

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012



John P. Holland
CHARTER SCHOOL

PREPARED BY

JOHN P. HOLLAND CHARTER SCHOOL
PASSAIC, NEW JERSEY

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

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John P. Holland

CHARTER SCHOOL

Christina Scano, Principal

Karen Milteer, School Business Administrator

Mike Almasri, Supervisor

December 3, 2012

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

Dear Commissioner Cerf:

We hereby submit the Comprehensive Annual Financial Report of John P. Holland Charter School (the "Charter School") for the period from inception through 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 basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the New Jersey Treasury OMB Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

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

1) REPORTING ENTITY AND ITS SERVICES - CONTINUED

The Charter School is being established as a high achieving based charter school in Paterson, New Jersey. During year one of operations (2011-2012), the Charter School was authorized to enroll up to 176 students for grades K-7. The Charter School completed the 2011-2012 fiscal year with an average daily enrollment of 168.6 students.

The Charter School is founded on the understanding that students have ownership and responsibility for their own educational processes and their future. Accordingly, our curriculum is established using effective, research-based educational practices, hands-on, Problem Based Service Learning adventures and grade appropriate core academic materials with a particular focus on the New Jersey Core Curriculum Content Standards. Our educational program is designed to meet the diverse needs of individual students, including "at risk" students, English Language Learners (ELL) and students with special needs.

2) ECONOMIC CONDITION AND OUTLOOK

Paterson, a once affluent and industrial city founded on the rich ideas of Alexander Hamilton and productive banks of the Passaic River, has become an economically disadvantaged shadow of its former self. Since 2000, Paterson has had a population growth of -1.76 percent. Compared to the rest of the country, Paterson's cost of living is 22.70% higher than the U.S. average. Recent job indicators revealed an increase of individuals in the workforce by 2.12%, compared to the previous year. However, the unemployment rate of 10.4% in Paterson is still higher compared to the national average of 8.4%.

It is a sad reality that many Paterson children are also unable to become gainfully employed.

The statistics show also that Paterson has the most students eligible for free/reduced lunch and the least number of students that graduate. Why did we choose Paterson? As you can see by the statistics, it is time for Paterson to be rejuvenated.

John P. Holland Charter School will address these needs of Paterson by producing classes of academically superior, morally and ethically mature, individuals ready to live in and lead Paterson in the future. It is time to change the statistics for the better. We will lead by example and raise the bar for all public education.

The founders of the John P. Holland Charter School envision a learning environment that will support and teach our students to use critical thinking as a way to effectively communicate with their own peers as well as others. By being well educated positive role models they will be able to assist Paterson in becoming a great city once again.

3) MAJOR INITIATIVES

In 2011-2012, the John P. Holland Charter School successfully opened its doors to 169 students. In line with the Charter School's academic goals, the following partnerships and projects were established:

- William Paterson University – Garden State partnership for teacher quality. The John P. Holland Charter School is considered a professional development school.
- City Green – The John P. Holland partnered with City Green to bring teacher training and develop teacher manuals.
- Turrell Fund – The John P. Holland piloted an afterschool program with funding received through the Turrell Fund. The Turrell Fund is a foundation that serves children and its principal interest lies in support of organizations that help youth, with special emphasis on the needy youngster.

The Charter School Board had reviewed and adopted the policy related to required Criminal History Review for Board members N.J.S.A 18A:12-1.

4) INTERNAL ACCOUNTING CONTROLS

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

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

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

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality.

Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the period ended June 30, 2012 is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2012.

6) ACCOUNTING SYSTEM AND REPORT

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

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School has met and will continue to meet its responsibility for sound financial management. The following schedules present a summary of the General Fund and Special Revenue Fund revenues and expenditures:

<u>Revenues</u>		<u>% to Total</u>
Local sources	\$ 216,776	9.0%
State sources	2,107,394	87.6%
Federal sources	80,677	3.4%
	<u>\$ 2,404,847</u>	100.0%
<u>Expenditures</u>		
Instruction	\$ 892,551	42.1%
Administrative	467,445	22.1%
Support	550,646	26.0%
Capital Outlay	131,327	6.2%
TPAF Social Security	64,372	3.0%
Transfer-Out - Food Service	12,849	0.6%
Total	<u>\$ 2,119,190</u>	100.0%

For the period ended June 30, 2012, total revenues exceeded expenditures by \$285,657.

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").

9) RISK MANAGEMENT

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

10) BUDGETARY CONCERNS AND FUND RAISING

The Charter School understands that it will face several concerns one of which is budgetary/ financial. These budgetary/ financial concerns will be alleviated by engaging in various forms of fund raising. In the ensuing year 2012-2013, the Board of Trustees has laid out a plan to raise more funds for the Charter School. It is expected that the success of the plan will go a long way in minimizing our cash flow and budgetary concerns in the future.

11) OTHER INFORMATION

Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of 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 Single Audit Act Amendment of 1996 and the related New Jersey OMB Circular Letter 04-04.

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

12) ACKNOWLEDGMENTS

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

Respectfully submitted,



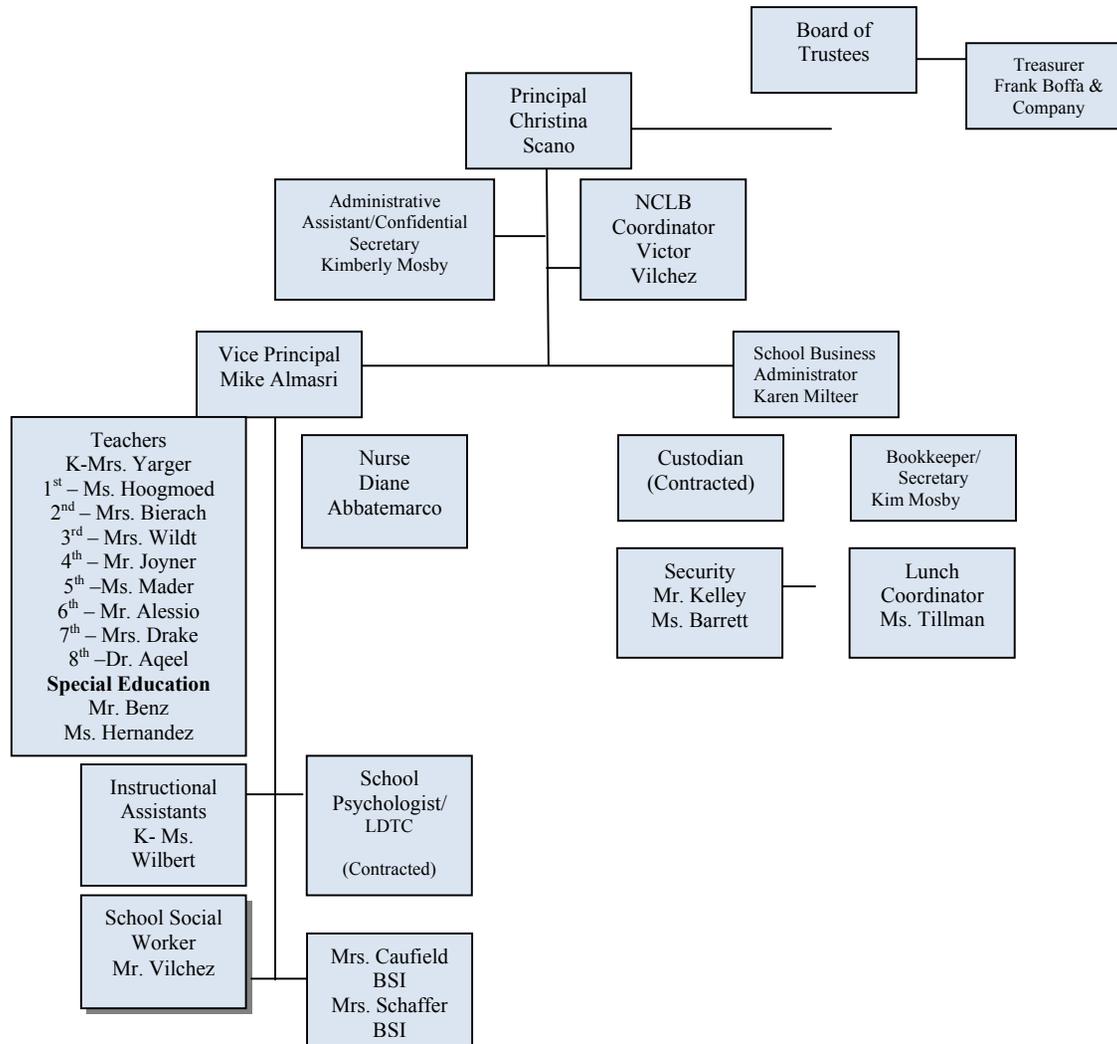
Christina Scano
Principal



Karen Milteer
School Business Administrator

JOHN P. HOLLAND CHARTER SCHOOL

ORGANIZATIONAL CHART



**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2012

Members of Board of Trustees

Voting:

LaRhonda Oliver	-	President
Michelle Petriello	-	Member
Vanessa Ramos	-	Member
Katie Caufield	-	Member
Mike Almasri	-	Member

Non-Voting:

Christina Scano	-	Principal
Karen Milteer	-	School Business Administrator
Kimberly Mosby	-	Administrative Secretary

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Koh LLP
71 W. Main Street, Suite 302
Freehold, NJ 07028

Attorneys

Carmine D. Campanile
Attorney-at-Law
28 Whippany Road, Suite B
Whippany, NJ 07981

Official Depositories

Valley National Bank
490 Chamberlain Avenue
Paterson, NJ 07522-1009

Official Newspaper

Star Ledger

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mrs. LaRhonda Oliver, President
Members of the Board of Trustees
The John P. Holland Charter School
Passaic County, 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 John P. Holland Charter School, in the County of Passaic, State of New Jersey (the "Charter School"), as of and for the period from inception through 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 John P. Holland Charter School Board of Trustees' 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 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, and the respective changes in financial position and cash flows, where applicable for the period 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 December 3, 2012, on our consideration of the Charter Schools 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 11 through 18 and Budgetary Comparison Information on pages 48 through 51 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 and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 statements 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 statements and individual fund financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

December 3, 2012
Freehold, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

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.

Introduction

This section of the John P. Holland 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, 2012; 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 the fiscal year 2012 are as follows:

- In total, net assets increased by \$376,087. Net assets of business-type activities for its food service operations had ended the period with net assets of \$13,286 after a transfer from the General Fund in the amount of \$12,849.
- General revenues accounted for \$2.28 million in revenues or 91% of total revenues of \$2.51 million. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$231,838 or 9% of total revenues.
- The Charter School had \$2.015 million in expenses related to governmental activities; \$149,796 of these expenses was offset by operating grants and contributions. General revenues (primarily Local Levy and State Aid) of \$2.24 million were adequate to provide for the balance of these programs.
- The General Fund reported fund balances at June 30, 2012, of \$285,657 all of which is unassigned.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 John P. Holland 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 John P. Holland Charter School, the General Fund is the most significant fund.

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

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

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

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

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.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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.

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

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.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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.

	Governmental Activities	Business Type Acvtivities	Total
Assets			
Current Assets	\$ 338,370	\$ 15,212	\$ 353,582
Capital Assets, net	90,430	-	90,430
Total Assets	<u>428,800</u>	<u>15,212</u>	<u>444,012</u>
Liabilities			
Current Liabilities	<u>52,713</u>	<u>1,926</u>	<u>54,639</u>
Net Assets			
Invested in Capital Assets (net of related debt)	90,430	-	90,430
Unrestricted	<u>285,657</u>	<u>13,286</u>	<u>298,943</u>
Total Net Assets	<u>\$ 376,087</u>	<u>\$ 13,286</u>	<u>\$ 389,373</u>

The total net assets of the Charter School have increased by \$389,373 during the current fiscal year. The majority of the increase is attributable to increase in current assets resulting from positive operation results at the end of its first year of operations.

The table that follows reflects the change in net assets for fiscal year 2012. In 2012, total revenues exceeded governmental and business-type activities expenditures by \$389,373, increasing the Charter School's net assets by the same amount at June 30, 2012.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues:			
Charge for Services	\$ -	\$ 1,062	\$ 1,062
Operating grants and Contributions	149,796	56,641	206,437
	<u>-</u>	<u>-</u>	<u>-</u>
Total Program Revenues	<u>149,796</u>	<u>57,703</u>	<u>207,499</u>
General Revenues:			
Local Aid	203,078	-	203,078
Federal and State Aid	2,043,022	-	2,043,022
Miscellaneous and transfers	(3,898)	37,188	33,290
	<u>2,242,202</u>	<u>37,188</u>	<u>2,279,390</u>
Total General Revenues	<u>2,242,202</u>	<u>37,188</u>	<u>2,279,390</u>
Total Revenues	<u>2,391,998</u>	<u>94,891</u>	<u>2,486,889</u>
Expenses:			
Instruction	997,211	-	997,211
Support Services:			
Administrative expenses	407,400	-	407,400
Other support services	543,943	-	543,943
Capital outlay	34,827	-	34,827
Unallocated Depreciation	32,530	-	32,530
Food Service	<u>-</u>	<u>81,605</u>	<u>81,605</u>
Total Expenses	<u>2,015,911</u>	<u>81,605</u>	<u>2,097,516</u>
Change in Net Assets	<u>\$ 376,087</u>	<u>\$ 13,286</u>	<u>\$ 389,373</u>

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.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	<u>Total Cost of Services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 997,211	\$ 110,522	\$ (886,689)
Support Services:			
Administrative expenses	407,400	23,245	(384,155)
Other support services	543,943	16,029	(527,914)
Capital outlay	34,827	-	(34,827)
Unallocated Depreciation	32,530	-	(32,530)
Total Expenses	<u>\$ 2,015,911</u>	<u>\$ 149,796</u>	<u>\$ (1,866,115)</u>

Business-Type Activity

The business-type activities of the Charter School are related to the food service operation. The food service operations had revenues of \$94,891 and operating expenses of \$81,605 for the period ended June 30, 2012. The food service operations' revenues and transfer of \$12,849 from the General Fund exceeded expenses. The Charter School will continue its effort to have food services self-operating without assistance from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources of \$2.4 million and expenditures and other financing uses of \$2.12 million.

General Fund Budgeting Highlights

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

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

For the General Fund, final budgeted revenues and other financing sources were \$2,387,864 which included a local tax levy of \$221,002. Expenditures and other financing uses were budgeted at \$2,386,980. The Charter School anticipated a surplus of \$884. Actual revenues and other financing sources were \$2,319,423 and expenditures were \$2,033,766.

The State of New Jersey reimbursed the Charter School \$64,372 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members. This unbudgeted amount is included in both revenues and expenditures.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Capital Assets

At the end of fiscal year 2012, the Charter School had \$90,430 invested in capital assets all in governmental activities. The table below reflects fiscal year 2012 balances:

	Governmental Activities	Business Type Activities	Total
Leasehold improvements	\$ 26,460	\$ -	\$ 26,460
Machinery & equipment	96,500	-	96,500
Less Accumulated Depreciation	(32,530)	-	(32,530)
Totals	<u>\$ 90,430</u>	<u>\$ -</u>	<u>\$ 90,430</u>

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts 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:

The John P. Holland Charter School
Business Office
190 Oliver Street
Paterson, NJ 07501

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

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

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, 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	\$ 254,940	\$ -	\$ 254,940
Accounts receivable	86,609	12,033	98,642
Interfund receivable (internal)	(3,179)	3,179	-
Total current assets	<u>338,370</u>	<u>15,212</u>	<u>353,582</u>
Capital assets:			
Machinery & equipment	122,960	-	122,960
Less: Accumulated depreciation	(32,530)	-	(32,530)
Net capital assets	<u>90,430</u>	<u>-</u>	<u>90,430</u>
Total assets	<u>\$ 428,800</u>	<u>\$ 15,212</u>	<u>\$ 444,012</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 20,110	\$ 1,926	\$ 22,036
Intergovernmental payables -			
State	31,350	-	31,350
Deferred revenue	1,253	-	1,253
Total current liabilities	<u>52,713</u>	<u>1,926</u>	<u>54,639</u>
Net assets			
Invested in capital assets, net of related debt	90,430	-	90,430
Unrestricted	285,657	13,286	298,943
Total net assets	<u>376,087</u>	<u>13,286</u>	<u>389,373</u>
Total liabilities and net assets	<u>\$ 428,800</u>	<u>\$ 15,212</u>	<u>\$ 444,012</u>

See accompanying notes to financial statements.

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM INCEPTION THROUGH 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	\$ 679,648	\$ -	\$ 43,498	\$ (636,150)	\$ -	\$ (636,150)
Allocated benefit costs	104,658	-	49,322	(55,336)	-	(55,336)
Professional /Technical service	5,995	-	-	(5,995)	-	(5,995)
Other purchased services	59,091	-	14,854	(44,237)	-	(44,237)
General educational supplies	55,439	-	2,848	(52,591)	-	(52,591)
Instructional text and books	90,856	-	-	(90,856)	-	(90,856)
Other instructional expenses	1,522	-	-	(1,522)	-	(1,522)
Administrative cost:						
Salaries	214,317	-	-	(214,317)	-	(214,317)
Allocated benefit costs	33,002	-	13,495	(19,507)	-	(19,507)
Professional /Technical service	58,140	-	9,750	(48,390)	-	(48,390)
Other purchased services	26,005	-	-	(26,005)	-	(26,005)
Communications and Telephones	17,654	-	-	(17,654)	-	(17,654)
Supplies and materials	48,236	-	-	(48,236)	-	(48,236)
Judgments against charter school	-	-	-	-	-	-
Interest on current loans	-	-	-	-	-	-
Miscellaneous expenses	10,046	-	-	(10,046)	-	(10,046)
Support services:						
Salaries	128,312	-	-	(128,312)	-	(128,312)
Allocated benefit costs	19,759	-	8,080	(11,679)	-	(11,679)
Purchased Professional /Technical service	63,461	-	-	(63,461)	-	(63,461)
Purchased Property services	49,569	-	-	(49,569)	-	(49,569)
Other purchased services	3,202	-	3,202	-	-	-
Rent on land and buildings	208,595	-	-	(208,595)	-	(208,595)
Insurance-fidelity, liability property	19,210	-	-	(19,210)	-	(19,210)
Supplies and materials	4,747	-	4,747	-	-	-
Transportation costs	3,501	-	-	(3,501)	-	(3,501)
Utilities	40,849	-	-	(40,849)	-	(40,849)
Miscellaneous	2,740	-	-	(2,740)	-	(2,740)
Capital outlay:						
Instructional equipment	34,827	-	-	(34,827)	-	(34,827)
Unallocated depreciation	32,530	-	-	(32,530)	-	(32,530)
Total governmental activities	2,015,911	-	149,796	(1,866,115)	-	(1,866,115)
Business-type activities:						
Food Service	81,605	1,062	56,641	-	(23,902)	(23,902)
Total primary government	\$ 2,097,516	\$ 1,062	\$ 206,437	\$ (1,866,115)	\$ (23,902)	\$ (1,890,017)
General revenues, transfers and special items:						
Local sources				\$ 203,078	-	\$ 203,078
State sources				2,043,022	-	2,043,022
Miscellaneous				8,951	24,339	33,290
Transfer				(12,849)	12,849	-
Total general revenues, transfers and special items				2,242,202	37,188	2,279,390
Changes in net assets				376,087	13,286	389,373
Net assets - beginning				-	-	-
Net assets - ending				\$ 376,087	\$ 13,286	\$ 389,373

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 254,940	\$ -	\$ 254,940
Accounts receivable:			
Local	36,393	-	36,393
State	2,928	-	2,928
Federal	8,671	37,477	46,148
Interfund receivables	72,752	-	72,752
Total assets	<u>\$ 375,684</u>	<u>\$ 37,477</u>	<u>\$ 413,161</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 20,110	\$ -	\$ 20,110
Accrued expenses	-	-	-
Intergovernmental payables:			
State	31,350	-	31,350
Federal	-	-	-
Interfund payables	38,567	36,224	74,791
Deferred revenue	-	1,253	1,253
Total liabilities	<u>90,027</u>	<u>37,477</u>	<u>127,504</u>
Fund balances:			
Unassigned	<u>285,657</u>	<u>-</u>	<u>285,657</u>
Total fund balances	<u>285,657</u>	<u>-</u>	<u>285,657</u>
Total liabilities and fund balances	<u>\$ 375,684</u>	<u>\$ 37,477</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.			
			\$ 122,960
			(32,530)
			<u>90,430</u>
Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			-
Net assets of governmental activities - A-1			<u>\$ 376,087</u>

See accompanying notes to financial statements.

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	General Fund	Special Revenue Fund	Total
Revenues			
Local Sources:			
Local tax levy	\$ 203,078	\$ -	\$ 203,078
Miscellaneous	8,951	4,747	13,698
Total revenues -local sources	212,029	4,747	216,776
State sources	2,043,022	-	2,043,022
Federal sources	-	80,677	80,677
TPAF-Social Security	64,372	-	64,372
Total revenues	2,319,423	85,424	2,404,847
Expenditures			
Current expense:			
Instruction:			
Salaries	636,150	43,498	679,648
Professional /Technical service	5,995	-	5,995
Other purchased services	44,237	14,854	59,091
General educational supplies	52,591	2,848	55,439
Instructional text and books	90,856	-	90,856
Other instructional expenses	1,522	-	1,522
Administrative cost:			
Salaries	214,317	-	214,317
Total benefit costs	86,522	6,525	93,047
Professional /Technical service	48,390	9,750	58,140
Other purchased services	26,005	-	26,005
Communications and Telephones	17,654	-	17,654
Supplies and materials	48,236	-	48,236
Judgments against charter school	-	-	-
Interest on current loans	-	-	-
Miscellaneous expenses	10,046	-	10,046
Support services:			
Salaries	128,312	-	128,312
Purchased Professional /Technical service	63,461	-	63,461
Purchased Property services	49,569	-	49,569
Other purchased services	-	3,202	3,202
Rent on land and buildings	208,595	-	208,595
Insurance-fidelity, liability property	19,210	-	19,210
Supplies and materials	26,460	4,747	31,207
Transportation (Field trips)	3,501	-	3,501
Utilities	40,849	-	40,849
Miscellaneous	2,740	-	2,740
Capital outlay:			
Instructional equipment	131,327	-	131,327
Non-instructional equipment	-	-	-
TPAF-Social Security	64,372	-	64,372
Total expenditures	2,020,917	85,424	2,106,341
Excess of revenues over expenditures	298,506	-	298,506
Other Financing Uses -			
Transfer out	(12,849)	-	(12,849)
Net change in fund balance	285,657	-	285,657
Fund balances, beginning	-	-	-
Fund balances, Ending	\$ 285,657	\$ -	\$ 285,657

See accompanying notes to financial statements.

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

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

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

Total net change in fund balances - governmental funds (B-2) \$ 285,657

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

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

Capital outlay	122,960
Depreciation expense	(32,530)
	<hr/>
	90,430
	<hr/>
Change in net assets of governmental activities (A-2)	\$ 376,087
	<hr/> <hr/>

See accompanying notes to financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets

Current assets:

Cash and cash equivalents	\$ -
Accounts receivables:	
Federal	11,324
State	709
	<u>12,033</u>

Interfund receivables - General Fund	<u>25,560</u>
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Total assets	<u><u>\$ 37,593</u></u>
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Liabilities

Current liabilities -

Interfund payable - General Fund	\$ 22,381
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Net assets

Unrestricted	<u>13,286</u>
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Total liabilities and net assets	<u><u>\$ 35,667</u></u>
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See accompanying notes to financial statements.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

Operating revenues:		
Charges for services:		
Daily sales - nonreimbursable programs	\$	1,062
Miscellaneous revenue		24,339
Total Operating revenues		<u>25,401</u>
Operating expenses:		
Cost of sales		59,683
Salaries		-
Employee benefits		-
Professional /Technical service		-
Supplies and materials		21,922
Depreciation		-
Miscellaneous		-
Total operating expenses		<u>81,605</u>
Operating loss		<u>(56,204)</u>
Nonoperating revenues:		
State sources:		
State School Lunch Program		3,423
Federal sources:		
National School Lunch Program		53,218
Total nonoperating revenues		<u>56,641</u>
Net operating loss before other financing source		437
Other financing source -		
Transfer in		<u>12,849</u>
Change in net assets		13,286
Total net assets-beginning of year		<u>-</u>
Total net assets-end of year	\$	<u>13,286</u>

See accompanying notes to financial statements.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

Cash flows from operating activities

Operating loss	\$ (56,204)
Adjustment to reconcile operating loss to net cash from operating activities	
Depreciation	-
Changes in assets and liabilities:	
Decrease in accounts receivable	(12,033)
Decrease in interfund receivable	-
Decrease in accounts payable	1,926
Increase in interfund payable	22,381
Net cash from operating activities	<u>(43,930)</u>

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	56,641
Transfer in from General Fund	12,849
	<u>69,490</u>

Cash flows from investing activities

	<u>-</u>
Net increase in cash and cash equivalents	25,560
Cash, beginning	-
Cash, ending	<u>\$ 25,560</u>

See accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

Assets

Cash and cash equivalents	\$ 1,547
Interfund receivables	<u>-</u>
Total assets	<u><u>\$ 1,547</u></u>

Liabilities and Net Assets

Liabilities:

Payroll withholdings payable	\$ -
Accounts payables	<u>407</u>
Total liabilities	<u>407</u>

Net Assets

Restricted	
Unemployment compensation	<u>-</u>
Total net assets	<u>-</u>
Total liabilities and net assets	<u><u>\$ 407</u></u>

See accompanying notes to financial statements.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

Revenues:		
General fund appropriation	\$	7,449
Employees' contributions		3,838
Total revenues		<u>11,287</u>
Expenditures -		
Payments to NJ Unemployment Compensation Fund		<u>3,838</u>
Excess of revenue overexpenditures		7,449
Fund balance, beginning		<u>-</u>
Fund balance, ending	\$	<u><u>7,449</u></u>

See accompanying notes to financial statements.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Charter School was incorporated in the State of New Jersey on January 26, 2011 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

B. Component Units

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

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation

The financial statements of the Charter School have been prepared in conformity with 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 of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management's 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 Charter School or government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

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

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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

E. Governmental Funds

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

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

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

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

F. Proprietary Funds

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

**JOHN P. HOLLAND CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

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

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. Charter School does not use self insurance fund.

G. Fiduciary Funds

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

Expendable Trust Funds - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account

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

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

JOHN P. HOLLAND CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Measurement Focus and Basis of Accounting

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

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

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined 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 fund revenues.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. 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.

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(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

J. Prepaid Expenses

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

Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Interfund Assets/Liabilities

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

L. Fixed Assets

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated lives</u>
Leasehold Improvements	2 years

**JOHN P. HOLLAND CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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. No compensated absences beyond one year are reported at June 30, 2011.

N. Deferred Revenue

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

O. Accrued Liabilities and Long-Term Obligations

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. 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.

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.

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(COUNTY OF PASSAIC, NEW JERSEY)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

P. **Fund Balance and Equity** – continued

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.

Q. **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.

R. **Contributed Capital**

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. 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.

T. 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.

U. 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.

V. 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 December 3, 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. 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. See Note 1Q, Fund Balance and Equity for definitions of the five new classifications.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS

As of June 30, 2012, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 254,940	\$ -	\$ 407	\$ 255,347

NOTE 4 CAPITAL ASSETS

As required under accounting standards discussed in Note 2, the Charter School performed a thorough review of the inventory records of all its fixed assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost have been used. The review of inventory records of all the Charter School's capital assets was completed during the fiscal year ended June 30, 2012, deletions, if any, have been accounted for in the Charter School's beginning balances; the table below illustrates the net of additions and deletions for the current year.

Capital assets activities for the year ended June 30, 2012 are as follows:

Governmental Activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets being depreciated:			
Machinery and equipment	\$ -	\$ 96,500	\$ 96,500
Leasehold improvements		26,460	26,460
Total		122,960	122,960
Less Accumulated depreciation	-	(32,530)	(32,530)
Capital assets net	-	90,430	90,430
<u>Business-Type Activities</u>			
Capital assets net		\$ 90,430	\$ 90,430

NOTE 5 LONG-TERM DEBTS

At June 30, 2012, the Charter School has no long term liabilities reported in the *Statement of Net Assets*.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NET ASSETS

As of June 30, 2012, governmental activities net assets consisted of the following components:

<u>INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT</u>	
Capital assets, net	\$ 90,430
Less: Long-Term obligations	-
(All long-term debt relates to capital assets)	<hr/>
<u>UNRESTRICTED</u>	
Net assets not restricted above	285,657
NET ASSETS	<u>\$ 376,087</u>

Business-type activities net assets did not have any capital assets or restrictions.

NOTE 7 PENSIONS PLANS

A. Description of Plans

All eligible employees of the Charter School are covered by either the Public Employees' 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.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS

A. Description of Plans – continued

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

ii. Public Employees' Retirement System (PERS)

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

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:15B 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 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. 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.

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$64,372 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 8 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 contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

NOTE 9 DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

NOTE 10 RISK MANAGEMENT

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 RISK MANAGEMENT - CONTINUED

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 (Schedule J-20).

B. New Jersey Unemployment Compensation

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

The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the State. The Charter School ending balance of the expendable trust fund for the current year is as follows:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-12	\$ 3,983	\$ 2,946	\$ 6,929	\$ -

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

At June 30, 2012, the interfund balances consisted of the following components:

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

	RECEIVABLE (PAYABLE)			
	General Fund	Special Revenue Fund	Enterprise Fund	Fiduciary Fund
General fund	\$ 72,752	\$ (36,224)	\$ (22,381)	\$ (1,140)
Special Revenue Fund	(36,224)	-	-	-
Enterprise Fund	25,560	-	-	-
Fiduciary Fund	-	-	-	-
Total	62,088	(36,224)	(22,381)	(1,140)
GASB No 34 mandated eliminations within governmental activities	(36,224)	36,224	-	-
Net interfund balances reported as follows: Entity-wide (eliminated in total column)	\$ 25,560	\$ -	\$ (22,381)	N/A
External(Due to Trust and Agency Fund)				\$ (1,140)

NOTE 12 CONCENTRATIONS AND CONTINGENCIES

Economic Dependency

The Charter School receives substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the Charter School's programs and activities.

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

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 266,002	\$ (45,000)	\$ 221,002	203,078	\$ (17,924)
Miscellaneous	-	-	-	8,951	8,951
Total revenues -local sources	266,002	(45,000)	221,002	212,029	(8,973)
State sources	1,106,490	996,000	2,102,490	2,043,022	(59,468)
TPAF-Social Security	-	64,372	64,372	64,372	-
Total revenues	1,372,492	1,015,372	2,387,864	2,319,423	(68,441)
Expenditures					
Current expense:					
Instruction					
Salaries	411,000	478,678	889,678	636,150	253,528
Professional /Technical service	35,000	(20,000)	15,000	5,995	9,005
Other purchased services	3,000	41,300	44,300	44,237	63
General educational supplies	24,000	28,623	52,623	52,591	32
Instructional text and books	100,152	(9,059)	91,093	90,856	237
Other instructional expenses	25,000	(10,000)	15,000	1,522	13,478
Total current expense	598,152	509,542	1,107,694	831,351	276,343
Administrative cost:					
Salaries	152,000	62,382	214,382	214,317	65
Total benefit costs	141,942	23,930	165,872	86,522	79,350
Professional /Technical service	56,000	(5,195)	50,805	48,390	2,415
Other purchased services	19,000	7,100	26,100	26,005	95
Communications and Telephones	16,000	1,700	17,700	17,654	46
Supplies and materials	14,400	34,900	49,300	48,236	1,064
Judgments against charter school	-	-	-	-	-
Interest on current loans	8,438	-	8,438	-	8,438
Miscellaneous expenses	2,000	8,113	10,113	10,046	67
Total administrative cost	409,780	132,930	542,710	451,170	91,540
Support services:					
Salaries	113,360	35,302	148,662	128,312	20,350
Purchased Professional /Technical service	20,700	42,800	63,500	63,461	39
Purchased Property services	-	-	-	49,569	-
Other purchased services	2,400	-	2,400	-	2,400
Rent on land and buildings	156,000	56,008	212,008	208,595	3,413
Insurance-fidelity, liability property	17,776	1,500	19,276	19,210	66
Supplies and materials	5,000	21,500	26,500	26,460	40
Transportation-other than to/from school	8,000	(4,450)	3,550	3,501	49
Utilities	26,000	14,900	40,900	40,849	51
Miscellaneous	9,100	(6,350)	2,750	2,740	10
Total support services	358,336	161,210	519,546	542,697	26,418

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Instructional equipment	-	131,434	131,434	131,327	107
Non-instructional equipment	-	-	-	-	-
Purchase of Land/Improvements	6,224	-	6,224	-	6,224
Total capital outlay	<u>6,224</u>	<u>131,434</u>	<u>137,658</u>	<u>131,327</u>	<u>6,331</u>
TPAF-Social Security	-	64,372	64,372	64,372	-
Total expenditures	<u>1,372,492</u>	<u>999,488</u>	<u>2,371,980</u>	<u>2,020,917</u>	<u>400,632</u>
Excess (deficiency) of revenues over expenditures	-	15,884	15,884	298,506	282,622
Other Financing Uses -					
Transfer out	-	(15,000)	(15,000)	(12,849)	(2,151)
Net change in fund balance	-	884	884	285,657	282,622
Fund balances, beginning	-	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ 884</u>	<u>\$ 884</u>	<u>\$ 285,657</u>	<u>\$ 282,622</u>

See independent auditors' report.

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
Revenues					
Local sources	\$ 6,000	\$ -	\$ 6,000	\$ 4,747	\$ 1,253
State sources	-	-	-	-	-
Federal sources	106,905	(9,191)	97,714	80,677	17,037
Total revenues -all sources	<u>112,905</u>	<u>(9,191)</u>	<u>103,714</u>	<u>85,424</u>	<u>18,290</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	25,000	-	45,000	43,498	1,502
Other salaries for instruction	-	-	-	-	-
Purchased Prof. and technical services	30,000	20,000	-	-	-
Other purchased services	151	-	14,989	14,854	135
Instructional supplies	31,921	(23,000)	8,921	2,848	6,073
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>87,072</u>	<u>(3,000)</u>	<u>68,910</u>	<u>61,200</u>	<u>7,710</u>
Support services					
Salaries of supervisors of instruction	4,556	23,000	27,556	-	27,556
Salaries of secretarial/clerical asst.	-	-	-	-	-
Employee benefits	3,000	2,100	9,000	6,525	2,475
Purchased professional educational services	5,389	41,876	17,265	9,750	7,515
Travel	400	199	99	-	99
Rent	-	-	-	-	-
Other purchase services	3,086	4,824	7,910	3,202	4,708
Supplies	9,402	1,701	11,103	4,747	6,356
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>25,833</u>	<u>73,700</u>	<u>72,933</u>	<u>24,224</u>	<u>48,709</u>
Capital Outlay					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 112,905</u>	<u>\$ 70,700</u>	<u>\$ 141,843</u>	<u>\$ 85,424</u>	<u>\$ 56,419</u>

See independent auditors' report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE PERIOD FROM INCEPTION THROUGH 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] \$ 2,319,423	[C-2] \$ 85,424
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.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>2,319,423</u>	[B-2] <u>85,424</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 2,020,917	[C-2] 85,424
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	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental fur	[B-2] <u>\$ 2,020,917</u>	[B-2] <u>\$ 85,424</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
DETAIL STATEMENTS**

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	Title I	IDEA	Turrell Fund	Total
Revenues				
Local	\$ -	\$ -	\$ 4,747	\$ 4,747
State	-	-	-	-
Federal	51,324	29,353	-	80,677
Total revenues -all sources	<u>51,324</u>	<u>29,353</u>	<u>4,747</u>	<u>85,424</u>
Expenditures				
Current Expenditures:				
Instruction:				
Salaries of teachers	28,999	14,499	-	43,498
Other salaries for instruction	-	-	-	-
Purchased Prof. and technical services	-	-	-	-
Other purchased services	-	14,854	-	14,854
Supplies and materials	2,848	-	-	2,848
Miscellaneous expenditures	-	-	-	-
Total instruction	<u>31,847</u>	<u>29,353</u>	<u>-</u>	<u>61,200</u>
Support services				
Salaries of supervisors of instruction	-	-	-	-
Salaries of secretarial/clerical asst.	-	-	-	-
Employee benefits	6,525	-	-	6,525
Purchased professional educational services	9,750	-	-	9,750
Rent	-	-	-	-
Other purchase services	3,202	-	-	3,202
Supplies	-	-	4,747	4,747
Miscellaneous expenditures	-	-	-	-
Total support services	<u>19,477</u>	<u>-</u>	<u>4,747</u>	<u>24,224</u>
Capital Outlay	-	-	-	-
Total expenditures	<u>\$ 51,324</u>	<u>\$ 29,353</u>	<u>\$ 4,747</u>	<u>\$ 85,424</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.

ENTERPRISE FUNDS DETAIL STATEMENTS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

EXHIBIT G-1

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

ENTERPRISE FUND

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2012

	FOOD SERVICE
	<u> </u>
Assets	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable:	
Federal	11,324
State	709
Miscellaneous	-
	<u>12,033</u>
Interfund receivable - General Fund	<u>25,560</u>
Total Assets	<u><u>\$ 37,593</u></u>
Liabilities	
Current liabilities	
Accounts payable	1,926
Interfund payable - General Fund	22,381
Total current liabilities	<u>24,307</u>
Net assets	
Unrestricted	<u>13,286</u>
Total Liabilities and Net Assets	<u><u>\$ 37,593</u></u>

See independent auditors' report.

EXHIBIT G-2

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

ENTERPRISE FUND

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

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	<u>FOOD SERVICE</u>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ 1,062
Miscellaneous revenue	24,339
Total Operating revenues	<u>25,401</u>
Operating expenses:	
Cost of sales	59,683
Salaries	-
Employee benefits	-
Professional /Technical service	-
Supplies and materials	21,922
Depreciation	-
Miscellaneous	-
Total operating expenses	<u>81,605</u>
Operating loss	<u>(56,204)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	3,423
Federal sources:	
National School Lunch Program	53,218
Total nonoperating revenues	<u>56,641</u>
Net operating loss before other financing source	437
Other financing source -	
Transfer in	12,849
Change in net assets	13,286
Total net assets, beginning of year	<u>-</u>
Total net assets, end of year	<u>\$ 13,286</u>

See independent auditors' report.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	FOOD SERVICE
	<u> </u>
Cash flows from operating activities	
Operating loss	\$ (56,204)
Adjustment to reconcile operating loss to net cash from operating activities	
Depreciation	-
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(12,033)
Increase in accounts payable	1,926
Increase (decrease) in interfund payable	22,381
Net cash from operating activities	<u>(43,930)</u>
Cash flows from noncapital financing activities	
Cash received from state and federal reimbursements	56,641
Transfer in from General Fund	12,849
	<u>69,490</u>
Cash flows from investing activities	<u>-</u>
Net decrease in cash	25,560
Cash, beginning	<u>-</u>
Cash, ending	<u><u>\$ 25,560</u></u>

See independent auditors' report.

FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

At June 30, 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.

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	<u>New Jersey Unemployment Benefits</u>	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ -	\$ 407	\$ 1,140	\$ 1,547
Accounts receivables	-	-	-	-
Interfund receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 407</u>	<u>\$ 1,140</u>	<u>\$ 1,547</u>
Liabilities and fund balances				
Liabilities:				
Payroll and withholdings payable	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	1,140	1,140
Accounts payable	-	407	-	407
Total liabilities	<u>-</u>	<u>407</u>	<u>1,140</u>	<u>1,547</u>
Net Assets				
Restricted				
Unemployment compensation	-	-	-	-
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 407</u>	<u>\$ 1,140</u>	<u>\$ 1,547</u>

See independent auditors' report.

EXHIBIT H-2

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

FIDUCIARY FUNDS

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

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

New Jersey
Unemployment Benefits

Revenues:	
General fund appropriation	\$ 7,449
Employees' contributions	3,838
Total revenues	<u>11,287</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>3,838</u>
Total expenditures	<u>3,838</u>
Excess(deficiency) of revenue over expenditures	7,449
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u>\$ 7,449</u>

See independent auditors' report.

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	<u>Balance At Inception</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ -	\$ 2,813	\$ 2,406	\$ 407
Liabilities				
Accounts Payable	\$ -	\$ 2,813	\$ 2,406	\$ 407

See independent auditors' report.

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

	<u>Balance At Inception</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ -	\$ 1,879,479	\$ 1,878,339	\$ 1,140
Liabilities				
Interfund payable	\$ -	\$ 1,879,479	\$ 1,878,339	\$ 1,140

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)

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, 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.	61
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.	N/A
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.	68

Note

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. Fiscal Year 2012 is the first year of operation for the Charter School.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

NET ASSETS BY COMPONENT

Fiscal Year Ending June 30,
(accrual basis of accounting)

	<u>2012</u>
Governmental activities	
Invested in capital assets, net of related debt	\$ 90,430
Restricted	-
Unrestricted	285,657
Total governmental activities net assets	<u>\$ 376,087</u>
Business-type activities	
Invested in capital assets, net of related debt	\$ -
Restricted	-
Unrestricted	13,286
Total business-type activities net assets	<u>\$ 13,286</u>
School-wide	
Invested in capital assets, net of related debt	\$ 90,430
Restricted	-
Unrestricted	298,943
Total charter school net assets	<u>\$ 389,373</u>

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

CHANGES IN NET ASSETS
Fiscal Year Ending June 30,
(Accrual basis of accounting)

	<u>2012</u>
Expenses	
Governmental activities	
Instruction	
Regular	\$ 997,209
Special education	-
Other special education	-
Vocational	-
Other instruction	-
Nonpublic school programs	-
Adult/continuing education programs	-
Support Services:	
Tuition	-
Student & instruction related services	335,350
General administration	407,400
School Administrative Services	-
Central Services	-
Administrative information technology	-
Plant Operations and Maintenance	208,595
Pupil transportation	-
Other support services	34,827
Special Schools	-
Charter Schools	-
Interest on long-term debt	-
Unallocated depreciation	32,530
Total governmental activities expenses	<u>2,015,911</u>
Business-type activities:	
Food service	81,605
Child Care	-
Total business-type activities expense	<u>81,605</u>
Total charter high school expenses	<u>\$ 2,097,516</u>

Program Revenues

Governmental activities:
 Charges for services:

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

CHANGES IN NET ASSETS
Fiscal Year Ending June 30,
(Accrual basis of accounting)

	<u>2012</u>
Instruction (tuition)	\$ -
Pupil transportation	-
Central and other support services	-
Operating grants and contributions	149,796
Capital grants and contributions	-
Total governmental activities program revenues	<u>149,796</u>
Business-type activities:	
Charges for services	
Food service	1,062
Child care	-
Operating grants and contributions	56,641
Capital grants and contributions	-
Total business type activities program revenues	<u>57,703</u>
Total district program revenues	<u>\$ 207,499</u>
Net (Expense)/Revenue	
Governmental activities	\$ (1,866,115)
Business-type activities	(23,902)
Total school-wide net expense	<u>\$ (1,890,017)</u>
General Revenues and Other Changes in Net Assets	
Governmental activities:	
Property taxes levied for general purposes, net	\$ 2,246,100
Taxes levied for debt service	-
Grants and contributions	-
Payments in lieu of taxes	-
Tuition Received	-
Investment earnings	-
Miscellaneous income	8,951
Transfers	(12,849)
Total governmental activities	<u>2,242,202</u>
Business-type activities:	
Investment earnings	-
Miscellaneous and Transfers	37,188
Total business-type activities	<u>37,188</u>

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

CHANGES IN NET ASSETS
Fiscal Year Ending June 30,
(Accrual basis of accounting)

	<u>2012</u>
Total district-wide	<u>\$ 2,279,390</u>
Change in Net Assets	
Governmental activities	\$ 376,087
Business-type activities	13,286
Total district	<u>\$ 389,373</u>

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUNDS
Fiscal Year Ending June 30,
(Modified accrual basis of accounting)

	<u>2012</u>
General Fund	
Assigned	\$ -
Unassigned	285,657
Total general fund	<u>\$ 285,657</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>

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Fiscal Year Ending June 30,
(Unaudited)**

Function	2012
Revenues	
Local Sources:	
Local tax levy	\$ 203,078
Miscellaneous	13,698
State sources	2,107,394
Federal sources	80,677
Total Revenues	<u>2,404,847</u>
Current expense	
Instruction	
Salaries	679,648
Professional /Technical service	5,995
Other purchased services	59,091
General educational supplies	55,439
Instructional text and books	90,856
Other instructional expenses	1,522
Administrative cost:	
Salaries	214,317
Total benefit costs	93,047
Professional /Technical service	58,140
Purchased Property services	49,569
Other purchased services	26,005
Communications and Telephones	17,654
Supplies and materials	48,236
Judgments against charter school	-
Interest on current loans	-
Miscellaneous expenses	10,046
Support services:	
Salaries	128,312
Purchased Professional /Technical service	63,461
Other purchased services	3,202
Rent on land and buildings	208,595
Insurance-fidelity, liability property	19,210
Transportation (Field trips)	3,501
Supplies and materials	31,207

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Fiscal Year Ending June 30,
(Unaudited)

Function	2012
Utilities	40,849
Miscellaneous	2,740
Capital outlay	131,327
TPAF - Social Security	64,372
Total Expenditures	<u>2,106,341</u>
Excess (Deficiency) of Revenues Over Expenditures	298,506
Other financing sources(uses):	
Long term debt	-
Operating transfers in/(out)	(12,849)
Total other financing sources/(uses)	<u>(12,849)</u>
Net change in fund balances	<u>\$ 285,657</u>
Debt service as a percentage of noncapital expenditures	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Fiscal Year Ending June 30,**

<u>Function/Program</u>	<u>2012</u>
Instruction	
Regular	8.0
Special education	1.0
Other special education	
Vocational	
Other instruction	4.0
Nonpublic school programs	
Adult/continuing education programs	
Support Services:	
Student & instruction related services	2.2
General administration	2.0
School administrative services	
Other administrative services	1.5
Central services	
Administrative Information Technology	0.6
Plant operations and maintenance	-
Pupil transportation	
Other support services - security	1.5
Special Schools	
Food Service	0.4
Child Care	
Total	<u>21.2</u>

Source: Charter School's personnel records

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

OPERATING STATISTICS

Fiscal Year Ending June 30,
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elem				
2012	169.0	\$ 1,987,863	\$ 11,763	N/A	11.20	11:1	90.6	89	N/A	98.00%

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).

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Fiscal Year Ending June 30,**

2012

190 Oliver Street
Paterson, NJ

Square Feet	10,000
Capacity (students)	180
Enrollment	169

Source: Charter School's Records

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2012
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
Property:		
Building and Contents	\$ 250,000	\$ 1,000
Electronic Data Processing	75,000	1,000
Boiler & Machinery	Included	
Crime Coverage:		
Blanket Faithful Performance	25,000	
Bond Board Secretary	100,000	
Bond Board Treasurer	100,000	
Comprehensive General Liability	3,000,000	
Automobile	1,000,000	
Supplemental Indemnity	Statutory	7-day waiting period
School Leaders Errors & Omissions:		
Coverage A	1,000,000	
Coverage B	1,000,000	
Coverage B - Annual Aggregate	1,000,000	5,000
Workers Compensation	1,000,000	
Directors and Officers Liability	1,000,000	5,000
Student Accident Liability	25,000	

Source: Charter School's Records

SINGLE AUDIT SECTION



EXHIBIT K-1

**INDEPENDENT AUDITOR'S 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**

Ms. LaRhonda Oliver, President
Members of the Board of Trustees
The John P. Holland Charter School
Passaic County, 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 John P. Holland Charter School (the "Charter School"), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School Board of Trustees' basic financial statements as listed in the table of contents, and have issued our report thereon, dated December 3, 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School Board of Trustees' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

REPORT ON 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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School Board of Trustees' 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 John P. Holland Charter School in the County of Passaic, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated December 3, 2012.

The management's response to the finding identified in our audit as described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the Charter School's financial statements and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of John P. Holland 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. 20CS002239400

December 3, 2012
Freehold, New Jersey

**INDEPENDENT AUDITOR'S 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 LETTER CIRCULAR 04-04**

Ms. LaRhonda Oliver, President
Members of the Board of Trustees
The John P. Holland Charter School
Passaic County, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the John P. Holland Charter School (the "Charter School") in the County of Passaic, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012. The Charter School Board of Trustees major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Charter School's 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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey and New Jersey OMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Letter Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

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 LETTER CIRCULAR 04-04 – CONTINUED

In our opinion, the John P. Holland Charter School Board of Trustees, in the County of Passaic, 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 federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Charter School Board of Trustees is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to its 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 its major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter School Board of Trustees' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material 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 and use of the management of John P. Holland Charter School, Board of Trustees, the New Jersey 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. 20CS002239400

December 3, 2012

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Grant No.	Grant Period	Award Amount	Balance at Inception	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
U.S. Department of Education:												
Passed-through New Jersey State Department Education												
No Child Left Behind:												
Title I Part A - Grants to Local Educational Agencies	84.010		9/1/11-8/31/12	\$ 64,040	\$ -	\$ -	\$ 25,200	\$ (51,324)	\$ -	\$ (26,124)	\$ -	\$ -
Title II, Part A - Improving Teacher Quality State Grants	84.281		9/1/11-8/31/12	3,191	-	-	-	-	-	-	-	-
Individuals with Disabilities - State Grant	84.027		9/1/11-8/31/12	33,674	-	-	18,000	(29,353)	-	(11,353)	-	-
Total U.S. Department of Education				<u>\$ 100,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,200</u>	<u>\$ (80,677)</u>	<u>\$ -</u>	<u>\$ (37,477)</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Department of Agriculture												
Passed-through New Jersey State Department of Agriculture												
National School Lunch Program	10.555		7/1/11-6/30/12	<u>\$ 53,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,894</u>	<u>\$ (53,218)</u>	<u>\$ -</u>	<u>\$ (11,324)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures of Federal Awards				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,094</u>	<u>\$ (133,895)</u>	<u>\$ -</u>	<u>\$ (48,801)</u>	<u>\$ -</u>	<u>\$ -</u>

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

JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)

EXHIBIT K-4
Schedule B

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE PERIOD FROM INCEPTION THROUGH JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at Inception	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
New Jersey State Department of Education												
General Fund:												
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 1,944,289	\$ -	\$ -	\$ -	\$ 1,968,157	\$ (1,944,289)	\$ -	\$ -	\$ -	\$ 23,868
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	26,167	-	-	-	26,167	(26,167)	-	-	-	-
TPAF-Social Security	12-495-034-5095-006	7/1/11-6/30/12	64,372	-	-	-	61,444	(64,372)	-	(2,928)	-	-
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	72,566	-	-	-	72,566	(72,566)	-	-	-	-
Total General Fund			<u>\$ 2,107,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,128,334</u>	<u>\$ (2,107,394)</u>	<u>\$ -</u>	<u>\$ (2,928)</u>	<u>\$ -</u>	<u>\$ 23,868</u>
Special Revenue Fund:												
None			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Enterprise Fund:												
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	<u>\$ 3,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,713</u>	<u>\$ (3,423)</u>	<u>\$ -</u>	<u>\$ (710)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures of State Financial Assistance				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,131,047</u>	<u>\$ (2,110,817)</u>	<u>\$ -</u>	<u>\$ (3,638)</u>	<u>\$ -</u>	<u>\$ 23,868</u>

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

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

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

FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees of the Charter School. The Board of Trustees is defined in Note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies 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

Amounts reported in the accompanying schedules agree with the amounts reported in the Board's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary 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. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,310,472	\$ 2,310,472
Special Revenue Fund	80,677	-	80,677
Enterprise Fund	53,218	3,423	56,641
Total	<u>\$ 133,895</u>	<u>\$ 2,313,895</u>	<u>\$ 2,447,790</u>

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

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

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes ✓ 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

Auditee qualified as low-risk auditee? Yes ✓ No

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 Letter Circular 04-04? Yes ✓ No

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
State Aid Public Cluster:	
11-495-034-5120-078	Equalization Aid
11-495-034-5120-084	Security Aid
11-495-034-5120-089	Special Education Aid

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 12-01 Cash Disbursements

In our review of 25 transactions of cash disbursements, we noted the following exceptions:

- A cash disbursement for \$1,840 was missing a vendor invoice to support the payment
- Two of the selected cash disbursements were not supported with approved Purchase Orders (P.O.)
- Five of the selected transactions were supported with P.O and vendors invoices. However, the P.O.s did not have the required signatures of designated individuals as indication of approval to purchase
- Three of the selected transactions were supported with invoices with dates that preceded the P.O. dates.

Cause

The Charter School is in its 1st year of operations. School personnel need are new to the policies and procedures.

Effect

Maintenance of records, purchasing and cash disbursement procedures were not consistently applied.

Recommendation

We recommend that the Business Office reviews and implements the policies and procedures related to the use of requisitions and purchase orders with business office staff and Charter School personnel responsible for approval and requisitions of goods and services. The use of purchase orders and requisition forms would ensure that purchases are authorized by designated individuals, processed in accordance with policies and procedures, and availability of funds is checked before committing the resources of the Charter School.

In addition, documents such as signed purchase orders and vendor invoices must be kept on file to support the payments and expenditures of the Charter High School.

Management's Response

The School Business Administrator will continue to review the policies and procedures on purchasing, cash disbursements and maintenance of financial records with office staff and other school personnel.

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION III STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None

**JOHN P. HOLLAND CHARTER SCHOOL
(COUNTY OF PASSAIC, NEW JERSEY)**

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

FISCAL YEAR ENDED JUNE 30, 2012

Not applicable – First year of operations.