

East Orange Community Charter School

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

PREPARED BY

EAST ORANGE COMMUNITY CHARTER SCHOOL

EAST ORANGE COMMUNITY CHARTER SCHOOL

TABLE OF CONTENTS

	<u>Page #</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-11
Organizational Chart	12
Roster of Officials	13
Consultants and Advisors	14
FINANCIAL SECTION	
Report of Independent Auditors.....	16-17
Required Supplementary Information – Part I	
Management’s Discussion and Analysis	19-25
Basic Financial Statements	
A Charter School-wide Financial Statements:	
A-1 Statement of Net Assets	29
A-2 Statement of Activities.....	30
B Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet.....	33
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	34
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
Proprietary Funds:	
B-4 Statement of Net Assets	37
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	38
B-6 Statement of Cash Flows	39

EAST ORANGE COMMUNITY CHARTER SCHOOL

TABLE OF CONTENTS

	<u>Page #</u>
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets.....	41
B-8 Statement of Changes in Fiduciary Net Assets	42
Notes to the Basic Financial Statements.....	43-65
 Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund.....	67
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	68
 Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation.....	70
 Other Supplementary Information	
D. School Level Schedules:	Not Applicable
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures Budgetary Basis.....	74
F. Capital Projects Fund:.....	Not Applicable
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	77
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	78
G-3 Combining Statement of Cash Flows	79
 H. <u>Fiduciary Fund:</u>	
H-1 Combining Statement of Fiduciary Net Assets.....	81
H-2 Combining Statement of Changes in Fiduciary Net Assets.....	82
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	83
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....	84

EAST ORANGE COMMUNITY CHARTER SCHOOL

TABLE OF CONTENTS

	<u>Page #</u>
I. Long - Term Debt:	
I-1 Schedule of Mortgage Obligations - Not Applicable	
I-2 Schedule of Obligations Under Capital Leases	86
I-3 Debt Service Fund Budgetary Comparison Schedule – Not Applicable	
Introduction to the Statistical Section (Unaudited)	
Financial Trends	
J-1 Net Assets by Component.....	88
J-2 Changes in Net Assets	89
J-3 Fund Balances – Governmental Funds	90
J-4 Changes in Fund Balances – Governmental Funds	91
J-5 General Fund Other Local Revenue by Source	92
Revenue Capacity	
J-6 to J-9.....	Not Applicable
Debt Capacity	
J-10 Ratios of Outstanding Debts by Type.....	93
J-11 to J-13.....	Not Applicable
Demographic and Economic Information	
J-14 Demographics and Economic Statistics.....	94
J-15 Principal Employers.....	95
Operating Information	
J-16 Full-time Equivalent Charter School Employees by Function/Program	96
J-17 Operating Statistics	97
J-18 School Building Information	98
J-19 Schedule of Required Maintenance Expenditures by School Facility.....	99
J-20 Insurance Schedule	100

EAST ORANGE COMMUNITY CHARTER SCHOOL

TABLE OF CONTENTS

Page

SINGLE AUDIT SECTION

K-1	Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102-103
K-2	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with USOMB Circular A-133 and New Jersey OMB Circular Letter 04-04	104-105
K-3	Schedule of Expenditures of Federal Awards, Schedule A	106
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B.....	107
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	108-109
K-6	Schedule of Findings and Questioned Costs.....	110-113
K-7	Summary Schedule of Prior Audit Findings.....	114



East Orange Community Charter School

99 Washington Street -- East Orange, New Jersey 07017

Tele # [973] 996-0400 --- [973] 676-1199

Fax # [973] 996-0398

www.theeoocs.org

Sarah Hansford
Founder

Harvin T. Dash
Principal/Executive Director

LOCATIONS
(East Orange, NJ)

Kindergarten and First Grade
682 Park Avenue

Second Grade
44 Glenwood Avenue

Third Grade and
Administrative Offices
99 Washington Street

Fourth Grade
106 Washington Street

October 10, 2012

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

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the East Orange Community Charter School (the “Charter School” or “EOCCS”) for the fiscal year ended June 30, 2012.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds 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.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. East Orange Community Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

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 independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

**New Jersey Department of Education
The Commissioner
Page 2**

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments and the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*", and the New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*."

Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) Reporting Entity and Its Services

The East Orange Community Charter School (EOCCS) is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the EOCCS is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

EOCCS is open to all East Orange students on a space available basis and does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, proficiency in the English language, or any other basis that would be illegal if used by a charter school.

By the end of 2011-2012 school year, the Charter School had a student enrollment of 490.

2) Economic Outlook

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

2) **Economic Outlook** - *continued*

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

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

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

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

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

2) **Economic Outlook** - *continued*

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

3) **Charter School Enrollment, Demographics and Other Highlights**

During the 2011-2012 School Year, East Orange Community Charter School (EOCCS) enrolled students from the following school districts: *City of East Orange School District (resident district), Bloomfield, Orange Township, Irvington Township, City of Newark, South Orange/ Maplewood, West Orange, Secaucus and Paterson.*

East Orange Community Charter School was established in order to meet the academic, educational and social development needs of the residents in the City of East Orange and subsequently approved to serve students in all Districts. To this end, EOCCS provides special needs services to students in accordance with their approved IEP's.

Additionally, we provide Speech Therapy for students that have been identified as needing this service. And, to further help students meet and/or reach their academic grade levels, we responded by providing additional resources that include scientifically-researched Math Programs (i.e., AIMSweb, MCAP, GMADE Do-the-Math, etc.) and Reading/Writing programs (i.e., Read Naturally, Word Build, Wilson Just Words, etc.), after-school tutoring, other activities that help to enrich the students that attend EOCCS, i.e., Boys and Girl Scout troops and related activities.

Also, as a school-wide Title I program we serve our students that have demonstrated a need for additional support. The Supplemental Educational Services (SES) are offered to students who qualify for free and/or reduced-priced lunch first; then to the students who are the at-risk population until all funds are utilized.

On the 2010-2011 NJASK taken by our 3rd and 4th graders, Proficiency in Language Arts Literacy was 48% and Proficiency in Math was 65% (absolute measures). Although we did not achieve AYP (79 % in LAL and 83 % in Math) we did achieve our internal goal of decreasing the percentage of below proficient students in both content areas by at least 10%, in order to achieve Safe Harbor under the NCLB Accountability Requirements. This placed us in *Year 2-Hold status* for the 2011-2012 school year. Our proficiency growth in Language Arts Literacy from 2009-2010 to 2010-2011 was 18.2% and our proficiency growth in Mathematics from 2009-2010 to 2010-2011 was 18.9% (growth measures). This compares to the District of East Orange's (District of Residence) growth for the same time period of 2.1% and 6.2% respectively.

3) **Charter School Enrollment, Demographics and Other Highlights** *continued*

Although the District of East Orange scores for 2010-2011 were 54% in LAL and 83% in Math, we have seen a steady progression of growth exceeding theirs over the past three school years, (since 2008-2011), and have expectations that this trend will continue (comparative measures).

Based on our past trajectory of improvement, we anticipate that our 2011-2012 test scores will show a further reduction of 10% in students who scored Partially Proficient in Mathematics and Language Arts Literacy on the NjASK and will additionally show an increase in students who scored Advanced Proficient in Mathematics and Language Arts Literacy. Our Assessment goals for future student learning and achievement are to continue to reduce the number of students who score Partially Proficient in Mathematics and Language Arts on the NJASK (or future alternative State Assessment) in third and fourth grades by 10% over each prior school for the next two school years; increase the number of students who score Advanced Proficient in Language Arts on the NJASK (or alternative State Assessment) in third and fourth grades by 5% and in Mathematics by 2% over each prior school year for the next two school years; and at least maintain these percentages for the subsequent two school years.

To the end of further improving our test scores, so that all students ultimately achieve Proficiency or above, we plan to continue and further refine the use of multiple measures to assess student learning and achievement, including Universal screening through Full Range Benchmarking *AIMSweb* research-based assessments in both LAL and Mathematics and Progress and Strategic monitoring for at risk students through *AIMSweb*. This assessment tool was instituted during the 2011-2012 school year and enabled us to begin creating a data wall, with information on students achieving both below and above proficiency levels. We will continue to track each student's performance over his/her years at EOCCS through student portfolios with rating sheets of multiple measures, passed on each year to the next consecutive grade level teachers.

It is of primary importance, in our RTI framework, that we continue to refine the identification of at-risk students and use frequent progress monitoring of special needs and at-risk students and interventions to accelerate their rate of progress. Furthermore, as we now have a Whole school Title I program, we seek to utilize our resources to move all our students forward. Our Gifted and Talented program is thus an enhancement to our existing programs. In order to optimize the utilization of all data, we will continue our focus on enabling staff members to develop and increase their proficiencies in analyzing student data to identify strengths and weaknesses. We will increase our use of vertical and horizontal articulation meetings throughout the grade levels, in order to create teams of professionals responsible for examining the assessments and planning for increasing the performance outcomes of each child. Assessments will further be utilized to provide timely and relevant feedback to students and the students' ability to self-assess will be augmented, through increasing use of checklists and rubrics.

3) **Charter School Enrollment, Demographics and Other Highlights** *continued*

During our needs assessment, we found that our Special Education students required skills that would allow them to work more independently and required more accommodations and modifications adapted to their individual needs, including use of those accommodations and modifications for NJ ASK testing. We are continuing to provide Professional Development and support to our Special Education Teachers to augment their skills to provide for these needs.

We will continue the use of new programs for tier two and three students and for Special Education Students, which were implemented during the 2011-2012 school year, including *Do the Math, Kid Biz by Achieve 3000* for comprehension, *Wilson Just Words* for fourth grade decoding and encoding, and *Read Naturally* for fluency. *Kid Biz* will also be utilized by our gifted students, as well as being utilized in a pilot program for a fourth grade class. Daily

Academic Support Periods, instituted during the 2011-2012 school year, will continue to be used to allow Title I, Classroom Teachers and Assistant Teachers to work with individuals and small groups on targeted areas of need, utilizing the above programs and other remediation methods, without students being pulled out from core classroom instruction. These methods were designed as part of our original charter and the basis of EOCCS' educational philosophy.

Beginning in the 2012-2013 school year, all our students will develop Mathematical knowledge and skills and Language Arts Literacy knowledge and skills based on the National CCSS. The Curriculum Team, comprised of Administrators, Title I Teachers and Classroom Teachers from Kindergarten through Fourth grade, began in January of 2012 to make revisions to all content areas to incorporate the newly adopted "Common Core State Standards" using the *Understanding by Design* framework. This work is intensified over the summer months of 2012 and a revised Curriculum will be completed and presented to the teachers during August 2012 Pre-Service, once authorized by the Board of Trustees. An emphasis on higher order thinking skills, and increased rigor as required by the Common Core will be an integral part of the Curriculum. Additionally, a new Math Program, *Math in Focus*, a version of Singapore Math by Houghton Mifflin, will be adopted in the 2012-2013 school year.

Technology will continue to be integrated into all classrooms and the teachers' growing expertise with Smart board use will be supported through continued Professional Development. Smart boards were purchased in the summer of 2012 for kindergarten classrooms, so that in the 2012-2013 school year, 100% of our classrooms will be equipped with Smart boards. Students' use of technology will continue to grow as well, as demonstrated through the technology curriculum. EOCCS will also use more technologically-based assessments and programs to enrich student learning and to motivate students. Thirty-five mobile laptops were purchased during the 2011-2012 school year, allowing for more interactive technology use in classrooms, as well as in the computer lab.

3) **Charter School Enrollment, Demographics and Other Highlights** *continued*

A state approved method of monitoring classroom instruction, and improving the efficiency of administration in observing classrooms and reflecting on instructional practices within the school will be instituted during the 2012-2013 school year, with Professional Development provided for both Administrative and Teaching staff members. Walkthroughs and informal observations will continue to be implemented to monitor classroom instruction and use of best practices, including student-centered learning.

We will continue to implement and refine our Professional Development Plan, in order to enable our teachers to stay abreast of best practices and evolving expectations in content, instruction and assessment. Areas of need will continue to be identified by Administration, based on review of the school's assessment data and classroom observations, and by teacher self-identification. Over the next five years, our partnership with Rutgers University will continue to be utilized to address these identified needs. One identified area of need was found to be writing instruction, and we have utilized Rutgers University to provide in school support and training to our teachers in this regard. In the coming year, we will continue the work begun in this area with our third and fourth grade teachers during the 2012-2013 school year.

Finally, we will continue our successful literacy and math extended day programs, including Family Math Nights and Go with the FLOW (Family Literacy Opportunity Workshops) to involve parents and caregivers in our learning community. The Math and Read Naturally programs are run by our classroom teachers after school, in small group settings, will also continue to allow for extended day learning opportunities. We also recognize the importance of our students having books within their homes, and our continued donations to students of books through our Partnership with *First Books* and the *Go With the Flow* program, as well as our twice yearly Scholastic Book Fairs, contribute to making this a reality.

The school environment during the 2010-2011, 2012-2012 was highly pressured because of the school's status as a SINI. The staff is more observant to the Data that has been provided with regard to student assessments, etc., in order to ensure that the needs of those students identified as "at-risk" are met and also to meet our goal to provide the tools necessary for our students to move out of the SINI status.

Recently, the Board of Trustees approved the administrative re-structuring process. As such, EOCCS will be utilizing data analysis more effectively through an Educational Data Analyst. Thus, during the end-of-the year interviews/surveys that were conducted by the Principal/ Executive Director, the staff iterated that they are comfortable with the newly approved reorganization of the administrative staffing and displayed positive attitudes for the new school year and the direction that EOCCS is taking.

3) **Charter School Enrollment, Demographics and Other Highlights** *continued*

With the new student data analysis, the teachers will be able to assess student performance on a greater scale which will allow them to identify at-risk students earlier in the school year and, in turn, will be able to provide the tools needed to bring the students' achievements at or above grade level.

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). The system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the system of internal controls, including that portion related to federal awards 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 the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year.

5) **Budgetary Controls** *continued*

During the 2011-2012 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

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 records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school. The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in “Notes to the Financial Statements”, Note 1.

7) **Financial Statement Information at Fiscal Year-End**

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

**Summary of the General Fund
and Special Revenue Fund Revenues**

Revenue	2012	2011	Increase/ (decrease)	% Change
Local sources	\$ 848,498	\$ 817,019	\$ 31,479	3.85%
State sources	6,189,656	5,755,224	434,432	7.55%
Federal sources	683,517	657,010	26,507	4.03%
	<u>\$ 7,721,671</u>	<u>\$ 7,229,253</u>	<u>\$ 492,418</u>	<u>6.81%</u>

The Charter School experienced a general increase in revenue of about 6.8% which is consistent with the general increase in state funding during 2012.

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

7) **Financial Statement Information at Fiscal Year-End** *continued*

**Summary of the General Fund
and Special Revenue Fund Expenditures**

<u>Expenditures</u>	<u>2012</u>	<u>2011</u>	<u>Increase/ (decrease)</u>	<u>% Change</u>
Instruction	\$ 3,152,450	\$ 3,041,473	\$ 110,977	3.65%
Administrative	2,103,069	2,478,642	(375,573)	-15.15%
Support	2,338,301	1,726,143	612,158	35.46%
Capital outlay	48,588	42,096	6,492	100.00%
	<u>\$ 7,642,408</u>	<u>\$ 7,288,354</u>	<u>\$ 354,054</u>	<u>4.86%</u>

The Charter School’s expenditures increased at a slightly lower rate than the increase in revenue.

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”. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **Risk Management**

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

10) **Other Information**

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA.

10) Other Information *continued*

Independent Audit *continued*

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*"

The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

The 2011-12 school-year was one of great strides in terms of academic achievement at the East Orange Community Charter School. In addition, it continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School's operations, and particularly in the area of student achievement.

11) Acknowledgments

A note of appreciation is extended to the Finance Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to the East Orange Community Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the East Orange Community Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,

Harvin Dash

Harvin Dash
Principal/Chief School Administrator

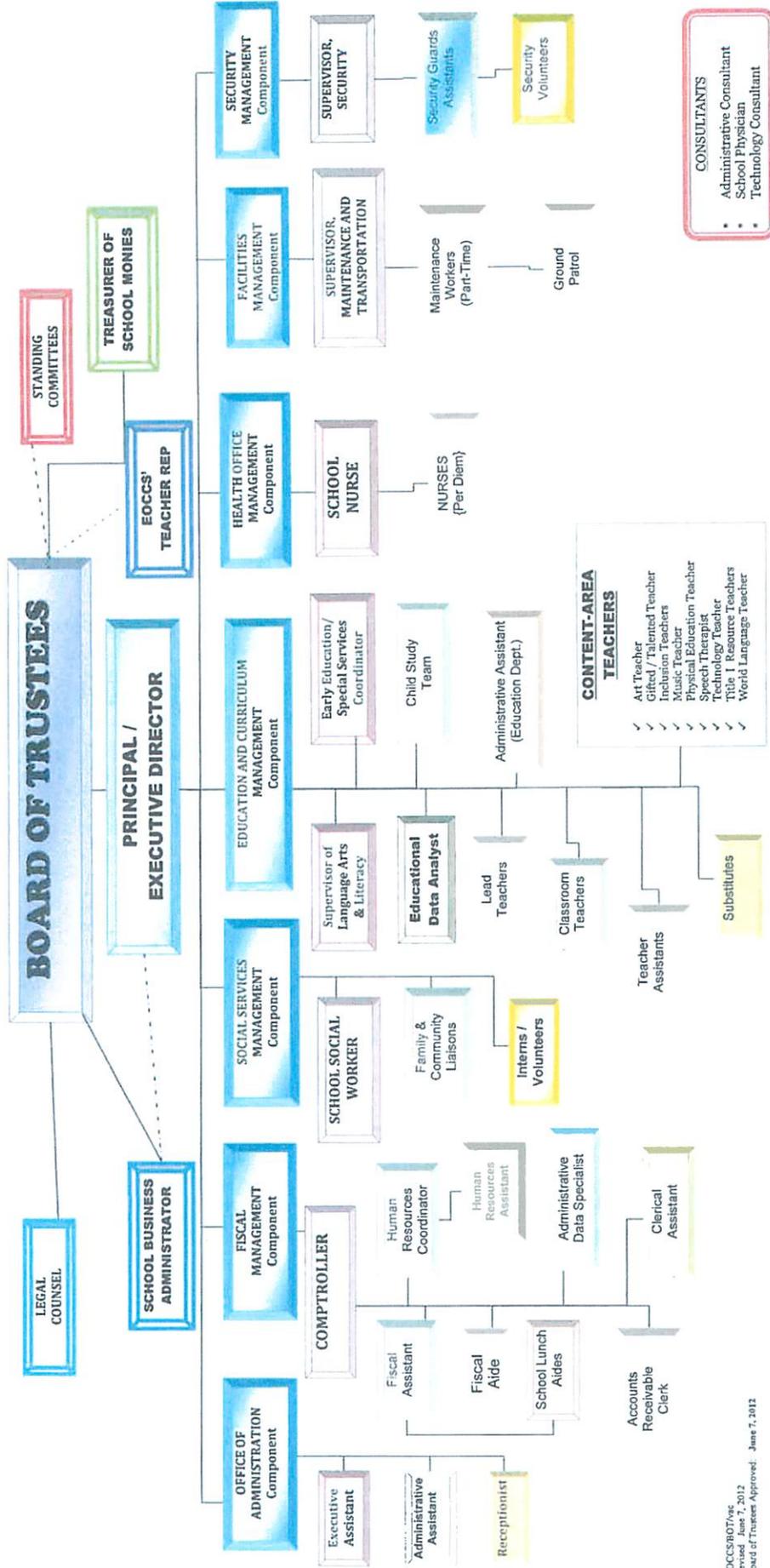


East Orange Community Charter School

99 Washington Street ----- East Orange, New Jersey 07017

CHART OF ORGANIZATION

2012---2013 School Year



EOCCS/ROT/Yes
 Revised June 7, 2012
 Board of Trustees Approved - June 7, 2012

ROSTER OF TRUSTEES AND OFFICERS

JUNE 30, 2012

Members of Board of Trustees

Monique F. Brathwaite, Board Chairwoman

Cathy A. Davis, Vice Chairwoman

Nena C. Hamm, Board Member/Secretary

William S. Black, Board Member

Dawn M. Cardwell, M.D., Board Member

Tarah R. Jn-Louis, Board Member

Hadren W. Simmons, Board Member

Faith p. Stuart, Board Member

Brandi Wardlaw-Smith, Board Member

Marsha Williams-Cawley, Board Member

Catherine J. Dorsey-Gaines, Ph.D., Board Member

Administration

Harvin T. Dash, Principal/Chief School Administrator

Joel Julien, CPA, School Business Administrator/Board Secretary

Terry Pierce, Comptroller

Raymond L. Scott, Treasurer of School Monies

Nicole Jones, Teacher's Representative

EAST ORANGE COMMUNITY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

Olugbenga Olabintan
Certified Public Accountant/Consultant
137 Camden Street
Newark, NJ 07103

Attorney

Robert Taylor, Esq.
Attorney At Law
60 Evergreen Place, Suite # 305
East Orange, NJ 07018

Official Depository

Investors Saving Bank
101 JFK Parkway
Short Hills, NJ 07078

Wells Fargo Bank
679 Park Avenue
East Orange, NJ 07111

Financial Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

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

Independent Auditors' Report

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

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 East Orange Community Charter School, (the "Charter School") in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not required part 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

Olugbenga Olabintan, CPA

October 10, 2012
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Required Supplementary Information

Part I

Management's Discussion and Analysis

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Introduction

This section of the East Orange Community Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 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.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities ended the fiscal year with \$1,026,980. Net assets of business-type activities, which represent food service operations ended the fiscal year with \$-0-.
- General revenues accounted for \$6,946,055 in revenue or 91 percent of total revenues of \$7,629,572. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$683,517 or 9 percent of total revenues.
- The Charter School had \$7,391,039 in expenses related to governmental activities; \$683,517 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$6,946,055 helped to provide for the balance of these programs.

The General Fund reported fund surplus at June 30, 2012, of \$777,648.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Using the Basic Financial Statements

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

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

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2012?" The statements 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Statement of Net Assets and Statement of Activities-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. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care programs enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. Net assets may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$1,026,980 at the close of 2012. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Acvtivities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current Assets	\$ 1,269,270	\$ 1,097,737	\$ 54,829	\$ 30,901	\$ 1,324,099	\$ 1,128,638
Capital Assets, net	759,482	807,968	-	-	759,482	807,968
Total Assets	2,028,752	1,905,705	54,829	30,901	2,083,581	1,936,606
Liabilities						
Current Liabilities	491,622	399,352	54,829	30,901	546,451	430,253
Long Term Liabilites	510,150	717,906	-	-	510,150	717,906
Total Liabilities	1,001,772	1,117,258	54,829	30,901	1,056,601	1,148,159
Net Assets						
Invested in						
Capital Assets						
(net of related debt)	759,482	249,230			759,482	249,230
Unrestricted	267,498	539,217			267,498	539,217
Total Net Assets	\$ 1,026,980	\$ 788,447	\$ -	\$ -	\$ 1,026,980	\$ 788,447

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

The largest portion of the Charter School's net assets is its current assets. The Charter School uses these current assets to provide services.

The total net assets of the Charter School increased by \$277,569 during the current fiscal year ended June 30, 2012. The majority of the increase is attributable to a surplus of \$238,533 in the General Fund. Operating grants and contributions increased by 6.0 percent.

The table that follows reflects the change in net assets for fiscal year 2012.

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charge for Services			\$201,455	\$221,052	\$201,455	\$221,052
Operating grants and Contributions	\$683,517	\$663,580	289,585	256,090	973,102	919,670
Total Program Revenues	683,517	663,580	491,040	477,142	1,174,557	1,140,722
General Revenues:						
Local Aid	812,342	751,886			812,342	751,886
Federal and State Aid	6,189,656	5,755,224			6,189,656	5,755,224
Miscellaneous	36,156	58,563			36,156	58,563
Transfers	(92,099)	(103,308)	92,099	103,308	-	-
Total general Revenues	6,946,055	6,462,365	92,099	103,308	7,038,154	6,565,673
Total Revenues	7,629,572	7,125,945	583,139	580,450	8,212,711	7,706,395
Expenses:						
Instructions	3,152,450	3,041,473			3,152,450	3,041,473
Administrative & Support Services	4,190,102	4,101,477			4,190,102	4,101,477
Unallocated Depreciation	48,487	48,487				
Food Service			392,454	418,910		
After Care/Summer Prog	-	-	190,685	161,540	190,685	161,540
Total Expenses	7,391,039	7,191,437	583,139	580,450	7,533,237	7,304,490
Change in Net Assets	\$ 238,533	\$ (65,492)	\$ -	\$ -	\$ 679,474	\$ 401,905

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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Governmental Activities - *continued*

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,152,450	\$ 2,631,873
Administrative & Support Services	4,190,102	4,027,162
Unallocated Depreciation	48,487	48,487
Total Expenses	\$ 7,391,039	\$ 6,707,522

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation and the after-school program. These programs had revenues of \$175,217 and operating expenses of \$175,217 for fiscal year 2012. The Charter School intended to have food services be self operating without assistance from the General Fund. However, the General Fund helped fund an operating deficit of \$82,189 in the food service program.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$7,721,671 and expenditures of \$7,642,408. The positive change in fund balance for the year enabled the Charter School to meet its current costs.

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 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's management teams.

For the General Fund, final budgeted revenues were \$7,027,972, which included a local tax levy of \$812,342. Expenditures and other financing uses were budgeted at \$7,109,960. The Charter School anticipated budgeted fund balance of \$518,766 in its 2011-2012 budget year.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

The State of New Jersey reimbursed the Charter School \$174,350 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members. This unbudgeted amount was included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2012, the Charter School had \$759,482 invested in capital assets in its governmental activities.

The Charter School's 2012-2013 budget does not anticipate any spending on capital projects.

Long-term debt

At June 30, 2012, the Charter School had \$510,150 in long-term debt – mortgages on one of the school buildings. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2012-2013. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

Contacting the Charter School's Financial Management

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

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

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2012.

This page intentionally left blank.

EAST ORANGE COMMUNITY CHARTER SCHOOL

A-1

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 818,076	\$ 12,151	\$ 830,227
Accounts receivable	292,919	42,678	335,597
Other current assets	83,877		83,877
Interfund receivables	74,398		74,398
Capital assets (net of accum deprec of \$840,990)	<u>759,482</u>		<u>759,482</u>
Total assets	<u>\$ 2,028,752</u>	<u>\$ 54,829</u>	<u>\$2,083,581</u>
Liabilities			
Accounts payable	\$ 177,752	\$ 24,711	\$ 202,463
Intergovernmental payables - state	313,870		313,870
Interfunds payables	-	30,118	30,118
Current portion of long term obligations	50,710		50,710
Noncurrent portion of long term obligations	<u>459,440</u>		<u>459,440</u>
Total liabilities	<u>1,001,772</u>	<u>54,829</u>	<u>1,056,601</u>
Net assets			
Invested in capital assets	759,482		759,482
Unrestricted, undesignated	<u>267,498</u>	-	<u>267,498</u>
Total net assets	<u>1,026,980</u>	-	<u>1,026,980</u>
Total liabilities & net assets	<u>\$ 2,028,752</u>	<u>\$ 54,829</u>	<u>\$2,083,581</u>

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 3,152,450		\$ 520,577	\$ (2,631,873)		\$ (2,631,873)
Administrative & Support services:						
General administration	1,943,900			(1,943,900)		(1,943,900)
Support services	2,246,202		162,940	(2,083,262)		(2,083,262)
Capital outlay				-		
Unallocated depreciation	48,487			(48,487)		(48,487)
Total governmental activities	<u>7,391,039</u>		<u>683,517</u>	<u>(6,707,522)</u>		<u>(6,707,522)</u>
Business-type activities:						
Food service	392,454	\$ 3,659	289,585		\$ (99,210)	(99,210)
After care/summer programs	190,685	197,796			7,111	7,111
Total business-type activities	<u>583,139</u>	<u>201,455</u>	<u>289,585</u>	<u>-</u>	<u>(92,099)</u>	<u>(92,099)</u>
Total primary government	<u>\$ 7,974,178</u>	<u>\$ 201,455</u>	<u>\$ 973,102</u>	<u>(6,707,522)</u>	<u>(92,099)</u>	<u>(6,799,621)</u>
General revenues, transfers and special items:						
Local sources				812,342	-	812,342
State sources				6,189,656		6,189,656
Miscellaneous				36,156		36,156
Transfers				(92,099)	92,099	-
Total general revenues, transfers and special items				<u>6,946,055</u>	<u>92,099</u>	<u>7,038,154</u>
Change in net assets				238,533	-	238,533
Net assets - beginning				788,447		788,447
Net assets - ending				<u>\$ 1,026,980</u>	<u>\$ -</u>	<u>\$ 1,026,980</u>

See independent auditor's report and accompanying notes to basic financial statements.

Funds Financial Statements

Governmental Funds

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Governmental Funds**

B-1

Balance Sheet

June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 571,263	\$ 246,813	\$ 818,076
Accounts receivable:	-		-
State	104,516	-	104,516
Federal	-	99,138	99,138
Other	89,265		89,265
Other Current Assets	83,877	-	83,877
Interfund receivable	411,460		411,460
Total assets	<u>\$ 1,260,381</u>	<u>\$ 345,951</u>	<u>\$ 1,606,332</u>
Liabilities and Fund Balances			
Interfund Accounts Payables		\$ 337,062	\$ 337,062
Accounts Payable	\$ 168,863	8,889	177,752
Intergovernmental payables - Federal	-	-	-
Intergovernmental payables - State	313,870	-	313,870
Total liabilities	<u>482,733</u>	<u>345,951</u>	<u>828,684</u>
Fund balances:			
Unreserved:			
Undesignated	777,648	-	777,648
Total fund balances	<u>777,648</u>	<u>-</u>	<u>777,648</u>
Total liabilities and fund balances	<u>\$ 1,260,381</u>	<u>\$ 345,951</u>	

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

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

Cost of capital assets	1,600,472
Accumulated depreciation	<u>(840,990)</u>
	<u>759,482</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.

Long-term obligations	(510,150)
-----------------------	-----------

Net assets of governmental activities - A-1

	<u>\$ 1,026,980</u>
--	---------------------

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax levy	\$ 812,342		\$ 812,342
Miscellaneous	36,156		36,156
Total revenues - local sources	<u>848,498</u>		<u>848,498</u>
Federal sources	-	\$ 683,517	683,517
State sources	6,015,306		6,015,306
TPAF/FICA reimbursements	<u>174,350</u>	<u>-</u>	<u>174,350</u>
Total revenues	<u>7,038,154</u>	<u>683,517</u>	<u>7,721,671</u>
Current expense:			
Instruction	2,631,873	520,577	3,152,450
Administrative	2,103,069		2,103,069
Support services	2,175,361	162,940	2,338,301
Capital outlay	<u>48,588</u>	<u>-</u>	<u>48,588</u>
Total expenditures	<u>6,958,891</u>	<u>683,517</u>	<u>7,642,408</u>
Excess (deficiency) of revenues over (under) expenditures	79,263	-	79,263
Fund balances, beginning of year	<u>698,385</u>	<u>-</u>	<u>698,385</u>
Fund balances, end of year	<u>\$ 777,648</u>	<u>\$ -</u>	<u>\$ 777,648</u>

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2012

B-3

Total net change in fund balances - governmental funds (B-2) **\$ 79,263**

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

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

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

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

Repayment of long term loan principal	48,588		
		48,588	48,588

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

Amount of Compensated absences outstanding balance written back	159,169		
		159,169	159,169

Change in net assets of governmental activities (A-2)	\$	238,533	
		238,533	

See independent auditor's report and accompanying notes to basic financial statements.

Proprietary Funds

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Proprietary Funds**

B-4

Statement of Net Assets

June 30, 2012

Assets

Current Assets:

Cash and cash equivalents	\$ 12,151
Accounts Receivable:	
Federal	42,374
State	304
Other	-
Total Current Assets	<u>\$ 54,829</u>

Liabilities

Current Liabilities:

Interfund Payable - General Fund	30,118
Accounts Payable	24,711
Total Current Liabilities	<u>\$ 54,829</u>

Net assets

Unrestricted	-
Total Net Assets	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Proprietary Funds

B-5

Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2012

Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ 201,455
Miscellaneous revenue	-
Total Operating revenues	<u>201,455</u>
Operating expenses:	
Cost of sales	379,746
Salaries	120,299
Employee benefits	-
Professional /Technical service	94
Supplies and materials	12,614
Depreciation	-
Miscellaneous	70,386
Total operating expenses	<u>583,139</u>
Operating income (loss)	<u>(381,684)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	3,931
Federal sources:	
National School Lunch Program	182,365
National School Breakfast Program	93,854
Summer Lunch Program	9,435
Total nonoperating revenues	<u>289,585</u>
Net income/(loss) before contributions & transfers	(92,099)
Other financing sources:	
Transfer in/(out) - Board contribution	92,099
	<u>92,099</u>
Change in net assets	-
Total net assets-beginning of year	<u>-</u>
Total net assets-end of year	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Proprietary Fund**

B-6

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities	
Operating loss	\$ (381,684)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(17,359)
Increase in due to general fund	3,533
Increase in accounts payable	20,395
Net cash provided in operating activities	<u>(375,115)</u>
Cash received from state reimbursements	3,931
Cash received from federal reimbursements	285,654
Operating subsidies and transfers from other funds	92,099
Net cash provided by noncapital financing activities	<u>381,684</u>
Cash flows from investing activities	
Net decrease in cash and cash equivalents	6,569
Cash and cash equivalents, beginning	5,582
Cash and cash equivalents, ending	<u>\$ 12,151</u>

See independent auditor's report and accompanying notes to basic financial statements.

Fiduciary Funds

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds**

B-7

Statement of Fiduciary Net Assets

June 30, 2012

	Student Activity Fund	Unemployment Insurance Fund	Agency Fund Payroll	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 69,008	\$ 69,008
Total assets	\$ -	\$ -	\$ 69,008	\$ 69,008
Liabilities and fund balances				
Liabilities:				
Payroll deductions and withholdings	\$ -	\$ -	24,728	24,728
Interfund payables			44,280	44,280
Account payable - due to students group				-
Total liabilities	-	-	69,008	69,008
Net Assets				
Total liabilities and net assets	-	-	\$ 69,008	\$ 69,008

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds

B-8

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	<u>New Jersey Unemployment Benefits</u>
Revenues:	
General fund appropriation	\$ <u>78,937</u>
Total revenues	<u>78,937</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>78,937</u>
Total expenditures	<u>78,937</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

Notes to Basic Financial Statements

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

1 Description of the Charter School District and Reporting Entity

East Orange Community Charter School (the "Charter School" was incorporated in the State of New Jersey in January 1998 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School's Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Principal/Chief School Administrator is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School's duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

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

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

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies

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

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

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

A Basis of Presentation

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

Charter School Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at 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. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

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.

Governmental Funds

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

General Fund - The General Fund is the primary operating fund of the Charter School. 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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

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.

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.

Proprietary Funds

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

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, 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.

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:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) 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.

C Measurement Focus and Basis of Accounting

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.

Measurement Focus

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 spendable financial resources at the end of the period.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting objectives 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 non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net assets.

Basis of Accounting

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

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

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

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

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

E Cash, Cash Equivalent and Investments

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

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

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

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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Assets.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

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

<u>Description of Capital Asset</u>	<u>Estimated Lives (Years)</u>
Buildings and improvements	30
Leasehold improvements	15
Equipment	5
Furniture and fixtures	5

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

I Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2012.

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

M Net Assets

Net Assets represent the difference between assets and liabilities in the Government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N Management 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.

O On-Behalf Payments

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

3 Deposits and Investments

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2012, the Charter School's carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Operating A/C	\$ 571,263	\$ 246,813	\$ 12,151	\$ 69,008	\$ 899,235

Operating cash accounts are held in the Charter School's name by three banking institution. At June 30, 2012, the Charter School's carrying amount of deposits was \$899,235 and the bank balance was \$811,928. Of the bank balance, \$750,000 of the Charter School's cash deposits on June 30, 2012 were secured by federal deposit insurance and \$394,027 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

3 Deposits and Investments - *continued*

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name.

Category 3

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

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal national Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2012, the Charter School did not hold any investments.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

4 Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Governmental activities			
Capital assets not depreciated:			
Land	\$ 50,000		\$ 50,000
 Capital assets, being depreciated:			
Buildings	916,085		916,085
Leasehold improvements	155,910		155,910
Vehicles	55,300		55,300
Machinery and equipment	423,177		423,177
	<u>1,550,472</u>		<u>1,550,472</u>
 Less accumulated depreciation	 <u>792,503</u>	 <u>\$ 48,487</u>	 <u>840,990</u>
 Total capital assets net	 <u>\$ 807,969</u>	 <u>\$ (48,487)</u>	 <u>\$ 759,482</u>

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

5 Lease Obligation

The Charter School leases several space facilities and office equipment under operating lease agreements that expire within the next 3-4 years. Total payments under these lease agreements were \$501,300 during the year ended June 30, 2012.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans

Description of Plans

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

Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

Vesting and Benefit Provisions

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

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

Significant Legislation

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

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

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

Funding Status and Funding Progress

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

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

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

Actuarial Methods and Assumptions

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

Employer and Employee Pension Contributions

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

Annual Pension Costs (APC)

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

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

The Charter School's contribution to PERS for the year ended June 30, 2012 was \$178,330.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$174,350 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. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

7 Post Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of 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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

7 Post Retirement Benefits *continued*

As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State made post retirement (PRM) contributions of \$1.38 billion for TPAF for fiscal year 2009 and \$3.22 million for fiscal year 2008.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

8 Compensated Absences

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2012, Charter School-wide compensated absences amounted to \$-0-.

9 Deferred Compensation

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

10 Economic Dependency

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

11 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

12 Risk Management

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

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

13 Interfund Receivables, Payables and Transfers

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 411,460	
Special Revenue Fund	-	\$ 337,062
Enterprise Fund		30,118
Trust and Agency Fund	-	44,280
	<u>\$ 411,460</u>	<u>\$ 411,460</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

13 Interfund Receivables, Payables and Transfers *continued*

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

14 Receivables

Receivables as of June 30, 2012 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

State aid	\$ 104,820
Federal aid	141,512
Other	89,265
Total receivables	\$ 335,597

15 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements.

16 Mortgage Payable

The Charter School has an outstanding balance on a mortgage held by Valley National Bank. The original loan amount of \$748,000 was refinanced on January 31, 2006 at a variable interest rate. The current rate is 3.875% per annum and adjusts every five years. It is scheduled to mature on February 1, 2021. Future minimum payments are as follows:

Year ending June 30:	Mortgage Payments
2013	\$ 50,710
2014	52,710
2015	54,789
2016	56,950
2017	59,196
Thereafter	235,795
	\$ 510,150

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

17 Line of Credit

The Charter School has a line of credit in the amount of \$300,00 with Wells Fargo Bank. The facility was utilized during the year ended June 30, 2012 to assist the Charter School in managing its cash flows during the months of July through September 2011. All outstanding balances were paid during the year, there was no outstanding balance as of June 30, 2012.

Interest accrued on the unpaid balance at Wells Fargo Bank's Prime Rate Plus 1% and the rate changes from time to time in accordance with changes in the Bank's Prime Rate. Interest expense (on the amount of the Line of Credit utilized) during the year was \$686.

Required Supplementary Information

Part II

Budgetary Comparison

**EAST ORANGE COMMUNITY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Local Sources:					
Local tax levy	\$ 1,350,470	\$ (538,128)	\$ 812,342	\$ 812,342	\$ -
Miscellaneous	18,080	2	18,082	36,156	18,074
Total revenues -local sources	<u>1,368,550</u>	<u>(538,126)</u>	<u>830,424</u>	<u>848,498</u>	<u>18,074</u>
State sources	4,873,718	1,142,091	6,015,809	6,015,306	(503)
TPAF-Social Security	181,739	-	181,739	174,350	(7,389)
Total revenues	<u>6,424,007</u>	<u>603,965</u>	<u>7,027,972</u>	<u>7,038,154</u>	<u>10,182</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	1,622,597	\$ 129,692	1,752,289	1,752,289	-
Other salaries for instruction	618,954	1,821	620,775	620,775	-
Purchased professional technical services	62,000	(27,274)	34,726	34,726	-
Other purchased services	42,612	4,501	47,113	47,113	-
General educational supplies	90,500	61,362	151,862	151,862	-
Textbooks	64,000	(53,657)	10,343	10,343	-
Miscellaneous expenses	10,000	4,765	14,765	14,765	-
	<u>2,510,663</u>	<u>121,210</u>	<u>2,631,873</u>	<u>2,631,873</u>	<u>-</u>
Administrative cost:					
Salaries	558,722	22,026	580,748	580,748	-
Total benefit costs	859,395	264,504	1,123,899	981,155	142,744
Professional /Technical service	161,000	71,974	232,974	232,974	-
Other purchased services	65,200	(14,188)	51,012	51,012	-
Communications and Telephones	70,248	(66,977)	3,271	3,271	-
Supplies and materials	43,000	5,128	48,128	48,128	-
Interest on current loans	7,900	(7,214)	686	686	-
Mortgage interest	31,107	(10,119)	20,988	20,988	-
Miscellaneous expenses	4,000	6,693	10,693	9,757	936
	<u>1,800,572</u>	<u>271,827</u>	<u>2,072,399</u>	<u>1,928,719</u>	<u>143,680</u>
Support services:					
Salaries	857,909	168,013	1,025,922	1,025,922	-
Purchased prof/tech service	123,949	28,936	152,885	152,885	-
Other purchased services	132,500	(10,686)	121,814	121,814	-
Rent on land and buildings	501,326	(26)	501,300	501,300	-
Insurance-fidelity, liability property	52,000	(51,945)	55	55	-
Supplies and materials	74,000	(4,950)	69,050	69,050	-
Energy & Utilities	197,366	13,218	210,584	210,584	-
Miscellaneous expenses	3,000	(3,000)	-	-	-

Transportation other than to/from school	7,000	(5,348)	1,652	1,652	-
Food Services - Transfer to cover deficit	68,736	23,363	92,099	92,099	-
Total support services	<u>2,017,786</u>	<u>157,575</u>	<u>2,175,361</u>	<u>2,175,361</u>	<u>-</u>
Capital outlay:					
Instructional equipment	47,000	(47,000)	-	-	-
Non-instructional equipment	-	-	-	-	-
Purchase land/improvements	45,866	2,722	48,588	48,588	-
Total capital outlay	<u>92,866</u>	<u>(44,278)</u>	<u>48,588</u>	<u>48,588</u>	<u>-</u>
TPAF-Social Security	181,739	-	181,739	174,350	7,389
Total expenditures	<u>6,603,626</u>	<u>506,334</u>	<u>7,109,960</u>	<u>6,958,891</u>	<u>151,069</u>
Excess (deficiency) of revenues over (under) expenditures	(179,619)	97,631	79,263	79,263	(140,887)
Fund balances, beginning of year	<u>698,385</u>	<u>-</u>	<u>698,385</u>	<u>698,385</u>	<u>-</u>
Fund balances, end of year	<u>\$ 518,766</u>	<u>\$ 97,631</u>	<u>\$ 777,648</u>	<u>\$ 777,648</u>	<u>\$(140,887)</u>

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

C-2

Budget Comparison Schedule

Year ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Federal sources	\$ 683,517	\$ -	\$ 683,517	\$ 683,517	\$ -
Total revenues -all sources	<u>683,517</u>	<u>-</u>	<u>683,517</u>	<u>683,517</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	336,138	-	336,138	336,138	-
Purchased Prof. and technical services	125,649	-	125,649	125,649	-
Other purchased services	3,135	-	3,135	3,135	-
General supplies	49,663	-	49,663	49,663	-
Miscellaneous expenditures	5,992	-	5,992	5,992	-
Total instruction	<u>520,577</u>	<u>-</u>	<u>520,577</u>	<u>520,577</u>	<u>-</u>
Support services					
Support services salaries	2,160	-	2,160	2,160	-
Employee benefits	75,549	-	75,549	75,549	-
Purchased professional services	62,865	-	62,865	62,865	-
Other purchased services	12,029	-	12,029	12,029	-
Supplies	10,337	-	10,337	10,337	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>162,940</u>	<u>-</u>	<u>162,940</u>	<u>162,940</u>	<u>-</u>
Capital Outlay:					
Facilities acquisition and construction services			-	-	-
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 683,517</u>	<u>\$ -</u>	<u>\$ 162,940</u>	<u>\$ 683,517</u>	<u>\$ -</u>

Notes to Required Supplementary Information

EAST ORANGE COMMUNITY CHARTER SCHOOL
Note to Required Supplementary Information
Budget to GAAP Reconciliation

C-3

Year ended June 30, 2012

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] [C-2]	\$ 7,038,154	\$ 683,517
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		0	0
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 7,038,154	\$ 683,517
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] [C-2]	\$ 6,958,891	\$ 683,517
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			0
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund		0	0
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 6,958,891	\$ 683,517

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

Other Supplementary Information

School Level Schedules

Special Revenue Fund

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

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2012

	<u>Title IA C/Year 2011-2012</u>	<u>Title IA C/Fwd 2011-2012</u>	<u>Title IA ARRA C/Fwd 2009-2011</u>	<u>Title IA SIA C/Over 2010-2011</u>	<u>I.D.E.A. C/Year 2011-2012</u>	<u>I.D.E.A. ARRA C/Fwd 2009-2011</u>	<u>Title IIA C/Year 2011-2012</u>	<u>Total</u>
Revenues								
Federal sources	\$ 410,109	\$ 17,722	\$ 39,673	\$ 31,452	\$ 110,839	\$ 44,297	\$ 29,425	\$ 683,517
Total revenues -all sources	<u>\$ 410,109</u>	<u>\$ 17,722</u>	<u>\$ 39,673</u>	<u>\$ 31,452</u>	<u>\$ 110,839</u>	<u>\$ 44,297</u>	<u>\$ 29,425</u>	<u>\$ 683,517</u>
Expenditures								
Instruction								
Salaries of teachers	\$ 223,280		\$ 13,250	\$ 8,240	\$ 91,368			\$ 336,138
Purchased Prof. and technical services	97,600	\$ 17,722		2,000		\$ 387	\$ 7,940	125,649
Other purchased services			985			2,150		3,135
General supplies			2,776	8,780	1,197	36,910		49,663
Miscellaneous expenditures			1,142			4,850		5,992
Total instruction	<u>320,880</u>	<u>17,722</u>	<u>18,153</u>	<u>19,020</u>	<u>92,565</u>	<u>44,297</u>	<u>7,940</u>	<u>520,577</u>
Support services								
Support services salaries				2,160				2,160
Employee benefits	53,345	-	1,850	2,080	18,274			75,549
Purchased professional services	35,884	-	2,996	2,500			21,485	62,865
Other purchased services			10,037	1,992				12,029
Supplies			6,637	3,700				10,337
Miscellaneous expenditures								-
Total support services	<u>89,229</u>	<u>-</u>	<u>21,520</u>	<u>12,432</u>	<u>18,274</u>	<u>-</u>	<u>21,485</u>	<u>162,940</u>
Facilities acquisition and construction services								
Instructional equipment	-	-	-	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-	-	-	-
Construction services	-	-	-	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 410,109</u>	<u>\$ 17,722</u>	<u>\$ 39,673</u>	<u>\$ 31,452</u>	<u>\$ 110,839</u>	<u>\$ 44,297</u>	<u>\$ 29,425</u>	<u>\$ 683,517</u>

Capital Projects Fund

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

Enterprise Fund

EAST ORANGE COMMUNITY CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Assets

June 30, 2012

Assets

Current Assets:

Cash and cash equivalents	\$ 12,151
Accounts Receivable:	
Federal	42,374
State	304
Other	-
Total Current Assets	<u>\$ 54,829</u>

Liabilities

Current Liabilities:

Interfund Payable - General Fund	30,118
Accounts Payable	24,711
Total Current Liabilities	<u>\$ 54,829</u>

Net assets

Unrestricted	-
Total Net Assets	<u><u>\$ -</u></u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
Enterprise Fund

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2012

	<u>Food Services</u>	<u>After-Care Program</u>	<u>Total</u>
Operating revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ 3,659	\$197,796	\$ 201,455
Miscellaneous revenue	-	-	-
Total Operating revenues	<u>3,659</u>	<u>197,796</u>	<u>201,455</u>
Operating expenses:			
Cost of sales	379,746	-	379,746
Salaries	-	120,299	120,299
Employee benefits	-	-	-
Professional /Technical service	94	-	94
Supplies and materials	12,614	-	12,614
Depreciation	-	-	-
Miscellaneous	-	70,386	70,386
Total operating expenses	<u>392,454</u>	<u>190,685</u>	<u>583,139</u>
Operating income (loss)	<u>(388,795)</u>	<u>7,111</u>	<u>(381,684)</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	3,931	-	3,931
Federal sources:			
National School Lunch Program	182,365	-	182,365
National School Breakfast Program	93,854	-	93,854
Summer Lunch Program	9,435	-	9,435
Total nonoperating revenues	<u>289,585</u>	<u>-</u>	<u>289,585</u>
Net income/(loss) before contributions & transfers	(99,210)	7,111	(92,099)
Other financing sources:			
Transfer in/(out) - Board contribution	99,210	(7,111)	92,099
	<u>99,210</u>	<u>(7,111)</u>	<u>92,099</u>
Change in net assets	-	-	-
Total net assets-beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets-end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
Enterprise Fund

G-3

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities

Operating loss	\$ (381,684)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(17,359)
Increase in due to general fund	3,533
Increase in accounts payable	20,395
Net cash provided in operating activities	<u>(375,115)</u>

Cash received from state reimbursements	3,931
Cash received from federal reimbursements	285,654
Operating subsidies and transfers from other funds	92,099
Net cash provided by noncapital financing activities	<u>381,684</u>

Cash flows from investing activities

Net increase in cash and cash equivalents	6,569
Cash and cash equivalents, beginning	5,582
Cash and cash equivalents, ending	<u>\$ 12,151</u>

Fiduciary Fund

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds**

H-1

Combining Statement of Fiduciary Net Assets

June 30, 2012

	<u>Student Activity Fund</u>	<u>Unemployment Insurance Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
Assets				
Cash and cash equivalents		\$ -	\$ 69,008	\$ 69,008
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,008</u>	<u>\$ 69,008</u>
Liabilities and fund balances				
Liabilities:				
Payroll deductions and withholdings		\$ -	\$ 24,728	\$ 24,728
Interfund payables			44,280	44,280
Account payable - due to students group				-
Total liabilities	<u>-</u>	<u>-</u>	<u>69,008</u>	<u>69,008</u>
Net Assets				
Total liabilities and net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,008</u>	<u>\$ 69,008</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Assets
Unemployment Compensation Insurance Trust Fund

Year ended June 30, 2012

	<u>New Jersey Unemployment Benefits</u>
Revenues:	
General fund appropriation	\$ 78,937
Total revenues	<u>78,937</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	78,937
Total expenditures	<u>78,937</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements

H-3

Year ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Assets				
Parent council fund	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

H-4

Year ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ 226,328	\$ 5,030,506	\$ 5,187,826	\$ 69,008
Total assets	<u>\$ 226,328</u>	<u>\$ 5,030,506</u>	<u>\$ 5,187,826</u>	<u>\$ 69,008</u>
Liabilities				
Payroll deductions and withholdings	\$ -	\$ 5,030,506	\$ 5,005,778	\$ 24,728
Interfund payable	226,328		182,048	44,280
Total liabilities	<u>\$ 226,328</u>	<u>\$ 5,030,506</u>	<u>\$ 5,187,826</u>	<u>\$ 69,008</u>

Long Term Debt
At June 30, 2012, there was no long term debt.

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

I-2

Year ended June 30, 2012

	<u>Variable Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2011</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2012</u>
Valley National Bank Refinanced Loan 99 Washington Street, East Orange, N	3.88%		\$ 558,738		\$ 48,588	\$ 510,150
			<u>\$ 558,738</u>	<u>\$ -</u>	<u>\$ 48,588</u>	<u>\$ 510,150</u>

Statistical Section

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-1

NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities									
Invested in capital assets, net of related debt	\$ 759,482	\$ 249,230	\$ 255,621	\$ 173,912	\$ 176,926	\$ 179,899	\$ 180,025	\$ 621,259	\$ 379,225
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	267,498	539,217	598,318	385,297	169,029	215,157	146,816	(118,024)	203,394
Total governmental activities net assets	<u>\$ 1,026,980</u>	<u>\$ 788,447</u>	<u>\$ 853,939</u>	<u>\$ 559,209</u>	<u>\$ 345,955</u>	<u>\$ 395,056</u>	<u>\$ 326,841</u>	<u>\$ 503,235</u>	<u>\$ 582,619</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	28,484	-	-	(108,368)	-
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,368)</u>	<u>\$ -</u>
School-wide									-
Invested in capital assets, net of related debt	\$ 759,482	\$ 249,230	\$ 255,621	\$ 173,912	\$ 176,926	\$ 179,899	\$ 180,025	\$ 621,259	\$ 379,225
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	267,498	539,217	598,318	385,297	197,513	215,157	146,816	(226,392)	203,394
Total charter school net assets	<u>\$ 1,026,980</u>	<u>\$ 788,447</u>	<u>\$ 853,939</u>	<u>\$ 559,209</u>	<u>\$ 374,439</u>	<u>\$ 395,056</u>	<u>\$ 326,841</u>	<u>\$ 394,867</u>	<u>\$ 582,619</u>

Notes

GASB requires that ten year of statistical data be presented. However, only nine years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-2

CHANGES IN NET ASSETS
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses									
Governmental activities									
Instruction									
Regular	\$ 3,152,450	\$ 3,041,473	\$ 3,281,991	\$ 2,979,268	\$ 2,858,868	\$ 2,604,656	\$ 2,536,813	\$ 2,509,521	\$ 2,397,865
Support Services									
School administrative services	2,035,618	1,497,453	1,450,976	1,546,279	1,445,563	1,361,014	1,332,027	1,258,885	1,299,757
General administration	1,943,900	2,570,145	2,292,655	2,154,223	1,881,529	1,624,326	1,683,984	1,658,618	1,609,152
Plant operations and maintenance	210,584	125,382	163,997	140,000	147,399	172,024	122,743	95,725	129,482
Interest on long term debt		38,723	36,530	38,174	51,219	45,866	31,094	23,005	24,527
Unallocated depreciation	48,487	48,487		35,399	35,399	58,651	107,745	131,311	103,670
Total governmental activities expenses	<u>7,391,039</u>	<u>7,321,663</u>	<u>7,226,149</u>	<u>6,893,343</u>	<u>6,419,977</u>	<u>5,866,537</u>	<u>5,814,406</u>	<u>5,677,065</u>	<u>5,564,453</u>
Business-type activities									
Food service	392,454	418,910	390,066	317,835	337,666	324,291	302,344	321,218	259,737
Child Care	190,685	161,540	231,973	278,773	199,147	182,931	154,661	181,162	151,592
Total business-type activities expense	<u>583,139</u>	<u>580,450</u>	<u>622,039</u>	<u>596,608</u>	<u>536,813</u>	<u>507,222</u>	<u>457,005</u>	<u>502,380</u>	<u>411,329</u>
Total charter school expenses	<u>\$ 7,974,178</u>	<u>\$ 7,902,113</u>	<u>\$ 7,848,188</u>	<u>\$ 7,489,951</u>	<u>\$ 6,956,790</u>	<u>\$ 6,373,759</u>	<u>\$ 6,271,411</u>	<u>\$ 6,179,445</u>	<u>\$ 5,975,782</u>
Program Revenues									
Governmental activities									
Charges for services									
Operating grants and contributions	\$ 683,517	\$ 663,580	\$ 694,808	\$ 547,839	\$ 534,713	\$ 787,254	\$ 780,868	\$ 838,629	\$ 757,886
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>683,517</u>	<u>663,580</u>	<u>694,808</u>	<u>547,839</u>	<u>534,713</u>	<u>787,254</u>	<u>780,868</u>	<u>838,629</u>	<u>757,886</u>
Business-type activities									
Charges for services									
Food service	3,659	1,226	833	2,215	5,770	2,334	7,854	3,680	4,896
Child care	197,796	219,826	207,831	218,894	227,631	193,782	15,274	166,921	161,537
Operating grants and contributions	289,585	256,090	277,479	277,031	272,089	284,299	252,956	223,411	203,946
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>491,040</u>	<u>477,142</u>	<u>486,143</u>	<u>498,140</u>	<u>505,490</u>	<u>480,415</u>	<u>276,084</u>	<u>394,012</u>	<u>370,379</u>
Total charter school program revenues	<u>\$ 1,174,557</u>	<u>\$ 1,140,722</u>	<u>\$ 1,180,951</u>	<u>\$ 1,045,979</u>	<u>\$ 1,040,203</u>	<u>\$ 1,267,669</u>	<u>\$ 1,056,952</u>	<u>\$ 1,232,641</u>	<u>\$ 1,128,265</u>
Net (Expense)/Revenue									
Governmental activities	\$ (6,707,522)	\$ (6,658,083)	\$ (6,531,341)	\$ (6,345,504)	\$ (5,885,264)	\$ (5,079,283)	\$ (5,033,538)	\$ (4,838,436)	\$ (4,806,567)
Business-type activities	(92,099)	(103,308)	(135,896)	(98,468)	(31,323)	(26,807)	(180,921)	(108,368)	(40,950)
Total charter school-wide net expense	<u>\$ (6,799,621)</u>	<u>\$ (6,761,391)</u>	<u>\$ (6,667,237)</u>	<u>\$ (6,443,972)</u>	<u>\$ (5,916,587)</u>	<u>\$ (5,106,090)</u>	<u>\$ (5,214,459)</u>	<u>\$ (4,946,804)</u>	<u>\$ (4,847,517)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 812,342	\$ 751,886	\$ 845,154	\$ 798,269	\$ 1,137,970	\$ 877,153	\$ 836,563	\$ 761,722	\$ 757,393
Grants and contributions	6,189,656	5,755,224	5,880,536	5,693,922	4,750,514	4,265,196	4,162,698	3,891,984	4,042,837
Miscellaneous income	36,156	58,563	64,774	6,325	6,701	31,956	10,172	105,346	53,111
Transfers	(92,099)	(103,308)	(135,885)	(69,984)	(59,807)	(26,807)	(152,289)		(40,950)
Total governmental activities	<u>6,946,055</u>	<u>6,462,365</u>	<u>6,654,579</u>	<u>6,428,532</u>	<u>5,835,378</u>	<u>5,147,498</u>	<u>4,857,144</u>	<u>4,759,052</u>	<u>4,812,391</u>
Business-type activities:									
Transfers	92,099	103,308	135,885	69,984	59,807	26,807	152,289	-	40,950
Total business-type activities	<u>92,099</u>	<u>103,308</u>	<u>135,885</u>	<u>69,984</u>	<u>59,807</u>	<u>26,807</u>	<u>152,289</u>	<u>-</u>	<u>40,950</u>
Total charter school-wide	<u>\$ 7,038,154</u>	<u>\$ 6,565,673</u>	<u>\$ 6,790,464</u>	<u>\$ 6,498,516</u>	<u>\$ 5,895,185</u>	<u>\$ 5,174,305</u>	<u>\$ 5,009,433</u>	<u>\$ 4,759,052</u>	<u>\$ 4,853,341</u>
Change in Net Assets									
Governmental activities	\$ 330,632	\$ (92,410)	\$ 259,123	\$ 153,012	\$ 9,921	\$ 95,022	\$ (24,105)	\$ (79,384)	\$ 5,824
Business-type activities	(92,099)	(103,308)	(135,896)	(98,468)	(31,323)	(26,807)	(180,921)	(108,368)	-
Total charter school	<u>\$ 238,533</u>	<u>\$ (195,718)</u>	<u>\$ 123,227</u>	<u>\$ 54,544</u>	<u>\$ (21,402)</u>	<u>\$ 68,215</u>	<u>\$ (205,026)</u>	<u>\$ (187,752)</u>	<u>\$ 5,824</u>

Notes

GASB requires that ten year of statistical data be presented. However, only nine years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-3

Fund Balances - Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund									
Unreserved	\$ 777,648	\$ 788,447	\$ 853,939	\$ 559,209	\$ 345,958	\$ 395,056	\$ 326,841	\$ 503,235	\$ 582,394
Total general fund	<u>\$ 777,648</u>	<u>\$ 788,447</u>	<u>\$ 853,939</u>	<u>\$ 559,209</u>	<u>\$ 345,958</u>	<u>\$ 395,056</u>	<u>\$ 326,841</u>	<u>\$ 503,235</u>	<u>\$ 582,394</u>
All Other Governmental Funds									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:									
Special revenue fund	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes

<p>GASB requires that ten year of statistical data be presented. However, only nine years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.</p>
--

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-4

Changes in Fund Balances - Governmental Funds
Last Nine Fiscal Years
(Unaudited)

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues									
Local tax levy	\$ 812,342	\$ 751,886	\$ 845,154	\$ 798,269	\$ 1,137,970	\$ 877,153	\$ 836,563	\$ 761,722	\$ 757,393
Miscellaneous	36,156	65,133	62,774	6,325	6,701	31,956	10,172	105,346	-
State sources	6,189,656	5,755,224	5,880,536	5,693,922	4,750,514	4,265,196	4,170,586	3,895,984	4,046,837
Federal sources	683,517	657,010	784,561	547,839	534,713	787,254	772,980	834,619	753,886
Total revenue	7,721,671	7,229,253	7,573,025	7,046,355	6,429,898	5,961,559	5,790,301	5,597,671	5,558,116
Expenditures									
Instruction	3,152,450	3,041,473	3,281,991	2,979,268	2,858,868	2,604,656	2,536,813	2,509,521	2,397,965
Administration	2,103,069	2,563,117	2,240,705	2,173,628	2,139,356	1,951,360	1,733,312	1,877,213	1,734,182
Support Services	2,338,301	1,511,443	1,578,886	1,514,581	1,315,936	1,277,136	1,587,285	1,218,724	1,286,606
Capital Outlay	48,588	42,096	40,443	32,385	32,426	64,321	60,735	373,345	420,883
Total expenditures	7,642,408	7,158,128	7,142,025	6,699,861	6,346,585	5,897,473	5,918,144	5,978,802	5,839,636
Net change in fund balances	\$ 79,263	\$ 71,125	\$ 431,000	\$ 346,494	\$ 83,313	\$ 64,086	\$ (127,843)	\$ (381,131)	\$ (281,520)

Source: Charter School's Records

Notes

GASB requires that ten year of statistical data be presented. However, only nine years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-5

General Fund Other Local Revenue by Source
Last Nine Fiscal Years
(Unaudited)

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Other local revenues									
Miscellaneous	\$ 36,156	\$ 58,563	\$ 64,774	\$ 6,325	\$ 6,701	\$ 31,956	\$ 10,172	\$ 105,346	\$ 51,198
Total other local revenue	<u>\$ 36,156</u>	<u>\$ 58,563</u>	<u>\$ 64,774</u>	<u>\$ 6,325</u>	<u>\$ 6,701</u>	<u>\$ 31,956</u>	<u>\$ 10,172</u>	<u>\$ 105,346</u>	<u>\$ 51,198</u>

Source: Charter School's Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Nine Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income *	Per Capita *
	General Obligation Bonds b	Certificates of Participatio n	Capital Leases	Bond Anticipatio n Notes (BANs)	Capital Leases			
2004	\$ 494,783	\$ -	\$ -	\$ -	\$ -	\$ 494,783	0.04%	\$ 30
2005	404,353	-	-	-	-	404,353	0.04%	25
2006	737,842	-	-	-	-	737,842	0.06%	45
2007	706,088	-	-	-	-	706,088	0.06%	43
2008	673,662	-	-	-	-	673,662	0.06%	41
2009	641,277	-	-	-	-	641,277	0.06%	39
2010	600,834	-	-	-	-	600,834	0.06%	36
2011	558,738	-	-	-	-	558,738	0.05%	34
2012	510,150	-	-	-	-	510,150	0.05%	31

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-14

Demographic and Economic Statistics
Last Nine Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2004	69,212	\$ 1,141,167,456	\$ 16,488	9.70%
2005	69,212	1,141,167,456	16,488	9.70%
2006	69,212	1,141,167,456	16,488	9.70%
2007	69,212	1,141,167,456	16,488	9.70%
2008	69,212	1,141,167,456	16,488	8.50%
2009	69,212	1,141,167,456	16,488	12.50%
2010	64,270	1,059,683,760	16,488	12.50%
2011	64,270	1,059,683,760	16,488	12.50%
2012	64,270	1,059,683,760	16,488	12.50%

Source:

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

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

^c Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-15

**Principal Employers
Current Year
(Unaudited)**

<u>Employer</u>	2012		
	a	a	a
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
Federal and Local Governments	6,187	N/A	22.58%
Veteran's Administration Medical Center	N/A	N/A	N/A
East Orange General Hospital	N/A	N/A	N/A
Kessler Institute	N/A	N/A	N/A
Louis Berger & Associates	N/A	N/A	N/A
	6,187		22.58%

a Information not available.

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-16

Full-Time Equivalent Charter School Employees by Function/Program
Last Nine Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction									
Regular	53	53	53	53	53	50	51	59	49
Special education	4	4	4	4	4	4	3	2	2
Vocational	-	-	-	-	-	1	18	11	15
Other instruction	-	-	-	-	-	1	7	7	9
Support Services:									
Student & instruction related services									
General administration	9	9	9	9	9	9	12	15	13
School administrative services	5	5	5	5	5	3			
Other administrative services	1	1	1	1	1				
Central services	3	3	3	3	3				
Administrative Information Technology									
Plant operations and maintenance	4	4	4	4	4	4	3	4	8
Pupil transportation	1	1	1	1	1	1	3	7	4
Other support services	7	7	7	7	7	7	18	21	13
Special Schools									
Food Service									
Total	<u>87</u>	<u>87</u>	<u>87</u>	<u>87</u>	<u>87</u>	<u>80</u>	<u>115</u>	<u>126</u>	<u>113</u>

Source: Charter School Personnel Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-17

Operating Statistics

**Last Nine Fiscal Years
(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
						Kindergarten	Elementary				
2004	475	\$ 5,399,443	\$ 11,367	N/A	75	1:12	1:12	477.0	443	N/A	92.87%
2005	480	5,567,655	11,599	2.04%	79	1:12	1:12	488.0	454	2.48%	93.03%
2006	491	5,826,315	11,866	2.30%	79	1:12	1:12	498.0	454	0.00%	91.16%
2007	489	5,775,349	11,811	-0.47%	56	1:12	1:12	489.0	461	1.54%	94.27%
2008	481	6,257,443	13,009	10.15%	57	1:12	1:12	490.0	465	0.87%	94.90%
2009	495	6,621,384	13,377	2.82%	57	1:12	1:12	490.0	465	0.00%	94.90%
2010	495	7,054,840	14,252	6.55%	57	1:12	1:12	482.0	465	0.00%	96.47%
2011	482	7,072,908	14,674	2.96%	57	1:12	1:12	482.0	458	-1.51%	95.02%
2012	482	7,593,820	15,755	7.36%	57	1:12	1:12	482.0	458	0.00%	95.02%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-18

School Building Information
Last Nine Fiscal Years
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Square Feet	49,500	49,500	49,500	49,500	49,500	49,500	49,500	49,500	49,500
Capacity (students)	500	500	500	500	500	500	500	500	500
Enrollment	482	482	489	489	489	489	491	480	475

Source: School Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-19

Schedule of Required Maintenance Expenditures
By School Facility
Last Nine Fiscal Years
(Unaudited)

2004	\$ 650,364
2005	593,701
2006	886,780
2007	970,424
2008	657,851
2009	1,009,239
2010	920,693
2011	999,549
2012	1,055,688
	-
Total	<u>\$ 7,744,289</u>

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

Source: Charter School records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-20

Insurance Schedule

June 30, 2012
(Unaudited)

	Coverage
Commercial property and general liability:	
Property:	
Building and Contents	\$ 3,700,200
Electronic Data Processing	800,000
Boiler & Machinery	100,000,000
 Crime Coverage:	
Blanket Faithful Performance	25,000
Money & Securities	5,000
Money Orders/Counterfeit	5,000
Depositors' Forgery	25,000
Bond Board Secretary	165,000
Bond Board Treasurer	165,000
 Comprehensive General Liability:	
Single Limit for Bodily Injury/Property Damage	6,000,000
Products/Completed Operations Aggregate	6,000,000
Annual Aggregate for Child Molestations/Sexual Abuse	3,000,000
Each Occurrence for Personal Injury/Advert Injury	6,000,000
Each Claim for Employee Benefits Liability	6,000,000
Premise Medical Payments Per Person	1,000
Premise Medical Payments Per Accident	10,000
 Automobile Liability	 6,000,000
 Supplemental Indemnity - 7-day waiting period	 Statutory
 School Leaders Errors & Omissions:	
Coverage A	1,000,000
Coverage B	100,000
Coverage B - Annual Aggregate	300,000
 Workman's Compensation	
(Each Accident, Each Employee, Policy Limit)	1,000,000
 Student Accident - Gold Plan	 1,000,000

Single Audit Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

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

K-1

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the Board of Trustees of the East Orange Community Charter School ("the Charter School"), in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2012, and have issued our report thereon, dated October 10, 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 East Orange Community Charter School Board of Trustees internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Orange Community Charter School Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the East Orange Community Charter School Board of Trustees' internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Orange Community 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 grants, 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.

We noted certain matters that we reported to the Board of Trustees of the East Orange Community Charter School in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 10, 2012.

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

Olugbenga Olabintan, CPA

October 10, 2012
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

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

K-2

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 OMB Circular A-133 and New Jersey OMB Circular 04-04

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

Compliance

We have audited the compliance of the East Orange Community Charter School, in the County of Essex, State of New Jersey ("the Charter School") with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB 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 a major federal and 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.

In our opinion, Charter School 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 year ended June 30, 2012.

Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, 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 the Charter School's 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 employee, in the normal course of performing their assigned functions, to prevent or detect and 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 or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material 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 solely for the information and use of the Charter School's management, the Charter School's Board of Trustees, others within the entity, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Olugbenga Olabintan, CPA

October 10, 2012
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

EAST ORANGE COMMUNITY CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Grant Period	Award Amount	Balance at June 30, 2011	Adjustments	Carryover (Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
Special Revenue Fund:												
U.S. Department of Education:												
Passed-Through State Department of Education												
Title I Part A - FY 2011-2012	84.010A	9/1/11-8/31/12	\$ 393,196				\$ 358,563	\$ (410,109)		\$ (51,546)		
IDEA Part B - FY 2011-2012	84.027	9/1/11-8/31/12	31,452				88,622	(110,839)		(22,217)		
Title II A - FY 2011-2012	84.367	9/1/11-8/31/12	29,425				4,050	(29,425)		(25,375)		
Title I Part A - FY 2010-2011	84.010A	9/1/10-8/31/11	393,977	\$ (121,821)	(452)		139,995	(17,722)		-		
Title I Part A - SIA - FY 2010-2011	84.010A	9/1/10-8/31/11	46,512	(14,600)	28,027		18,025	(31,452)		-		
Title I ARRA - FY 2009-2011	84.389	7/1/09-8/31/11	255,064	(77,215)			116,888	(39,673)		-		
Title II A - FY 2010-2011	84.367	9/1/10-8/31/11	33,754	(33,732)	(22)		33,754			-		
Title II D - FY 2010-2011	84.318	9/1/10-8/31/11	910	(911)	1		910			-		
Title IV - FY 2010-2011	84.186	9/1/10-8/31/11	5,512	(1,600)	1,600		-			-		
IDEA Basic - FY 2010-2011	84.027	9/1/10-8/31/11	110,386	(37,482)			37,482			-		
IDEA ARRA - FY 2009-2011	84.391	7/1/09-8/31/11	150,852	(46,267)			90,564	(44,297)		-		
Total Special Revenue/U.S. Department of Education				<u>(333,628)</u>	<u>29,154</u>		<u>888,853</u>	<u>(683,517)</u>		<u>(99,138)</u>		
Enterprise Fund:												
U.S. Department of Agriculture												
Passed-Through New Jersey Dept of Agriculture												
National School lunch program	10.555	7/1/11-6/30/12	182,365				146,994	(182,365)		(35,371)		
National School lunch program	10.555	7/1/10-6/30/11	161,938	(11,700)			11,700	-		-		
National School breakfast program	10.553	7/1/11-6/30/12	93,854				86,851	(93,854)		(7,003)		
National School breakfast program	10.553	7/1/10-6/30/11	90,619	(6,538)			6,538	-		-		
Summer Lunch Program	Not Available	7/1/11-6/30/12	9,435				9,435	(9,435)		0		
Total Enterprise Fund/Total U.S. Department of Agriculture				<u>(18,238)</u>			<u>261,518</u>	<u>(285,654)</u>		<u>(42,374)</u>		
Total Expenditures of Federal Awards				<u>\$ (351,866)</u>	<u>\$ 29,154</u>		<u>\$ 1,150,371</u>	<u>\$ (969,171)</u>		<u>\$ (141,512)</u>		

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

EAST ORANGE COMMUNITY CHARTER SCHOOL

Schedule of Expenditures of State Awards

Year ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
State Department of Education														
General Fund:														
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$6,448,859						\$ 7,014,137	\$ (6,627,648)		\$ (72,619)		\$ 313,870
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	6,042,889	\$ (195,865)		\$ 221,739			195,865		\$ (221,739)			
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	137,106						137,106	(137,106)				
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	219,516						219,516	(219,516)				
State Non-Public Aid	12-100-034-5120-060	7/1/10-6/30/11	22,167						22,167	(22,167)				
TPAF/FICA Reimbursements	12-495-034-5095-002	7/1/11-6/30/12	174,350						142,453	(174,350)		\$ (31,897)		
TPAF/FICA Reimbursements	11-495-034-5095-002	7/1/10-6/30/11	164,682	(19,739)					19,739			-		
Total General Fund				<u>(215,604)</u>		<u>221,739</u>			<u>7,750,983</u>	<u>(7,180,787)</u>	<u>(221,739)</u>	<u>(104,516)</u>		<u>313,870</u>
State Department of Agriculture														
Enterprise Fund:														
State School lunch program	12-100-010-3350-023	7/1/11-6/30/12	3,931						3,627	(3,931)			(304)	
State School lunch program	12-100-010-3350-023	7/1/10-6/30/11	3,533	(280)					280				0	
Total Enterprise Fund				<u>(280)</u>					<u>3,907</u>	<u>(3,931)</u>			<u>(304)</u>	
Total State Financial Assistance				<u>\$ (215,884)</u>		<u>\$ 221,739</u>			<u>\$ 7,754,890</u>	<u>\$ (7,184,718)</u>	<u>\$ (221,739)</u>	<u>\$ (104,820)</u>		<u>\$ 313,870</u>

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2012

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

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

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

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2012

3. Relationship to Basic Financial Statements - *continued*

Federal awards and state financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 7,180,787	\$ 7,180,787
Special Revenue Fund	\$ 683,517	-	683,517
Enterprise Fund	285,654	3,931	289,585
Total	<u>\$ 969,171</u>	<u>\$ 7,184,718</u>	<u>\$ 8,153,889</u>

4. Relationship to Federal and State Financial Reports

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

5. Other

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiency(cies) identified _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards:

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

Internal control over major programs:

Material weakness(es) identified? _____ Yes No

Significant deficiency(cies) identified? _____ Yes None reported

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

_____ Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010A, 84.389

Title I, Part A (Regular and ARRA)

84.010A

Title I, Part A, SIA

84.027, 84.391

IDEA Basic, (Regular and ARRA)

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

Auditee qualifies as low-risk auditee? yes _____ No

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I Summary of Auditors' Results

State Financial Assistance Section

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

Auditee qualifies as low-risk auditee? Yes No

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

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified? Yes None reported

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

Identification of Major Programs:

<u>State Grant/Program Number(s)</u>	<u>Name of State Program or Cluster</u>
12-495-034-5120-078	Equalization Aid - Cluster
12-495-034-5120-089	Special Education Aid - Cluster
12-495-034-5120-084	Security Aid - Cluster

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part II – Schedule of Financial Statement Findings

NONE

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part III – Schedule of Federal Awards and State Financial Assistance

NONE

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2012

There were no prior year's audit findings.