

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
LEARNING COMMUNITY CHARTER SCHOOL
OF JERSEY CITY, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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JUNE 30, 2012
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learning community charter school

August 23, 2012

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the Learning Community Charter School for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first seven fiscal years. The school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

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

Learning Community was chartered by The New Jersey Department of Education as one of the state's very first charter schools in January 1997. The school opened its doors to its first 98 students: 30 kindergarteners, 34 first graders, and 34 second graders in accordance with its charter. After years of sharing a space with the Boys and Girls Club, the school community was able to purchase its own building in 2009. The Learning Community served 488 K-8 students and 30 Pre-K students during the 2011-2012 school year.

- 2) **ENROLLMENT OUTLOOK:** Learning Community began the 2011-12 school year with 486 students in grades K-8 and ended the year with 488 and a waiting list of 568. The student retention rate was 95.5%. The anticipated enrollment for the 2011-12 school year is 543 students in Pre-K-8.
- 3) **MAJOR ACCOMPLISHMENTS** – The Learning Community Charter School (LCCS) is a small public elementary and middle school in Jersey City, New Jersey, founded by a group of parents and other community members dedicated to excellence and diversity in public education. Since its inception, the school has grown each year, as has its reputation. The desire for open spots in the school is large and the waiting list grows each year. Currently beginning its sixteenth year of operations, Learning Community’s goal is to offer a diverse group of Jersey City students a world-class education, and is having great success engaging inner-city children who otherwise might fall through the cracks at larger schools. LCCS does this by maintaining a small school environment with small classes (18-20) and by incorporating parents into the educational process. High expectations are maintained for all students, recognizing that children learn in different ways and at different paces. It was one of two charter schools in the state approved to run a pre-school.

During the 2011-12 school year, LCCS served a diverse population of children from every neighborhood of Jersey City. The student body is approximately 26% African-American, 34% White, 14% Hispanic, and 22% Asian. As a public school located in one of New Jersey’s “Special Needs” districts, many students at LCCS come from low-income households; approximately 32% of our students are eligible for the National School Lunch Program.

The curriculum at LCCS is theme-based and incorporates the traditional disciplines of literacy, mathematics, science, social studies and the arts through an integrated curriculum over an extended period of time. Visual and performing arts are highly valued and practiced at LCCS. This thematic approach allows our teaching and our assessments to focus on the mastery of core concepts. Unit studies often culminate in presentations to parents and the entire school community. The content of the curriculum is directly aligned with the NJ Core Curriculum Content Standards. The entire teaching staff is involved in ongoing curriculum planning. The teachers study and share a wide range of instructional strategies that reflect research-based principles of learning and teaching. LCCS students receive instruction in Spanish beginning in kindergarten. The school is fully networked, with all classrooms and offices having high-speed Internet access.

A social curriculum is employed throughout the grades, modeling respect for everyone in the school community, teaching character development and conflict resolution skills and encouraging community involvement on the part of the students. The school celebrates its core values—Community, Independence, Respect, Courage, Leadership and Effort— which serve as the centerpiece for weekly student CIRCLE awards and recognition.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2012.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1
- 7) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2012.

Revenue	Amount	Percent of Total
Local Sources	\$849,137	12%
State Sources	4,960,831	75%
Federal Sources	198,145	3%
Special Revenue Private Grants	100,715	3%
Miscellaneous Local Revenues	76,460	2%
Enterprise Fund	<u>364,079</u>	<u>5%</u>
	<u>\$6,549,367</u>	<u>100%</u>

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

Expenditures	Amount	Percent of Total
Current Expense	\$5,522,970	84%
Special Revenue	654,314	10%
Enterprise Fund	<u>363,825</u>	<u>6%</u>
	<u>\$ 6,541,109</u>	<u>100%</u>

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

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor’s report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,

Janet Ciarrocca
Head of Learning Community Charter School

LEARNING COMMUNITY CHARTER SCHOOL

ROSTER OF TRUSTEES AND OFFICERS JUNE 30, 2012

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Joe Santella, President	April, 2015
Toby Dowling, Vice President	April, 2015
Ilse Sigmund, Recording Secretary	April, 2014
Horace Anderson, Board Member	April, 2013
Barbara Hines, Board Member	April, 2013
Didier Jean Baptiste, Board Member	April, 2012
Yasmin Meah, Board Member	April, 2013
Roger Sayre, Board Member	April, 2014
Elizabeth Morrison Brown, Board Member	April, 2013
Shelley Skinner, Board Member	April, 2013
Wendy Tom, Board Member	April 2014
Janet Ciarrocca, Principal (Ex Officio), Non-voting Board Member	
Michael Steinmetz, School Business Administrator/Board Secretary	
Kyle Bleeker, Treasurer of School Monies	

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

Thomas Johnston, Esq.
Porzio, Bromberg, Newman, P.C.
100 Southgate Parkway
P.O. Box 1997
Morristown, NJ 07962-1997

OFFICIAL DEPOSITORY

PNC Bank
Jersey City, NJ

FINANCIAL SECTION

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
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EAST HANOVER, NEW JERSEY 07936

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

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Learning Community Charter School
County of Hudson
Jersey City, New Jersey

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Trustees of the Learning Community Charter School, County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the charter schools' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustee's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Learning Community Charter School, Board of Trustees, in the County of Hudson, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 23, 2012 on my consideration of the Learning Community Charter School, in the County of Essex, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information in Exhibits C-1 through C-3 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Learning Community Charter School's Board of Trustees' basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Licensed Public School Accountant No. 870

A handwritten signature in cursive script, reading "Scott J. Loeffler CPA". The signature is written in black ink and is positioned above the printed name.

Scott J. Loeffler, CPA

August 23, 2012

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

This section of Learning Community Charter School annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year include the following:

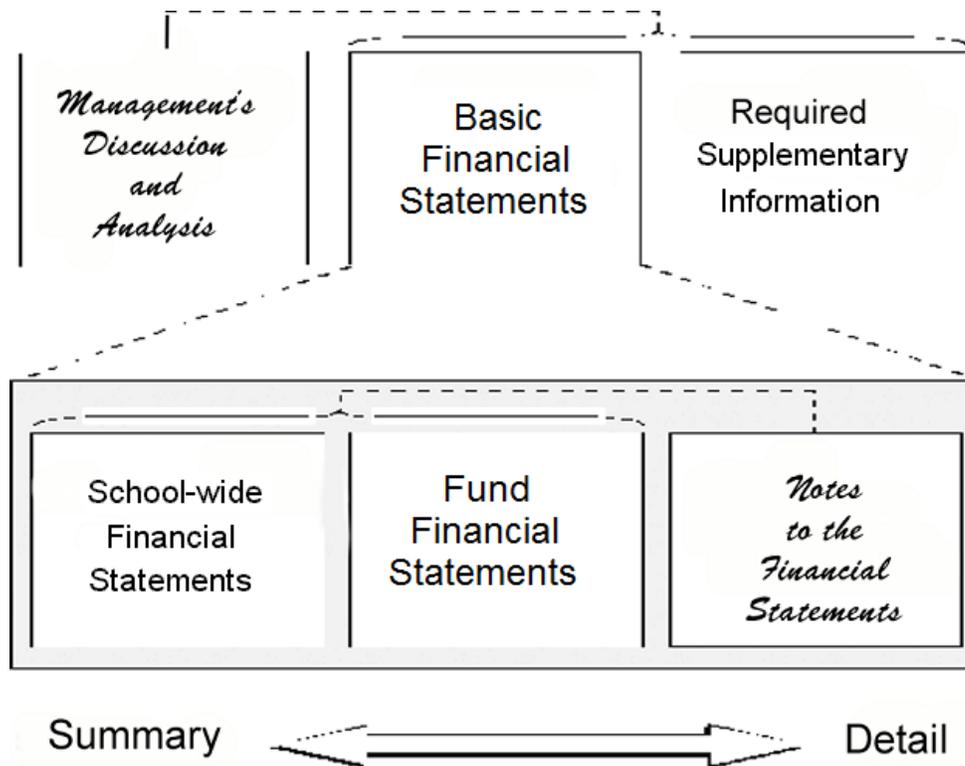
- Net assets were \$1,642,325.
- Net Assets decreased by (\$81,748) from July 1, 2011 to June 30, 2012.
- The General Fund balance at June 30, 2012 is \$525,264, increased by \$8,004 when compared with the beginning balance at July 1, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

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

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

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

School-wide Statements

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

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

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

- *Governmental activities*- Most of the Learning Community Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aids finance most of these activities.
- *Business-type activities*- The Learning Community Charter School's after school program fund is included here.

Fund Financial Statements

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

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

- Some funds are required by State law.

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

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

The Learning Community Charter School has three kinds of funds:

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

FINANCIAL ANALYSIS OF LEARNING COMMUNITY CHARTER SCHOOL AS A WHOLE

Net assets. The Learning Community Charter School's net assets are \$1,642,325 on June 30, 2012. (See Table A-1).

Governmental	\$1,622,718
Enterprise Fund	<u>19,607</u>
Total	<u>\$1,642,325</u>

The Statement of Net Assets of \$1,642,325 reflects total capital assets at net of assumed depreciation from inception of \$408,871.

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

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

- General Fund Revenues during the 2011-12 school year were \$5,530,974.
- General Fund Expenditures were \$5,522,970.

Table A-1
LEARNING COMMUNITY CHARTER SCHOOL
Statement of Net Assets
As of June 30, 2012

	<u>Total</u>
Current and Other Assets	1,087,998
Capital Assets (Including Business Activities)	1,023,454
Total Assets	<u>\$2,111,452</u>
Long-Term Liabilities	
Other Liabilities	469,127
Total Liabilities	<u>\$469,127</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	1,023,454
Restricted	74,000
Unrestricted	544,871
Total Net Assets	<u><u>\$1,642,325</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net assets of \$1,642,325 on June 30, 2012 which reflects a capital reserve of \$74,000.

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

Table A-2
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2012

Revenues	Total
Program revenues	294,367
Charges for services	
Operating grants and contributions	
General revenues	
Local Share	849,137
Federal and State Aid-Unrestricted	3,594,129
Federal and State Aid-Restricted	1,564,847
Other	177,175
Enterprise fund	69,712
(Decrease) in Net Assets	(90,006)
Total revenues	<u>\$ 6,459,361</u>
Expenses	
Regular Instruction	3,072,449
General Administrative	1,675,830
School Administrative	663,870
On-behalf TPAF Social Security	354,189
Capital Outlay	410,946
Enterprise Fund	363,825
Total expenses	<u>\$ 6,541,109</u>
(Decrease) in net assets	(81,748)
Net Assets, Beginning July 1	1,724,073
Net Assets, End of Year June 30	<u><u>\$ 1,642,325</u></u>

Changes in Net Assets. The Learning Community Charter School's total revenues were \$6,549,367. Local shares of \$849,137 represented 13% of revenues. The state aid of \$4,962,508 represented 76% of revenues. The federal aid of \$266,180 represented 4%.

The component of revenues is "Other Local Revenue." The "Other Local Revenue" for 2012 is \$471,542 represented 7% of revenues.

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

**Table A-3 (See Exhibit A-2)
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2012**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	3,072,449	3,072,449
Support Services			
General Administrative Services	B-2	1,675,830	1,675,830
School Administrative Services	B-2	663,870	663,870
On-behalf TPAF Social Security	B-2	354,189	354,189
Capital Outlay	B-2	410,946	410,946
Enterprise Fund	G-2	363,825	363,825
Total Governmental Activities		\$ 6,541,109	\$ 6,541,109

FINANCIAL ANALYSIS OF THE LEARNING COMMUNITY CHARTER SCHOOL'S FUNDS

The financial performance of the Learning Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Learning Community Charter School completed the year, its General Fund reported an unrestricted fund balance of \$525,264 and capital reserve of \$74,000.

GENERAL FUND

The General Fund includes the primary operations of the Learning Community Charter School in providing educational services to students from grade K through grade 8.

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

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

Table A-4 (See Exhibit B-2)
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Years Ended June 30, 2012 and 2011

General Fund Revenues	Year Ended 06/30/2012	Year Ended 06/30/2011	Amount of Increase (Decrease)
Local Sources:			
Local Share	849,137	1,002,039	(152,902)
Other Local Revenue	471,542	587,728	(116,186)
Total Local Sources	\$ 1,320,679	\$ 1,589,767	\$ (269,088)
Intergovernmental			
State Sources	4,962,508	3,714,313	1,248,195
Federal Revenue	266,180	265,834	346
Total Intergovernmental Sources	\$ 5,228,688	\$ 3,980,147	\$ 1,248,541
Total Revenue	\$ 6,549,367	\$ 5,569,914	\$ 979,453

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

Table A-5 (See Exhibit B-2)
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Years Ended June 30, 2012 and 2011

General Fund Revenues	Year Ended 06/30/2012	Year Ended 06/30/2011	Amount of Increase (Decrease)
Current:			
Regular Instruction	3,072,449	2,278,514	793,935
General Administrative Services	1,675,830	1,576,453	99,377
School Administration	663,870	667,075	(3,205)
On-behalf TPAF Social Security	354,189	275,405	78,784
Capital outlay	410,946	490,955	(80,009)
Enterprise Fund	363,825	385,272	(21,447)
Total Expenditures	\$ 6,541,109	\$ 5,673,674	\$ 867,435

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

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

Table A-6
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2012

General Fund	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Unreserved-Undesignated Fund Balance	525,264	517,260	623,659	339,736	493,431	387,450
Expenditures	6,541,109	5,673,674	4,332,132	4,486,000	3,495,092	3,203,880
Percentages	8%	9%	14%	8%	14%	12%

The Learning Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designed to support the subsequent years budgets is \$525,264 for the 2011-12 school year with an additional Capital Reserve of \$74,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012, in the General Fund, the Learning Community Charter School had invested \$8,143,331 in a broad range of capital assets, including facilities, computer equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expense for the year was \$212,006.

Table A-7
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2012

Land	
Facilities Improvement	8,143,331
Total - General Fund	8,143,331
Less: Accumulated Depreciation	(620,877)
Total - Net Capital Assets General Fund	7,522,454
Less: Mortgage Payable	(6,499,000)
Total - Net Assets	1,023,454

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

FACTORS BEARING ON THE SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the Learning Community Charter School was aware of these existing circumstances that could significantly affect its financial health in the future:

- The State of New Jersey passed legislation which imposes a 2% cap on the underlying school District's tax levy.
- Future State Aid may be reduced due to the State's new criteria utilized in calculating allocations of State Aid.

CONTACTING THE LEARNING COMMUNITY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Learning Community Charter School's finances and to demonstrate the Learning Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Learning Community Charter School, 2495 JFK Blvd., Jersey City, New Jersey, 07302.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Learning Community Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2012.

SCHOOL-WIDE FINANCIAL STATEMENTS

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 955,915	\$ 15,006	\$ 970,921
Investments			
Receivables, net	105,818	11,259	117,077
Security Deposit	-		-
Restricted assets:			
Cash and cash equivalents			
Capital reserve account - cash			
Capital assets, net (Note 4):	<u>7,522,454</u>		<u>7,522,454</u>
Total Assets	<u>8,584,187</u>	<u>26,265</u>	<u>8,610,452</u>
LIABILITIES			
Cash Overdraft			-
Accounts payable	324,797	6,658	331,455
Due to Jersey City Board of Education	-		-
Payable to State government	4,053		4,053
Deferred revenue	133,619		133,619
Long Term Debt (Note 8)	<u>6,499,000</u>		<u>6,499,000</u>
Total liabilities	<u>6,961,469</u>	<u>6,658</u>	<u>6,968,127</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,023,454		1,023,454
Restricted for:			
Debt service			
Capital Reserve	74,000		74,000
Permanent endowment - nonexpendable			
Other purposes			
Unrestricted	<u>525,264</u>	<u>19,607</u>	<u>544,871</u>
Total net assets	<u>\$ 1,622,718</u>	<u>\$ 19,607</u>	<u>\$ 1,642,325</u>

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

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Year Ended June 30, 2012

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (3,072,449)		\$ (629,261)		\$ (2,443,188)		\$ (2,443,188)
Support services:							
General administration	(1,675,830)		(25,053)		(1,650,777)		(1,650,777)
School administrative services/ operations plant serv.	(663,870)		-		(663,870)		(663,870)
On - behalf TPAF Social Security	(354,189)				(354,189)		(354,189)
Capital Outlay	(410,946)				(410,946)		(410,946)
Total governmental activities	<u>(6,177,284)</u>		<u>(654,314)</u>		<u>(5,522,970)</u>		<u>(5,522,970)</u>
Business-type activities:							
Enterprise Fund		(363,825)				(363,825)	(363,825)
Total business-type activities						(363,825)	(363,825)
Total primary government	<u>(6,177,284)</u>	<u>\$ (363,825)</u>	<u>\$ (654,314)</u>		<u>\$ (5,522,970)</u>	<u>\$ (363,825)</u>	<u>\$ (5,886,795)</u>
General revenues:							
					849,137		849,137
					3,594,129		3,594,129
					1,011,248	69,712	1,080,960
					76,460	294,367	370,827
					(90,006)		(90,006)
Total general revenues, special items,					<u>5,440,968</u>	<u>364,079</u>	<u>5,805,047</u>
Change in Net Assets					(82,002)	254	(81,748)
Net Assets—beginning					1,704,720	19,353	1,724,073
Net Assets—ending					<u>\$ 1,622,718</u>	<u>\$ 19,607</u>	<u>\$ 1,642,325</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

LEARNING COMMUNITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 786,431	\$ 169,484		\$ -	\$ 955,915
Investments					
Receivables, net	16,431	89,387			105,818
Security Deposit	-				-
Interfund Receivable	-				-
Total assets	<u>\$ 802,862</u>	<u>\$ 258,871</u>		<u>\$ -</u>	<u>\$ 1,061,733</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft					
Accounts payable	192,545	125,252			317,797
Payable to federal government					
Payable to state government	4,053				4,053
Deferred revenue		133,619			133,619
Total liabilities	<u>196,598</u>	<u>258,871</u>		<u>-</u>	<u>455,469</u>
Fund Balances:					
Reserved for:					
Capital Reserve	74,000				
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	525,264			-	525,264
Capital projects fund					
Permanent fund					
Total Fund balances	<u>599,264</u>		<u>-</u>	<u>-</u>	<u>599,264</u>
Total liabilities and fund balances	<u>\$ 795,862</u>	<u>\$ 258,871</u>	<u>\$ -</u>	<u>\$ -</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. The cost of the assets is	8,143,331
and the accumulated depreciation is	<u>(620,877)</u>
Net Capital Assets	<u>7,522,454</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)	<u>(6,499,000)</u>
Net assets of governmental activities	<u>\$ 1,622,718</u>

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

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local share	\$ 849,137	\$ -			\$ 849,137
State Share	3,594,129	-			3,594,129
Other Restricted Miscellaneous Revenues					
Miscellaneous	76,460	100,715			177,175
Total - Local Sources	4,519,726	100,715			4,620,441
State sources	938,205	355,454			1,293,659
Federal sources		198,145			198,145
Total revenues	<u>5,457,931</u>	<u>654,314</u>			<u>6,112,245</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 2,443,188	\$ 629,261			\$ 3,072,449
Support services- General Administrative	1,650,777	25,053			1,675,830
Support Services- School Admin/ operations plant se	663,870				663,870
On-behalf TPAF Social Security	281,146				281,146
Capital outlay	410,946				410,946
Total expenditures	<u>5,449,927</u>	<u>654,314</u>			<u>6,104,241</u>
Excess (Deficiency) of revenues over expenditures	<u>8,004</u>				<u>8,004</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	168,930				
Transfers out	(168,930)				
Total other financing sources and uses	<u>-</u>				
Net change in fund balances	8,004				8,004
Fund balance—July 1	517,260				517,260
Fund balance—June 30	<u>\$ 525,264</u>				<u>\$ 525,264</u>

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

**LEARNING COMMUNITY CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2012**

Total net change in fund balances - governmental funds (from B-2)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:	\$	8,004
--	----	-------

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Decrease in Capital Outlay	122,000		
Depreciation expense	<u>(212,006)</u>		(90,006)

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

Change in net assets of governmental activities	<u>\$</u>	<u>(82,002)</u>
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Net Assets
Proprietary Funds
June 30, 2012

		Business-type Activities Enterprise funds
		<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	15,006
Investments		
Accounts receivable		4,259
Other receivables		7,000
Total current assets		<u>26,265</u>
Total assets		<u><u>26,265</u></u>
 LIABILITIES		
Current liabilities:		
Accounts payable		6,658
Deposits payable		
Compensated absences		
Total current liabilities		<u> </u>
Total liabilities		<u>6,658</u>
 NET ASSETS		
Invested in capital assets net of related debt		
Restricted for:		
Capital projects		
Unrestricted		19,607
Total net assets	\$	<u><u>19,607</u></u>

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

Exhibit B-5

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities Enterprise Fund
Operating revenues:	
Charges for services:	
Daily Fees	\$ 294,367
Special functions	
Total operating revenues	294,367
Operating expenses:	
Salaries	171,458
Building Expense	
Supplies, Materials and Other Expenses	116,661
Professional Services	75,706
Total Operating Expenses	363,825
Operating income (loss)	(69,458)
Income (loss) before contributions & transfers	
Capital contributions	
Federal and State Subsidy	69,712
Total	69,712
Change in net assets	254
Total net assets—beginning	19,353
Transfer to general fund	0
Total net assets—ending	19,607

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

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities Enterprise Funds After School Program
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 291,267
Payments to employees and benefits	
Payments to suppliers	(367,820)
Net cash provided by (used for) operating activities	(76,553)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Federal Sources	78,615
Capital Contributions	
Net cash provided by (used for) non-capital financing activities	78,615
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase In Fixed Assets	
Transfer to General fund	-
Net cash provided by (used for) investing activities	-
Net increase (decrease) in cash and cash equivalents	2,062
Cash Balances—beginning of year	12,944
Cash Balances—end of year	\$ 15,006
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 254
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation and net amortization	
(Increase) decrease in accounts receivable, net	5,803
(Increase) decrease in inventories	
(Increase) decrease in USDA Commonities	
Increase (decrease) in accounts payable	(3,995)
Increase (decrease) in accrued compensated absences	
Total adjustments	1,808
Net cash provided by (used for) operating activities	\$ 2,062

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

FIDUCIARY FUNDS

**LEARNING COMMUNITY CHARTER SCHOOL
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

NOT APPLICABLE

Exhibit B-8

**LEARNING COMMUNITY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

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

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

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

B. Government-wide and Fund Financial Statements:

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

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

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

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

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

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

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

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

The Learning Community Charter School reports the following major governmental funds:

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

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

The *enterprise fund* accounts for the activities of the After School Program.

Additionally, the government reports the following fund types:

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity:

1. *Deposits and Investments*

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

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

E. Assets, Liabilities and Net Assets or Equity:

2. *Receivables and Payables*

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

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

3. *Inventories and Prepaid Items*

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

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

Accrued Liabilities and Payables

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

Net Assets

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

4. *Capital Assets*

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

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

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

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

5. *Fund Reserve Restrictions, Commitments and Assignments*

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

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

Fund Reserves Restrictions, Commitments and Assignments (continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has no funds restricted at June 30, 2012.

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

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2012.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources at June 30, 2012.

Reserve for Capital Reserve Account - This reserve is created by budget appropriation to fund future capital expenditures. The capital reserve at June 30, 2012 amounted to \$74,000.

Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures - This reserve is created to represent the portion of fund balance at June 30, 2012 restricted and utilized in the adopted subsequent year's budget. At June 30, 2012 there were no reserves.

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

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

No difference noted.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Budgetary Information:**

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

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

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

The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The school approved several budget transfers during 2011-2012.

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

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

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Operating In</u>	<u>Transfers Out</u>
Budgetary Basis	\$654,314	\$654,314	-	-
Adjustments:	-	-	-	-
Add encumbrances at 6/30/11	-	-	-	-
Less encumbrances at 6/30/12	-	-	-	-
GAAP Basis	<u>\$654,314</u>	<u>\$654,314</u>	-	-

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

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Capital Reserve Account:

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

There is a \$74,000 capital reserve account established at June 30, 2012.

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Deposits

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

As of June 30, 2012, Learning Community Charter School cash and cash equivalents consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Operating Account	<u>\$786,431</u>	<u>\$169,484</u>	<u>\$15,006</u>	<u>\$970,921</u>

Category 1 - Insured or collateralized with securities held by the Learning Community Charter School or its agent in the Learning Community Charter School's name.

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

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents (continued)

Deposits (continued)

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

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>
Deposits	<u>\$970,921</u>	\$ 0	\$ 0	<u>\$970,921</u>

The Learning Community Charter School's cash deposits as June 30, 2012 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

Investments

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

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

The Learning Community Charter School had no outstanding investments at June 30, 2012.

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The school does not have a formal policy for custodial credit risk. As of June 30, 2012, the school bank balance of \$928,865 was not exposed to custodial credit risk since all deposits were considered insured by either FDIC or GUDPA.

B. Receivables

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

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$16,431</u>	<u>\$89,387</u>	<u>\$11,259</u>	<u>\$117,077</u>
Gross Receivables	<u>\$16,431</u>	<u>\$89,387</u>	<u>\$11,259</u>	<u>\$117,077</u>

C. Deferred Revenue

Deferred Revenue represents funds which have been received but not yet earned.

The \$133,619 deferred revenue in the special revenue fund is from:

NJ Early Childhood	\$ 27,887
Building Grant	104,182
JESSE Fund	<u>1,550</u>
Total Deferred Revenue	<u>\$133,619</u>

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets

Capital assets as of June 30, 2012 were as follows:

Primary Government:

	<u>Balance at June 30, 2012</u>
Capital assets, being depreciated:	
Building and site improvements	<u>\$8,143,331</u>
Total capital assets being depreciated	<u>\$8,143,331</u>
Less accumulated depreciation for:	
Total accumulated depreciation	<u>(\$620,877)</u>
Total capital assets, being depreciated, net all funds	<u>\$7,522,454</u>

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

Governmental activities:	
Total depreciation expense - governmental activities	<u>\$212,006</u>

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

E. Interfund Receivables, Payables, and Transfers:

As of June 30, 2012, there were no interfund payables or receivables.

F. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 5. OTHER INFORMATION

A. Contingent Liabilities

The Learning Community Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 5. OTHER INFORMATION (continued)

A. Contingent Liabilities (continued)

If expenditures are disallowed due to noncompliance with grant program regulations, the Learning Community 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 Learning Community Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Learning Community Charter School. The Learning Community Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Learning Community Charter School and which might materially affect the Learning Community Charter School's financial position.

B. Pension Plans

Substantially all of the Learning Community Charter School's employees participate in one of the two contributory defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS) of New Jersey. The TPAF and PERS are sponsored and administered by the State of New Jersey. The TPAF 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 Learning Community Charter School and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. As a general rule, all full-time employees are eligible to join the TPAF or the PERS.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 5. OTHER INFORMATION (continued)

B. Pension Plans (continued)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS went from 5.5% to 6.5% of employees' annual compensation as defined. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the Learning Community Charter School is a noncontributing employer of the TPAF.

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$223,530 to the TPAF for pension benefits on-behalf of the Learning Community Charter School.

Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

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

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post Retirement Medical Contributions to TPAF for the Learning Community Charter School were \$449,352.

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 6. RISK MANAGEMENT

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

NOTE 7. PURCHASE OF BUILDING AND NOTES PAYABLE

In April 2009, the school purchased land and building located at 2495 Kennedy Blvd, Jersey City, New Jersey for use as its school location commencing for the 2011-2012 school year. The purchase price amounted to \$ 5,700,000, plus closing costs. The terms of the notes are summarized below. The proceeds of the notes were used to purchase the land and building, along with providing for improvements to be made to the property. A total of \$571,000 from the proceeds of the notes was placed into a restricted bank account to fund the improvements. The collateral for the notes are a first priority mortgage on the property, a first security interest in all assets of the school and a first assignment of leases. The Friends of Learning Community Charter School, Inc. are Guarantors of the notes.

NOTE 8. LONG TERM DEBT

In accordance with the note agreements, the school is subject to certain loan covenants. For the year ended June 30, 2012, the school was not in compliance with its Debt Service Coverage Ratio. At maturity, the two Subordinate Notes will be forgiven, subject to the payment of certain fees amounting to approximately \$201,000.

The amounts and terms of the notes are as follows:

Senior Note payable - Balloon payment due April 25, 2016. Interest only, payable monthly at a fixed rate of 6.69% per annum.	\$4,840,750
Subordinate Note payable - Balloon payment due April 25, 2016. Interest only, payable monthly at a fixed rate of 1.9991% per annum.	201,000
Subordinate Note payable - maturing April 25, 2044. Interest only, payable monthly at a fixed rate of 1.9991% per annum until April 25,2016 and a fixed rate of 5.4931% per thereafter until maturity.	1,457,250
TOTAL:	<u><u>\$6,499,000</u></u>

During 2011-2012 no principal payments were made.

LEARNING COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 9. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of August 23, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2012
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 846,252	\$ -	\$ 846,252	\$ 849,137	\$ (2,885)
State Share	3,594,129	-	\$ 3,594,129	3,594,129	-
Miscellaneous	134,248	-	134,248	76,460	57,788
Total - Local Sources	<u>4,574,629</u>	<u>-</u>	<u>4,574,629</u>	<u>4,519,726</u>	<u>54,903</u>
Categorical Aid					
Security Aid	-	-	-	104,432	(104,432)
Adjustment Aid	380,489	-	380,489	382,597	(2,108)
Preschool Aid	104,403	-	104,403	-	104,403
Non Public Aid	10,569	-	10,569	1,494	9,075
Special Education	168,536	-	168,536	168,536	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	188,456	(188,456)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	165,733	(165,733)
Total State Sources	<u>663,997</u>	<u>-</u>	<u>663,997</u>	<u>1,011,248</u>	<u>(347,251)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>5,238,626</u>	<u>-</u>	<u>5,238,626</u>	<u>5,530,974</u>	<u>(292,348)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 1,609,202	-	1,609,202	1,602,930	\$ 6,272
Other Salaries	609,360	-	609,360	586,282	23,078
Prof/Tech Services	13,400	-	13,400	12,609	791
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	64,032	-	64,032	61,492	2,540
Textbooks	76,099	-	76,099	76,099	-
Other Objects	114,950	-	114,950	103,776	11,174
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>2,487,043</u>	<u>-</u>	<u>2,487,043</u>	<u>2,443,188</u>	<u>43,855</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2012
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - General Administrative					
Salaries of Administrative Salaries	308,757	-	308,757	308,757	-
Salaries of Secretarial and Clerical Assistants	193,030	-	193,030	193,030	-
Cost of Benefits	982,883	-	982,883	926,808	56,075
Consultants	115,605	-	115,605	101,214	14,391
Other Purchased Services (400-500 series)	46,925	-	46,925	43,807	3,118
Communications/Telephone	20,436	-	20,436	20,400	36
Supplies and Materials	41,394	-	41,394	35,625	5,769
Other Objects	21,481	-	21,481	21,136	345
	<u>1,730,511</u>	<u>-</u>	<u>1,730,511</u>	<u>1,650,777</u>	<u>79,734</u>
Support Services - School Admin/Operation Plant Services					
Salaries	310,292	-	310,292	300,926	9,366
Purchased Professional and Technical Services	126,645	-	126,645	123,251	3,394
Other Purchased Services	-	-	-	-	-
Rental of Land and Building- other than Lease Purchase Agreements	-	-	-	-	-
Insurance	82,266	-	82,266	78,548	3,718
General Supplies	64,818	-	64,818	64,718	100
Transportation- Trips	17,981	-	17,981	10,757	7,224
Energy (Energy and Electricity)	96,000	-	96,000	85,670	10,330
Other Objects	-	-	-	-	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>698,002</u>	<u>-</u>	<u>698,002</u>	<u>663,870</u>	<u>34,132</u>
Food Service					
Other Purchsed Saervices	-	-	-	-	-
Total Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On-behalf TPAF pension Contributions (non-budgeted)	-	-	-	188,456	(188,456)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	165,733	(165,733)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,189</u>	<u>(354,189)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>2,428,513</u>	<u>-</u>	<u>2,428,513</u>	<u>2,668,836</u>	<u>(240,323)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>4,915,556</u>	<u>-</u>	<u>4,915,556</u>	<u>5,112,024</u>	<u>(196,468)</u>

LEARNING COMMUNITY CHARTER SCHOOL
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2012
 (Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Building Purchase other lease purchase	363,000	-	363,000	362,946	54
Facilities Acquisition & Construction		-	-	-	
Instructional Equipment	-		-	-	-
Non-Instructional Equipment	55,000	-	55,000	48,000	7,000
Capital Reserve	74,000	-	74,000	-	74,000
Total Equipment	<u>492,000</u>	<u>-</u>	<u>492,000</u>	<u>410,946</u>	<u>81,054</u>
TOTAL EXPENDITURES- GENERAL FUND	5,407,556	-	5,407,556	5,522,970	(115,414)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(168,930)	-	(168,930)	8,004	176,934
Other Financing Sources:					
Operating Transfer In:	168,930	-	168,930	-	(140,846)
Total Other Financing Sources:	<u>168,930</u>	<u>-</u>	<u>168,930</u>	<u>-</u>	<u>(140,846)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	8,004	36,088
Fund Balance, July 1	-	-	517,260	517,260	
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,260</u>	<u>\$ 525,264</u>	<u>\$ 36,088</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Exhibit C-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 100,715		\$ 100,715	\$ 100,715	
State Sources	355,454		355,454	355,454	
Federal Sources	198,145		198,145	198,145	
Total Revenues	654,314		654,314	654,314	
EXPENDITURES:					
Instruction					
Salaries of Teachers	346,451		346,451	346,451	
Other Salaries for Instruction	-		-	-	
Purchased Professional -Educational Services	5,930		5,930	5,930	
Purchased Professional and Technical Services	41,482		41,482	41,482	
Travel	-		-	-	
Other Purchased Services (400-500 series)	7,866		7,866	7,866	
General Supplies	44,185		44,185	44,185	
Personal Services- Employee Benefits	16,369		16,369	16,369	
Tuition Reimbursements	-		-	-	
Building Improvements	89,193		281,873	281,873	
Textbooks	77,785		77,785	77,785	
Equipment-Instructional	23,339		23,339	23,339	
Total Instruction	652,600		845,280	845,280	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Nurse	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants	-		-	-	
Other Salaries	-		-	-	
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Supplies and Materials	-		-	-	
Purchased Technical Services	-		-	-	
Field Trips	-		-	-	
Other Objects	-		-	-	
Building Improvements	-		-	-	
Afterschool Club	-		-	-	
Equipment-	-		-	-	
Equipment- Non-Instructional	1,714		3,101	3,101	
Total Support Services	1,714		1,714	1,714	

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	654,314		654,314	654,314	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

LEARNING COMMUNITY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2012

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

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

SPECIAL REVENUE FUND

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

LEARNING COMMUNITY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Year Ended June 30, 2012

	TOTAL	IDEA PART B-Basic	IDEA PART Preschool	TITLE TITLE I	Title II A	TITLE I C/O	TITLE IIA C/O	Preschool Education Aid	Anti Bully Grant	Technology Fund	Turrell Grant	Simon Grant	Building Grant
REVENUES													
Intergovernmental													
Federal	\$ 198,145	70,807	1,465	104,867	12,154	2,230	6,622						
State Sources	355,454							353,413	2,041				
Miscellaneous	100,715							-		3,198	8,000	324	89,193
Total Revenues	<u>654,314</u>	<u>70,807</u>	<u>1,465</u>	<u>104,867</u>	<u>12,154</u>	<u>2,230</u>	<u>6,622</u>	<u>353,413</u>	<u>2,041</u>	<u>3,198</u>	<u>8,000</u>	<u>324</u>	<u>89,193</u>
EXPENDITURES													
Instruction													
Salaries	303,458	53,177	-	81,080				169,201					
Personal Services	-							-					
Purchased Prof. and Tech.and Edu Services	41,582	11,440	1,465	7,571	12,154	2,230	6,622	100					
General Supplies	42,145	6,037	-					24,586		3,198	8,000	324	
Support Services	-							-					
Textbooks	2,041							-	2,041				
Personal Services - Employee Benefits	91,456	153	-	16,216				75,087					
Miscellaneous Expenses	2,040							2,040					
Building Improvements	89,193											-	89,193
Total Instruction	<u>571,915</u>	<u>70,807</u>	<u>1,465</u>	<u>104,867</u>	<u>12,154</u>	<u>2,230</u>	<u>6,622</u>	<u>271,014</u>	<u>2,041</u>	<u>3,198</u>	<u>8,000</u>	<u>324</u>	<u>89,193</u>
Support Services													
Salaries of Supervisors of Instruction	4,545							4,545					
Salaries of Program Directors	-							-					
Salaries of Other Prof. Staff	36,242							36,242					
Repairs	2,896							2,896					
Travel	250							250					
Other Purchased Services	818							818					
Supplies and Materials	2,884							2,884					
Equipment- Instructional	23,339							23,339					
Equipment -Non- instructional	1,714							1,714					
Community Specialist	2,106							2,106					
Coach	5,930							5,930					
Field Trips	1,675							1,675					
Total Support Services	<u>82,399</u>							<u>82,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 654,314</u>	<u>70,807</u>	<u>1,465</u>	<u>104,867</u>	<u>12,154</u>	<u>2,230</u>	<u>6,622</u>	<u>353,413</u>	<u>2,041</u>	<u>3,198</u>	<u>8,000</u>	<u>324</u>	<u>89,193</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Preschool Education Aid
For the Fiscal Year Ended June 30, 2012

Exhibit E-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Deferred Revenue</u>
REVENUES:					
State Sources	381,300		381,300	381,300	
Total Revenues	<u>381,300</u>		<u>381,300</u>	<u>381,300</u>	<u>-</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	98,709		98,709	98,709	-
Other Salaries for Instruction	70,492		70,492	70,492	-
Purchased Professional -Educational Services	-	200	200	100	100
Purchased Professional and Technical Services	-		-	-	-
Travel	-		-	-	-
Other Purchased Services (400-500 series)	-		-	-	-
General Supplies	27,160	(40)	27,120	24,586	2,534
Personal Services- Employee Benefits	-		-	-	-
Tuition Reimbursements	-		-	-	-
Building Improvements	-		-	-	-
Textbooks	-		-	-	-
Miscellaneous Expenses	2,000	40	2,040	2,040	
Total Instruction	<u>198,361</u>	<u>200</u>	<u>198,561</u>	<u>195,927</u>	<u>2,634</u>
Support Services					
Salaries of Supervisor of Instruction	4,545		4,545	4,545	-
Salaries of Nurse	-		-	-	-
Salaries of Other Professional Staff	20,882		20,882	20,882	-
Salaries of Secretaries & Clerical Assistants	1,500		1,500	1,500	-
Other Salaries	13,860		13,860	13,860	-
Personal Services - Employee Benefits	75,087		75,087	75,087	-
Community Specialist	2,106		2,106	2,106	-
Travel	1,000		1,000	250	750
Additional Expenditures	10,590		10,590	-	10,590
Coach	5,930		5,930	5,930	-
Field Trips	3,000		3,000	1,675	1,325
Other Purchased Services -Education Services	6,000	-	6,000	658	5,342
Other Purchased Services -Education Services	8,000	(1,290)	6,710	160	6,550
Supplies and Material	1,500	1,384	2,884	2,884	-
Repairs	2,939	(43)	2,896	2,896	-
Equipment- Instructional	24,000		24,000	23,339	661
Equipment- Non-Instructional	2,000	(251)	1,749	1,714	35
Total Support Services	<u>182,939</u>	<u>(200)</u>	<u>182,739</u>	<u>157,486</u>	<u>25,253</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Preschool Education Aid
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Deferred Revenue</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	381,300		381,300	353,413	27,887
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

PROPRIETARY FUNDS

ENTERPRISE FUND

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

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Net Assets
Proprietary Fund
Year Ended June 30, 2012

	Business Type Activities	Business Type Activities	Business Type Activities	Total
	Enterprise Food Program	Enterprise Fund Before-School	Enterprise Fund After School Program	Enterprise Funds
ASSETS				
Current Assets				
Cash	\$6,333	1,607	7,066	\$15,006
Intergovernmental Receivable				0
Federal	4,166			4,166
State	93			93
Accounts Receivable			7,000	7,000
Total Current Assets	10,592	1,607	14,066	26,265
Total Assets	10,592	1,607	14,066	26,265
LIABILITIES				
Cash Overdraft				0
Accounts Payable	6,658	0	0	6,658
Total Current Liabilities	6,658	0	0	6,658
Net Assets				0
Unrestricted	3,934	1,607	14,066	19,607
Invested in capital assets net of related debt				0
Total Net Assets			0	0
	\$10,592	1,607	14,066	\$26,265

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2012

	Business Type Activities	Business Type Activities	Business Type Activities	Total
	Enterprise Fund		Enterprise Fund	
	Food Service Fund	Enterprise Fund Before-School	After School Program	Enterprise Funds
OPERATING REVENUES				
Local Sources				
Daily Fees	\$53,632	\$6,535	\$234,200	\$294,367
Total Operating Revenues	<u>53,632</u>	<u>6,535</u>	<u>234,200</u>	<u>294,367</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	13,283	3,427	154,748	171,458
Vending Supplies	4,204		0	4,204
Utilities			0	0
Supplies, Materials & Other	104,476	1,863	6,118	112,457
Professional Services			75,706	75,706
Total Operating Expenses	<u>121,963</u>	<u>5,290</u>	<u>236,572</u>	<u>363,825</u>
	<u>121,963</u>	<u>5,290</u>	<u>236,572</u>	<u>363,825</u>
Income (Loss) From Operations	<u>(68,331)</u>	<u>1,245</u>	<u>(2,372)</u>	<u>(69,458)</u>
Nonoperating Revenues				
State Sources				
State Sources	1,677			1,677
Federal Sources				0
School Breakfast Program	6,987			6,987
National School Lunch Program	61,048			61,048
After School Snack				0
Board Subsidy	0	0	0	0
Total Nonoperating Revenues	<u>69,712</u>	<u>0</u>	<u>0</u>	<u>69,712</u>
Net Income (Loss)	1,381	1,245	(2,372)	254
Total Net Assets- Beginning of Year	<u>2,553</u>	<u>362</u>	<u>16,438</u>	<u>19,353</u>
Total Net Assets- End of Year	<u>\$3,934</u>	<u>\$1,607</u>	<u>\$14,066</u>	<u>\$19,607</u>

LEARNING COMMUNITY CHARTER SCHOOL
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2012

	<u>2012</u>
Cash flows from operating activities	
Cash Received from Customers	291,267
Cash Payments to Employee's Salaries and Benefits	0
Cash Payments to Suppliers for Goods and Services	(367,820)
Net Cash (Used) by Operating Activities	<u>(76,553)</u>
 Cash Flows from Noncapital Financing Activities	 0
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	78,615
Net Cash Provided by Noncapital Financing Activities	<u>78,615</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	<u>2,062</u>
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	12,944
Cash and Cash Equivalents, End of Year	<u>\$15,006</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	<u>\$254</u>
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	5,803
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	(3,995)
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(3,995)</u>
 Net Cash Used by Operating Activities	 <u>\$2,062</u>

FIDUCIARY FUNDS

LEARNING COMMUNITY CHARTER SCHOOL
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2012

	<u>Unemployment</u> <u>Insurance</u>	<u>Flex-Spending</u> <u>Account</u>	<u>Student</u> <u>Activity</u>	<u>Summer</u> <u>Pay</u>	<u>TOTAL</u>
ASSETS					
Cash	\$9,043	4,531	217	\$175,094	\$188,885
Total Assets	<u>\$9,043</u>	<u>4,531</u>	<u>\$217</u>	<u>\$175,094</u>	<u>\$188,885</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Intergovernmental Payable - State					
Payroll Deductions and Withholdings		4,531		175,094	179,625
Accrued Salaries and Wages					
Due to Student Groups			217		217
Total Liabilities		<u>4,531</u>	<u>55</u>	<u>175,094</u>	<u>179,842</u>
Fund Balances					
Reserve For Unemploy. Trust Fund	9,043				9,043
Total Fund Balances	<u>9,043</u>				<u>9,043</u>
Total Liabilities and Fund Balances	<u>\$9,043</u>	<u>\$0</u>	<u>\$55</u>	<u>\$0</u>	<u>\$9,043</u>

Exhibit H-2

**LEARNING COMMUNITY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2012**

NOT APPLICABLE

Exhibit H-3

**LEARNING COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2012**

NOT APPLICABLE

LEARNING COMMUNITY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Cash Equivalents		\$3,993,569	\$3,993,569	
Total Liabilities		3,993,569	3,993,569	
LIABILITIES				
Payroll Deductions and Withholdings		1,628,973	1,628,973	
Accrued Salaries and Wages		2,364,596	2,364,596	
Total Liabilities		\$3,993,569	\$3,993,569	

LEARNING COMMUNITY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Cash Equivalents	\$11,425	\$4,596	(\$6,979)	\$9,042
Total Assets	<u>\$11,425</u>	<u>\$4,596</u>	<u>(\$6,979)</u>	<u>\$9,042</u>
LIABILITIES				
FUND BALANCE				
Reserve for Unemployment Compensation	\$11,425	\$4,596	(\$6,979)	\$9,042
Total Liabilities and Fund Balance	<u>\$11,425</u>	<u>\$4,596</u>	<u>(\$6,979)</u>	<u>\$9,042</u>

FINANCIAL TRENDS

**LEARNING COMMUNITY CHARTER SCHOOL
NET ASSETS BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 1,023,454	\$ 1,187,460	\$ 1,226,840	\$ 2,021,180	\$ 1,701,122	\$ 1,749,625
Restricted	74,000					
Unrestricted Fund Balance	525,264	517,260	623,659	339,736	493,431	387,450
Total governmental activities net assets	<u>\$ 1,622,718</u>	<u>\$ 1,704,720</u>	<u>\$ 1,850,499</u>	<u>\$ 2,360,916</u>	<u>\$ 2,194,553</u>	<u>\$ 2,137,075</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted	19,607	19,353	14,714	139,154	39,615	4,656
Unrestricted	<u>\$ 19,607</u>	<u>\$ 19,353</u>	<u>\$ 14,714</u>	<u>\$ 139,154</u>	<u>\$ 39,615</u>	<u>\$ 4,656</u>
Total business-type activities net assets						
School-wide						
Invested in capital assets, net of related debt	1,023,454	1,187,460	1,226,840	2,021,180	1,701,122	1,749,625
Restricted	74,000					
Unrestricted	544,871	536,613	638,373	478,890	533,046	392,106
Total school-wide net assets	<u>\$ 1,642,325</u>	<u>\$ 1,724,073</u>	<u>\$ 1,865,213</u>	<u>\$ 2,500,070</u>	<u>\$ 2,234,168</u>	<u>\$ 2,141,731</u>

LEARNING COMMUNITY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses						
Governmental activities						
Instruction						
Regular	3,072,449	2,278,514	2,559,395	2,035,526	1,820,261	1,782,416
Support Services:						
General administration	1,675,830	1,576,453	1,588,036	1,185,254	1,120,077	1,048,450
School Administrative Services	663,870	667,075	481,388	653,035	722,798	706,621
On-behalf TPAF Social Security	354,189	273,405	146,495	113,417	123,014	118,066
Capital outlay	410,946	490,955	416,988	290,601	0	0
Unallocated depreciation	212,006	208,295	200,576	48,503	48,503	48,503
Total governmental activities expenses	<u>6,389,290</u>	<u>5,494,697</u>	<u>5,392,878</u>	<u>4,326,336</u>	<u>3,834,653</u>	<u>3,704,056</u>
Business-type activities:						
Food service	363,825	385,272	365,306	208,167	164,373	179,222
Child Care	0					
Total business-type activities expense	<u>363,825</u>	<u>385,272</u>	<u>365,306</u>	<u>208,167</u>	<u>164,373</u>	<u>179,222</u>
Total school expenses	<u>6,753,115</u>	<u>5,879,969</u>	<u>5,758,184</u>	<u>4,534,503</u>	<u>3,999,026</u>	<u>3,883,278</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Daily Sales- National Lunch Program	0	0	0	0	0	0
Pupil transportation	0	0	0	0	0	0
Central and other support services						
Operating grants and contributions	0	0	0	0	0	0
Capital grants and contributions						
Total governmental activities program revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Business-type activities:						
Charges for services						
Food service	364,079	389,911	319,260	307,706	199,332	180,551
Child care						
Operating grants and contributions						
Capital grants and contributions						
Total business type activities program revenues	<u>364,079</u>	<u>389,911</u>	<u>307,706</u>	<u>307,706</u>	<u>199,332</u>	<u>180,551</u>
Total school program revenues	<u>364,079</u>	<u>389,911</u>	<u>307,706</u>	<u>307,706</u>	<u>199,332</u>	<u>180,551</u>
Net (Expense)/Revenue						
Governmental activities	(6,389,290)	(5,494,697)	(5,450,478)	(4,226,797)	(3,799,694)	(3,702,727)
Business-type activities	254	4,639	0	0	0	0
Total school-wide net expense	<u>(6,389,290)</u>	<u>(5,494,697)</u>	<u>(5,450,478)</u>	<u>(4,226,797)</u>	<u>(3,799,694)</u>	<u>(3,702,727)</u>

LEARNING COMMUNITY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Local share	849,137	1,002,039	830,966	592,256	963,676	753,227
State Share	3,594,129	3,106,026	2,849,946	2,117,926	1,683,057	1,613,923
State and Federal Aid aid	1,564,847	810,024	1,646,940	1,402,267	1,157,368	1,161,145
Miscellaneous income	177,175	261,914	148,373	11,689	88,030	184,440
Increase in Net Capital Outlay	122,000	168,915	567,678	368,561	0	0
Total governmental activities	<u>6,307,288</u>	<u>5,348,918</u>	<u>6,043,903</u>	<u>4,492,699</u>	<u>3,892,131</u>	<u>3,712,735</u>
Business-type activities:						
Investment earnings						
Transfers						
Total business-type activities	---	---	---	---	---	---
Total school-wide	<u>6,307,288</u>	<u>5,348,918</u>	<u>6,043,903</u>	<u>4,492,699</u>	<u>3,892,131</u>	<u>3,712,735</u>
Change in Net Assets						
Governmental activities	(82,002)	(145,779)	593,425	166,363	57,478	8,679
Business-type activities	254	4,639	(124,440)	99,539	34,959	1,329
Total school-wide	<u>(81,748)</u>	<u>(141,140)</u>	<u>468,985</u>	<u>265,902</u>	<u>92,437</u>	<u>10,008</u>

**LEARNING COMMUNITY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund						
Reserved						
Unreserved	525,264	517,260	623,659	339,736	493,431	387,450
Total general fund	<u>\$ 525,264</u>	<u>\$ 517,260</u>	<u>\$ 623,659</u>	<u>\$ 339,736</u>	<u>\$ 493,431</u>	<u>\$ 387,450</u>
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund	74,000	74,000				
Debt service fund						
Permanent fund						
Total all other governmental funds	<u>\$ 74,000</u>	<u>\$ 74,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>\$ -</u>

**LEARNING COMMUNITY CHARTER SCHOOL
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues						
Local tax Levy	\$ 849,137	\$ 1,002,039	\$ 830,966	\$ 592,256	\$ 963,676	\$ 753,227
Other local revenue	471,542	587,728	714,842	355,911	144,650	184,440
State sources	4,962,508	3,714,313	3,636,716	2,983,343	2,549,367	2,569,498
Federal sources	266,180	265,834	293,701	192,109	237,038	205,570
Total revenue	<u>6,549,367</u>	<u>5,569,914</u>	<u>5,476,225</u>	<u>4,123,619</u>	<u>3,894,731</u>	<u>3,712,735</u>
Expenditures						
Instruction	2,443,188	1,894,619	1,765,289	1,513,657	1,529,203	1,508,187
Regular Instruction						
Support Services:						
General administration	1,650,777	1,573,136	1,521,972	1,170,792	1,120,077	1,028,472
School administrative services/Plant	663,870	667,075	481,388	653,035	722,798	706,621
TPAF Social Security	354,189	273,405	146,495	113,417	123,014	118,066
Enterprise Fund	363,825	385,272				
Capital outlay	410,946	490,955	416,988	290,601	0	0
Debt service:						
Principal						
Interest and other charges						
Special Revenue	654,314	387,212	860,170	536,331	293,658	294,207
Total expenditures	<u>6,541,109</u>	<u>5,671,674</u>	<u>5,192,302</u>	<u>4,277,833</u>	<u>3,788,750</u>	<u>3,655,553</u>
Excess (Deficiency) of revenues over (under) expenditures						
Other Financing sources (uses)						
Proceeds from borrowing						
Capital leases (non-budgeted)						
Proceeds from refunding						
Payments to escrow agent						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$ 8,258</u>	<u>\$ (101,760)</u>	<u>\$ 283,923</u>	<u>\$ (154,214)</u>	<u>\$ 105,981</u>	<u>\$ 57,182</u>

Source: School records

REVENUE CAPACITY

EXHIBIT J-5

**LEARNING COMMUNITY CHARTER SCHOOL
REVENUE CAPACITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-6

**LEARNING COMMUNITY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**LEARNING COMMUNITY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**LEARNING COMMUNITY CHARTER SCHOOL
Principal Property Taxpayers
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**LEARNING COMMUNITY CHARTER SCHOOL
Property Tax Levies and Collections
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**LEARNING COMMUNITY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**LEARNING COMMUNITY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**LEARNING COMMUNITY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**LEARNING COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-14

**LEARNING COMMUNITY CHARTER SCHOOL
Principal Employers
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

LEARNING COMMUNITY CHARTER SCHOOL
Full-time Equivalent District Employees by Function/Program
For the Year Ended June 30, 2012
(Unaudited)

<u>Function/Program</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Instruction	32.5	32	29	23.4	22	22
Regular						
Special education				-	-	-
Other special education				-	-	-
Vocational				-	-	-
Other instruction				-	-	-
Nonpublic school programs				-	-	-
Adult/continuing education programs				-	-	-
Support Services:						
Student & instruction related services	7	5	5	7	7	7.6
General administration	6	5	5	5	5	5.0
School administrative services	3	3	3	2	2	2.0
Other administrative services				-	-	-
Central services				-	-	-
Administrative Information Technology						
Plant operations and maintenance	1	2	1	0.5	1	1.0
Pupil transportation						
Other support services	7	5	7	7	7	9.0
Special Schools				-	-	-
Food Service	1.2	1.2	1.2	-	-	-
Child Care				-	-	-
Total	<u>57.7</u>	<u>53.2</u>	<u>51.2</u>	<u>45</u>	<u>44</u>	<u>29.6</u>

Source: School Personnel Records

LEARNING COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Year Ended June 30, 2012
(Unaudited)

Pupil/Teacher Ratio

<u>Fiscal Year</u>	<u>Enroll</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Elementary</u>	<u>Middle School</u>	<u>Senior High School</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2007	333	3,203,880	9,621	-13.09%	22.00	10	12	N/A	322.6	305	2.41%	94.70%
2008	324	3,786,150	11,686	17.81%	22.00	10	12	N/A	321.9	307	0.002%	94.83%
2009	328	3,786,150	11,543	17.81%	22.00	10	12	N/A	323.2	306	0.002%	94.77%
2010	454	5,192,302	11,437	-1.22%	31.00	16	15	N/A	454.4	425	28.873%	93.16%
2011	475	5,286,402	11,129	-0.92%	32.00	16	16	N/A	475.0	454	27.621%	93.16%
2012	518	6,104,241	11,784	2.69%	34.00	18	16	N/A	518.0	492	25.328%	93.16%

Sources: School records

LEARNING COMMUNITY CHARTER SCHOOL
School Building Information
For the Year Ended June 30, 2012
(Unaudited)

<u>School Building</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Main Campus						
Square Feet	76,000	76,000	76,000	18,720	18,720	18,720
Enrollment	541	475	454	328	324	322

Source: School Office

LEARNING COMMUNITY CHARTER SCHOOL
Insurance Schedule
For the Year Ended June 30, 2012
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 15,645,400	\$ 5,000
Boiler and Machinery	10,000,000	5,000
General Automobile Liability	16,000,000	1,000
School Board Legal Liability	1,000,000	10,000
Umbrella	5,000,000	-
Workers' Compensation	2,000,000	-
 Surety Bonds		
School Board Legal Liability	250,000	1,000
Public Official Bond	50,000	N/A

Source: Charter School Records

LEARNING COMMUNITY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Year Ended June 30, 2012
(Unaudited)

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
Fiscal Year							
Ending June 30,							
2006	-	-			-	96,162	96,162
2007						95,803	95,803
2008						88,030	88,030
2009						11,689	11,689
2010						148,373	148,373
2011						83,226	83,226
2012						76,460	76,460

Exhibit J-20

**LEARNING COMMUNITY CHARTER SCHOOL
Schedule of Allowable Maintenance Expenditures by School Facility
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
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EXHIBIT 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 President and
Members of the Board of Trustees
Learning Community Charter School
County of Hudson
Jersey City, New Jersey

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Learning Community Charter School as of and for the fiscal year ended June 30, 2012, which collectively comprise the Learning Community Charter School's basic financial statements and have issued my report thereon dated August 23, 2012. I conducted my 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.

Internal Control Over Financial Reporting

The management of the Board of Trustees of the Learning Community Charter School is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing my audit, I considered the Learning Community Charter School Board of Trustees internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Learning Community Charter School Board of Trustees' internal control over financial reporting. Accordingly, I do not express an opinion on effectiveness of the Learning Community Charter School Board of Trustees' internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Learning Community Charter School Board of Trustee's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 Administration and Finance, Department of Education, State of New Jersey. However, I noted certain matters that I have reported to the Board in a separate report, the *Auditors' Management report on Administrative Findings - Financial, Compliance, and Performance*, dated August 23, 2012.

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



Licensed Public School Accountant No. 870
Scott J Loeffler, CPA

August 23, 2012

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EXHIBIT K-2

**INDEPENDENT AUDITORS' 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 NJOMB 04-04**

The Honorable President and
Members of the Board of Trustees
Learning Community Charter School
County of Hudson
Jersey City, New Jersey

Compliance

I have audited the compliance of the Board of Trustee's of the Learning Community Charter School, in the County of Hudson, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2012. The Board of Trustee's of the Learning Community Charter School major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Board of Trustee's Learning Community Charter School management. My responsibility is to express an opinion on the Board of Trustee's Learning Community Charter School compliance based on my audit.

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

provide a legal determination of the Board of Trustees of the Learning Community Charter School compliance with those requirements.

In my opinion, the Board of Trustee's of the Learning Community Charter School, in the County of Hudson, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board of Trustee's of the Learning Community Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing my audit, I considered the Board of Trustee's Learning Community Charter School internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly I do not express an opinion on the effectiveness of the Board of Trustee's Learning Community Charter School internal control over compliance.

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

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

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

Licensed Public School Accountant No. 870



Scott J. Loeffler, CPA
August 23, 2012

EXHIBIT A

LEARNING COMMUNITY CHARTER SCHOOL
 Schedule of Federal Financial Assistance
 For the Fiscal Year Ended June 30, 2012

<u>Federal/Grantor Program Title</u>	<u>Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2011</u>	<u>Prior Carry over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustment</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2012</u>	<u>Due to Grantor at June 30, 2012</u>
Food Subsidy											
National School Lunch Program	10.555	07/01/11-06/30/12	61,048	(12,497)		70,012	61,048			(3,533)	
School Breakfast Program	10.553	07/01/11-06/30/12	6,987	(351)		6,705	6,987			(633)	
Special Revenue Fund											
NCLB											
Title I Part A	84.01 A	09/02/11-08/31/11	104,867	(28,772)		109,240	104,867			(24,399)	0
Title II Part A	84.367 A	09/02/11-08/31/12	12,154			2,659	12,154			(9,495)	
Title I Part A C/O	84.01 A	09/02/10-06/30/12	2,230		2,230	0	2,230			0	
Title II Part A C/O	84.367 A	09/02/10-06/30/12	6,622		6,622	0	6,622			0	
IDEA Preschool	84.173	09/02/11-08/31/12	1,465			0	1,465			(1,465)	
IDEA Part B, Basic	84.027	09/02/11-08/31/12	73,270			27,369	70,807			(43,438)	
Total Special Revenue				(28,772)	8,852	139,268	198,145			(78,797)	
Total Federal Awards				(41,620)	8,852	215,985	266,180			(82,963)	0

See accompanying notes to schedules of expenditures of Federal and State awards.

LEARNING COMMUNITY CHARTER SCHOOL
Schedule of State Financial Assistance
For the Fiscal Year Ended June 30, 2012

EXHIBIT - B

<u>State Grantor Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2011</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustments</u>	<u>Deferred Revenue/ 2012</u>	<u>(Accounts Receivable) 2012</u>	<u>Due to Grantor at June 30, 2012</u>
GENERAL FUND											
TPAF Social Security	12-495-034-5095-007	7/1/11-06/30/12	165,733		165,733	165,733					
On Behalf Pension	12-495-034-5095-002	7/1/11-06/30/12	188,456		188,456	188,456					
Equalization Aid - Local	12-495-034-5120-078	7/1/11-06/30/12	849,137		849,137	849,137					
Equalization Aid - State	12-495-034-5120-078	7/1/11-06/30/12	3,594,129		3,594,129	3,594,129					
Adjustment Aid	12-100-034-5120-085	7/1/11-06/30/12	382,597		382,597	382,597					
Nonpublic Aid	12-100-034-5120-066	7/1/11-06/30/12	1,494		1,494	1,494					
Special Education	12-495-034-5120-089	7/1/11-06/30/12	168,536		168,536	168,536					
Security Aid	12-495-034-5120-084	7/1/11-06/30/12	104,432		104,432	104,432					
Total General Fund						5,454,514	5,454,514				
SPECIAL REVENUE FUND											
Preschool Education Aid	12-495-034-5120-086	7/1/11-06/30/12	381,300		370,710	353,413			27,887	(\$10,590)	
ENTERPRISE FUND											
State School Lunch	12-100-010-3350-023	7/1/11-06/30/12	1,677	(315)	1,899	1,677			\$0	(\$93)	\$
GRAND TOTAL				(315)	\$5,827,123	\$5,809,604			\$27,887	(\$10,683)	\$ -

**LEARNING COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

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

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

**LEARNING COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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

	Federal	State	Total
General Fund	\$ ---	\$ 5,807,927	\$ 5,807,927
Enterprise Fund	68,035	1,677	69,712
Special Revenue Fund	<u>198,145</u>	<u>---</u>	<u>198,145</u>
Total Awards and Financial Assistance	<u>\$ 266,180</u>	<u>\$ 5,809,604</u>	<u>\$ 6,075,784</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount reported as TPAF Pension Contributions represents the amount of \$188,456 paid by the state on behalf of the Charter School for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount of \$165,733 reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

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

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

**LEARNING COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

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

Federal Awards

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

Identification of major programs:

<u>CDEA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
None	None	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000

Auditee qualified as low risk auditee:	X
	<u>YES</u> <u>NO</u>

State Awards

Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000
Auditee qualified as low risk auditee:	X
Type of auditor’s report issued:	Unqualified
Internal control over major programs:	
Material weakness(es) identified:	X
Significant deficiencies identified not considered to be material weakness(es)?	X
Type of auditor’s report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?	X

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
12-495-034-5120-078	Equalization Aid Local and State - Cluster
12-495-034-5120-086	Preschool Education Aid
12-495-034-5120-086	Adjustment Aid - Cluster
12-495-034-5120-086	Special Education - Cluster
12-495-034-5120-086	Security Aid - Cluster

**LEARNING COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

**LEARNING COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

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

No federal and state award findings and questioned costs noted that are required to be reported in accordance of OMB Circular A-133 or with NJOMB Circular 04-04.

**LEARNING COMMUNITY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Status of Prior Year Findings

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.