

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Full-time Employees:												
School Director	1	1	1	1	1	1	1	1	1	1	1	1
Teachers	16	16	15	12	12	12	12	11	7	7	3	3
Teacher Aides	-	-	-	-	-	-	-	-	-	-	-	2
Social Worker	1	1	1	1	1	1	1	1	1	1	1	1
Full / Part-Time Nurse	1	1	1	1	1	1	1	1	1	-	-	-
Administrative Employees	4	4	4	5	1	1	1	1	1	1	1	1
Total employees	<u>23</u>	<u>23</u>	<u>22</u>	<u>20</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>15</u>	<u>11</u>	<u>10</u>	<u>6</u>	<u>8</u>

Source: Charter school's records.

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

OPERATING STATISTICS

**Last Nine Fiscal Years
(Unaudited)**

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2012	180	\$ 2,600,879	\$ 14,449	6.35%	16	168	168	-1.18%	100.00%
2011	180	2,337,981	12,989	-4.40%	16	168	168	-1.18%	100.00%
2010	190	2,581,449	13,587	2.18%	15	170	162	-7.61%	95.29%
2009	184	2,446,678	13,297	12.80%	12	184	170	5.14%	92.39%
2008	175	2,063,032	11,789	1.15%	12	175	160	2.34%	91.43%
2007	171	1,992,880	11,654	17.35%	12	171	169	1.18%	98.83%
2006	169	1,678,435	9,932	-1.74%	12	169	163	14.19%	96.45%
2005	148	1,495,921	10,108	-0.10%	11	148	138	35.78%	93.24%
2004	109	1,102,809	10,118	0.00%	7	109	102	-0.90%	93.58%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Nine Fiscal Years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Charter School Building</u>									
Square Feet	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Capacity (students)	200	200	180	176	176	176	176	176	176
Enrollment	180	180	190	184	175	171	169	148	109

Source: Charter School's Records

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

JUNE 30, 2012

<u>COVERAGE</u>	<u>LIMITS</u>
Property Insurance:	
Business Personal Property-Replacement Cost	\$300,000
EDP Equipment and Media (Computers)	\$150,000
Environmental Package	\$1,000,000
Extra Expense	\$100,000
Valuable Papers	\$1,000,000
Deductibles Per Coverage:	\$1,000
General Liability (Occurrence):	
Aggregate	\$11,000,000
Products/Completed Operations Aggregate	\$11,000,000
Personal Injury and Advertising Injury	\$11,000,000
Each Occurrence	\$11,000,000
Abuse and Molestation-per person	\$11,000,000
Abuse and Molestation-aggregate/policy period	\$11,000,000
Fire Legal Liability (any one fire)	\$100,000
Medical Expense (any one person)	\$5,000
Crime and Bond:	
Bond-Board Treasurer of School Monies	\$129,000
Bond-Board Secretary	\$129,000
Faithful Performance	\$25,000
Deductible:	\$500
Money and Securities	\$5,000
Deductible:	\$500
Money Order/Counterfeit	\$5,000
Deductible:	\$500
Automobile:	
Each Occurrence	\$11,000,000
Combined single limit per occurrence for Bodily Injury and Property Damage for Hired/Non Owned Automobiles	
Student Accident:	
Basic/Sports K-8	\$5,000,000
Accidents and Injuries	
Workers Compensation:	
Workers Compensation Coverage A	Statutory for medical bills and lost wages
Workers Compensation Coverage B-Employers' Liability	\$1,000,000 Bodily injury by accident-each accident
	\$1,000,000 Bodily injury by disease-policy limit
	\$1,000,000 Bodily injury by disease-each employee
School Leaders E&O:	
School Leaders Errors and Omissions Liability	
Coverage A	\$6,000,000
Coverage B	\$100,000/\$300,000
Retention/Deductible	\$5,000

Source: Charter school's record.

SINGLE AUDIT SECTION

**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 President and
Members of the Board of Trustees
Greater Newark Charter School
County of Essex, New Jersey

We have audited the financial statements of Board of Trustees of the Greater Newark Charter School (the "Charter School"), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon, dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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 – CONTINUED

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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters involving internal control that we have reported to the Board of Trustees of the Charter School in a separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated November 26, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School Board of Trustees's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board of Trustees of the Greater Newark Charter School in the separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated November 26, 2012.

This report is intended for the information of the management, 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 those specified parties.



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS00239400

November 26, 2012

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

The Honorable President and
Members of the Board of Trustees
Greater Newark Charter School
Essex County, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the Greater Newark Charter School (the "Charter School") in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2012. The Charter School Board of Trustees major state programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Charter School Board of Trustees management. Our responsibility is to express an opinion on the Charter School Board of Trustees compliance based on our audit.

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

In our opinion, the Board of Trustees of the Charter School, in the County of Essex, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012.

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04 – CONTINUED

Internal Control Over Compliance

The management of the Board of Trustees of the Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School Board of Trustees internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey Circular 04-04 OMB. Accordingly, we do not express an opinion on the effectiveness of Charter School Board of Trustee's internal control over compliance.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal or state program on the timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state major program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended for the information of the audit committee, management, the 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.



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS00239400

November 26, 2012

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Grant No.	Grant Period	Award Amount	Balance at June 30, 2011		Adjustments	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
					Deferred Revenue (Accounts Receivable)	Due to Grantor								
U.S. Department of Education:														
Passed-through New Jersey State Department Education														
No Child Left Behind:														
Title 1-FY 2011-2012	84.010		9/1/11-8/31/12	\$ 130,807	\$ -	\$ -	\$ -	\$ -	\$ 130,807	\$ (130,807)	\$ -	\$ -	\$ -	\$ -
Title I - FY 2010-2011	84.010		9/1/10-8/31/11	126,685	(70,622)	-	-	-	70,622	-	-	-	-	-
Title I - FY 2009-2010	84.010		9/1/09-8/31/10	141,281	-	359	-	-	-	-	-	-	-	359
Title I - ARRA FY 2009-2010	84.389		7/1/09-8/31/11	76,731	-	3,837	-	-	-	-	-	-	-	3,837
Title II, Part A - FY 2011-2012	84.281		9/1/11-8/31/12	2,728	-	-	-	-	2,728	(2,728)	-	-	-	-
Title II, Part A - FY 2010-2011	84.281		9/1/10-8/31/11	4,278	(1,154)	-	-	-	1,154	-	-	-	-	-
IDEA - FY 2011-2012	84.027		9/1/11-8/31/12	32,428	-	-	-	-	32,428	(32,428)	-	-	-	-
IDEA - FY 2010-2011	84.027		9/1/10-8/31/11	34,143	(19,915)	-	-	-	19,915	-	-	-	-	-
IDEA - FY 2009-2010	84.027		9/1/09-8/31/10	34,508	(2,875)	-	-	-	1,547	-	(1,328)	-	-	-
IDEA - ARRA FY 2009-2010	84.391		7/1/09-8/31/11	55,654	-	605	-	-	-	-	-	-	-	605
Total U.S. Department of Education				<u>639,243</u>	<u>(94,566)</u>	<u>4,801</u>	<u>-</u>	<u>-</u>	<u>259,201</u>	<u>(165,963)</u>	<u>-</u>	<u>(1,328)</u>	<u>-</u>	<u>4,801</u>
U.S. Department of Agriculture														
Passed-through New Jersey State Department of Agriculture														
National School Breakfast Program	10.553		7/1/11-6/30/12	12,076	-	-	-	-	10,046	(12,076)	-	(2,030)	-	-
National School Breakfast Program	10.553		7/1/10-6/30/11	14,322	(1,102)	-	-	-	1,102	-	-	-	-	-
Total U.S. Department of Agriculture				<u>\$ 184,647</u>	<u>(7,526)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,159</u>	<u>(92,936)</u>	<u>-</u>	<u>(21,303)</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ (102,092)</u>	<u>\$ 4,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,360</u>	<u>\$ (258,899)</u>	<u>\$ -</u>	<u>\$ (22,631)</u>	<u>\$ -</u>	<u>\$ 4,801</u>

See notes to schedules of expenditures of federal awards and state financial assistance.

GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT K-4
Schedule B

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011			Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Adjustments							
New Jersey State Department of Education													
General Fund:													
Equalization Aic	12-495-034-5120-078	7/1/11-6/30/12	\$ 2,005,727	\$ -	\$ -	\$ -	\$ -	\$ 1,977,376	\$ (2,005,727)	\$ -	\$ (28,351)	\$ -	\$ -
Equalization Aic	11-495-034-5120-078	7/1/10-6/30/11	1,926,222	(56,578)	-	-	-	55,569	-	-	(1,009)	-	-
Equalization Aic	10-495-034-5120-078	7/1/09-6/30/10	1,939,406	(11,054)	-	-	-	9,251	-	-	(1,803)	-	-
Special Education Categorical Aic	12-495-034-5120-089	7/1/11-6/30/12	37,185	-	-	-	-	37,185	(37,185)	-	-	-	-
TPAF-Social Security	12-495-034-5095-006	7/1/11-6/30/12	69,001	-	-	-	-	104,525	(69,001)	-	-	-	35,524
TPAF-Social Security	11-495-034-5095-006	7/1/10-6/30/11	76,833	-	12,624	-	-	-	-	-	-	-	12,624
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	129,019	-	-	-	-	129,019	(129,019)	-	-	-	-
Total General Fund			<u>6,183,393</u>	<u>(67,632)</u>	<u>12,624</u>	<u>-</u>	<u>-</u>	<u>2,312,925</u>	<u>(2,240,932)</u>	<u>-</u>	<u>(31,163)</u>	<u>-</u>	<u>48,148</u>
Special Revenue Fund:													
None			-	-	-	-	-	-	-	-	-	-	-
Enterprise Fund:													
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	1,394	-	-	-	-	1,195	(1,394)	-	(199)	-	-
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	1,226	(94)	-	-	-	94	-	-	-	-	-
Total Enterprise Fund			<u>\$ 2,620</u>	<u>(94)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,289</u>	<u>(1,394)</u>	<u>-</u>	<u>(199)</u>	<u>-</u>	<u>-</u>
Total Expenditures of State Financial Assistance				<u>\$ (67,726)</u>	<u>\$ 12,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,314,214</u>	<u>\$ (2,242,326)</u>	<u>\$ -</u>	<u>\$ (31,362)</u>	<u>\$ -</u>	<u>\$ 48,148</u>

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

JUNE 30, 2012

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Greater Newark Charter School. The Charter School is defined in Note 1(A) to the Charter School's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of those 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 Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

**GREATER NEWARK CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS – Continued

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

The net adjustment to reconcile from the budgetary basis is \$0 for the general fund and \$0 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,240,932	\$ 2,240,932
Special Revenue Fund	165,963	-	165,963
Enterprise Fund	92,936	1,394	94,330
Total	<u>\$ 258,899</u>	<u>\$ 2,242,326</u>	<u>\$ 2,501,225</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

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statement Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? Yes None
reported

Significant deficiency (ies) identified not considered to be
material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

State Financial Assistance

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

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

Internal control over compliance:

Material weakness (es) identified? Yes No

Significant deficiency (ies) identified not considered to be
material weakness (es)? Yes No

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

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
12-495-034-5120-078	Equalization Aid

Auditee qualified as low-risk auditee? Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

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

NONE

**GREATER NEWARK CHARTER SCHOOL
(ESSEX COUNTY)**

EXHIBIT K-7

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

YEAR ENDED JUNE 30, 2012

NONE