



**NEWARK PREPARATORY CHARTER  
SCHOOL**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**PREPARED BY  
NEWARK PREPARATORY CHARTER SCHOOL**

# NEWARK PREPARATORY CHARTER SCHOOL

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**570 Broad Street, Newark, NJ 07102 \* Telephone (862) 307 7010**

November 11, 2013

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

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Newark Preparatory Charter School (the “Charter School” or “Newark Prep”) for the year ended June 30, 2013.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments and the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*", and the New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

**1) Reporting Entity and its Services**

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

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

The Charter School is one of Newark's newest and most innovative public charter schools. With an inspirational and individualized "blended learning" approach, the Charter School provides engaging and personalized learning opportunities for the students of Newark. Approved by the New Jersey Department of Education to serve students in grades 9–12, the Charter School is initially only serving ninth grade for the 2012-2013 school year, but will expand to offer additional grades in subsequent academic years.

**2) Enrollment Outlook**

In its first period of operation, Merit Preparatory Charter School served 80 students in the ninth grade and we will go on to add a grade each year to serve 320 students in grades 9-12 in the fourth year of its initial charter.

The Charter School's approach is distinctive in several key ways:

- A high-quality tuition-free education.
- A rigorous college-prep and career focused program.
- Instruction matched to each student's individual strengths.
- One-to-one interaction with enthusiastic, passionate New Jersey certified teachers.
- Small class sizes that differ day to day based on student needs.
- Robust catalog of courses, including Honors, AP and electives.
- State-of-the-art facility in a safe, convenient, and easily accessible location.

**3) Economic Condition and Outlook**

The Charter School is located in the City of Newark, which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company.

Newark is the site of the Rutgers University School of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

The City of Newark has been obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of the redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. As our enrollment increases we plan to lease additional facilities at our current location and possibly in surrounding areas in the City.

**4) Major Initiatives**

The Charter School has made a commitment to serving all students, especially the highest needs students, and is committed to continuous self-evaluation and improvement in our outreach to the Newark students most in need of a rigorous college-preparatory high school program. Our commitment is evident in all aspects of outreach and our educational programs. School-wide, 87% of our students qualify for free and reduced-price lunch. 19% of the student body was special education students.

4) **Major Initiatives** - *continued*

Newark Prep Charter School currently administers the Scantron Performance Assessment Series twice (Pre/Post) during the school year. The LAL and Math assessments were administered in the fall (September) and in the spring (June). The Scantron Performance Series is a computer adaptive assessment that allows us to pinpoint the proficiency level of each student with all content being standard based. We also administered the NJBCT (New Jersey Biology Comprehensive Test) in May 2013 and are awaiting the results. The Scantron Assessment Scaled Score Data for Newark Prep Charter School using the Decile comparison from fall to spring observed growth from the Scantron National Norm Study (See Appendix A1). During the fall, Newark Pep Charter School scored above 31% of the 9th graders in Math and 26% in Reading from the national sample. During the spring, Newark Prep Charter School scored above 30% of the 9th graders in Math and 27% in Reading from the national sample.

In order to meet the desired objectives of the blending learning model and the HSPA (2014-2015) expectation of 85% -94% students proficient or advanced proficient in LAL and Math, we will have to enhance our Student Centric Academic Model. The Student Centric Academic Model is designed to move our dependent learners (At risk, SPED, New Student, High Needs and Credit Deficient) along a continuum to independent learner (High Achieving, College Prep Ready, Gifted/Accelerated, Self-Starter). The Student Centric Academic Model uses the following supports:

**Academic Coaches-** The coaches monitor the behavior and academics of the students in their flex areas, assists students with their coursework (tutor) and hosts an advisory group. They are also responsible for the daily attendance of all students in their advisory group and support the content teachers with parent contact.

**Academic Framework-** The blended learning model combines the best of traditional classroom instruction and online learning to maximize the learning potential of each student. The FLEX student learning experience is comprised of advisory, independent K12 work (online/offline), breakout sessions, group projects and FLEX & F.I.T. time.

**Advisory-** A 30 minute period hosted by teachers, coaches and Special Education teachers during which career readiness, social and behavioral issues are discussed. Each advisor is responsible for maintaining updated student advisory documentation and files, planning for advisory lessons in advance and delivering advisory content to the students. The school counselor acts as the major facilitator of the advisory program and curriculum.

**Daily/Weekly Scheduling & Breakout Forums-** The daily/weekly schedules are created during the data meeting and placed in the Drop box. Teachers K-mail the breakout schedules to the students no later than 8am on Monday morning. Students are scheduled for breakout sessions based on their progress in a course and whether they need additional support. The students will receive either remediation or enrichment.

4) **Major Initiatives** - *continued*

**Data meeting-**The data meeting is held weekly and all staff attends. At this time all data is shared and decisions are made about the student needs. In targeted groups, everyone helps the core teachers plan their weekly breakout schedules and discuss the strategies to be used. The core teachers also share how students are progressing.

**F.L.E.X. Center:** The F.L.E.X. Center is the primary learning “hub” of the Flex model. A room needs to be large enough to accommodate large groups of students (75-250, depending on enrollment) who can work independently in their own individual student carrels. Rows of student carrels should be organized in a fashion that allows staff members to move easily around the room and in between rows (without dead ends) to monitor students working in the online curriculum. The room should be equipped with a large screen and projector for sharing information and showing presentations, posting announcements, and potentially monitoring student’s questions.

**F.I.T.-(Focused Intervention Time)-** A designated 60 minutes where students work on addressing deficiencies through the use of enrichment content and assessments on Study Island. This is also the time where teachers, coaches and instructional assistants can work with students either one on one or in small groups up to 5.

**Frequent Assessments-** Utilizing Study Island (online intervention program), core teachers will create

5) **Internal Accounting Controls**

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

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

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

**6) Budgetary Controls**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the 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 period end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2013.

The year 2012-2013 is our first audit period. The Charter School made efforts during the period to thoroughly review its operational processes and procedures in order to prepare for the audit and on maintaining general compliance with sound fiscal practices.

**7) Accounting Systems and Report**

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school.

The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statements", Note 1.

**8) Financial Statement Information**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the year ended June 30, 2013:

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

	<u>2013</u>	<u>Percentage</u>
Local sources	\$ 347,868	11.9%
State sources	2,517,448	86.4%
Federal sources	48,684	1.7%
	<u>\$ 2,914,000</u>	<u>100.0%</u>

2013 was the Charter School's first period of operations. The 86% proportion of state revenue is consistent with the nature of charter schools funding in the state of New Jersey. However, the proportion of federal revenue is likely to increase in the future as the Charter School's enrollment grows.

The following schedule presents a summary of general fund and special revenue expenditures for the year ended June 30, 2013:

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

	<u>2013</u>	<u>Percentage</u>
Instruction	\$ 1,301,870	47.5%
Administrative	650,184	23.7%
Support services	788,631	28.8%
Capital outlay	-	0.0%
	<u>\$ 2,740,685</u>	<u>100.0%</u>

2013 was the Charter School's first year of operations. The proportion of instructional expenditures of 47.5% is likely to increase in the future as the Charter School's enrollment grows. The support services expenditures are projected to grow at a lower rate than the instructional expenditures.

**9) Cash Management**

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

**10) Risk Management**

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

**11) Other Information**

**Independent Audit**

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, Certified Public Accountants and Consultants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*”

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

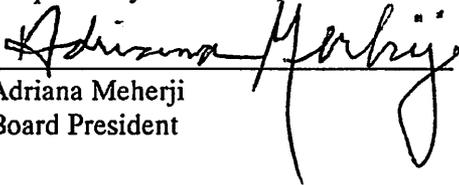
The 2012-2013 school year was our first year of operations and we recorded modest performance in terms of academic achievement at the Charter School. In addition, the period was marked by expected levels of parental involvement. The next school year promises to be one that builds upon the first year performance with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

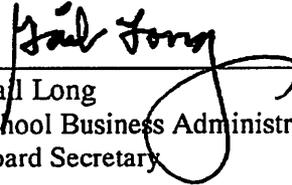
12) Acknowledgments

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

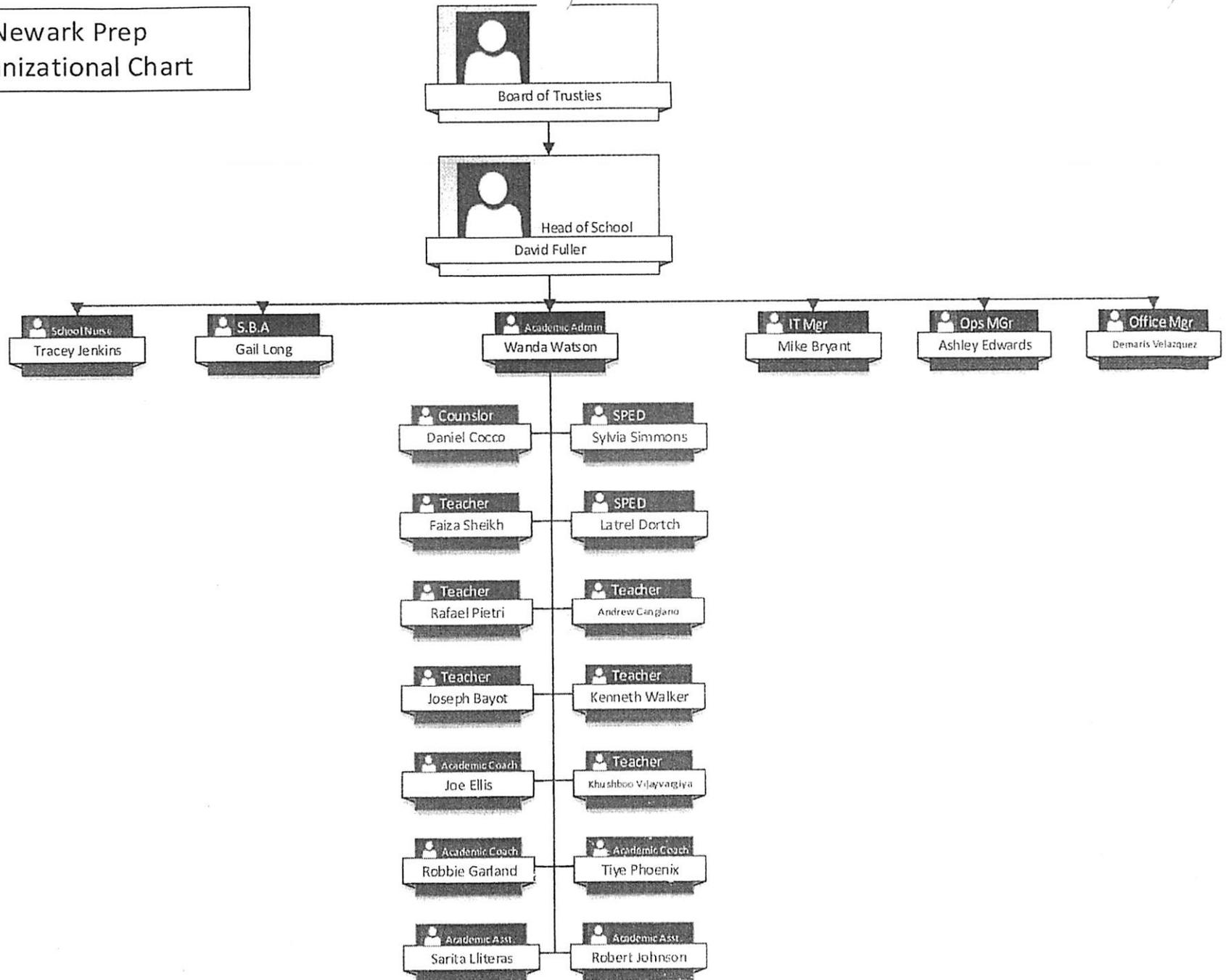
A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Newark Preparatory Charter School are truly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

Respectfully submitted,

  
Adriana Meherji  
Board President

  
Gail Long  
School Business Administrator/  
Board Secretary

# Newark Prep Organizational Chart



## **ROSTER OF TRUSTEES AND OFFICERS**

**JUNE 30, 2013**

### **Members of Board of Trustees**

Adriana Meherji, Board President

Jordan Steans, Vice President

Cynthia Williams, Board Treasurer

Tinea Sealey, Trustee

Gary Wescott, Former Trustee

Cyrus Meherji Trustee

### **Administration**

Dr. Sonn Sam, Head of School

Gail Long, CPA – School Business Administrator

**NEWARK PREPARATORY CHARTER SCHOOL**

**Consultants and Advisors**

**Independent Auditors**

Olugbenga Olabintan  
Certified Public Accountants and Consultants  
137 Camden Street, Suite # 3  
Newark, NJ 07103

**Attorney**

Genova Burns Giantomasi & Webster  
494 Broad Street  
Newark, NJ 07102

**Official Depository**

City National Bank  
900 Broad Street  
Newark, NJ 07102

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## **Financial Section**

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

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

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Trustees Newark Preparatory Charter School, (the "Charter School") in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Office of School Finance, Department of Education, State of New Jersey*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented, in all material respects, in relation to the basis financial statements as a whole.

The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

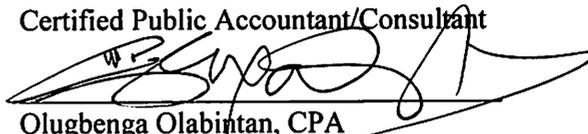
### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

*Olugbenga Olabintan, CPA*

November 11, 2013  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



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

## **Required Supplementary Information**

### **Part I**

#### **Management's Discussion and Analysis**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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**Introduction**

This section of the Newark Preparatory Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

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

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- The year ended June 30, 2013 was the Charter School's first year operations.
- Net position of governmental activities ended the fiscal year with \$173,315. Net position of business-type activities, which represent food service operations/after care and summer instructional programs, ended the fiscal year with \$-0-.
- General revenues accounted for \$2,865,316 in revenue or 98 percent of total revenues of \$2,934,920. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$69,604 or 2 percent of total revenues.
- The Charter School had \$2,644,453 in expenses related to governmental activities; \$48,684 of these expenses is offset by operating grants and contributions. General revenues (primarily federal and state aid) of \$2,961,548 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2013, of \$173,315.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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**Using the Basic Financial Statements**

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

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

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

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

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

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

**Reporting the Charter School as a Whole**

**Statement of Net Position and Statements of Activities**

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2013?" The statements of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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**Statement of Net Position and Statement of Activities-continued**

These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

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

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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**Enterprise Fund**

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

**The Charter School as a Whole**

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$173,315 at the close of 2013. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

	Governmental Activities	Business Type Acvtivities	Total
	2013	2013	2013
<b>Assets</b>			
Current assets	\$ 609,830	\$ 22,662	\$ 632,492
Capital assets, net	-	-	-
<b>Total assets</b>	<u>609,830</u>	<u>22,662</u>	<u>632,492</u>
<b>Liabilities</b>			
Current liabilities	436,515	22,662	459,177
<b>Total liabilities</b>	<u>436,515</u>	<u>22,662</u>	<u>459,177</u>
<b>Net position</b>			
Invested in			
Capital assets			
(net of related debt)	-	-	-
Unrestricted	173,315	-	173,315
<b>Total net position</b>	<u>\$ 173,315</u>	<u>\$ -</u>	<u>\$ 173,315</u>

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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

The total net position of the Charter School increased by \$173,315 during the current fiscal year ended June 30, 2013. The entire increase is attributable to a surplus of \$365,779 in the General Fund.

The table that follows reflects the change in net position for fiscal year 2013.

	Governmental Activities	Business Type Activities	Total
	2013	2013	2013
<b>Revenues</b>			
<b>Program revenues:</b>			
Charge for services	\$ -	\$ 270	\$ 270
Operating grants and contributions	48,684	20,650	69,334
<b>Total program revenues</b>	<b>48,684</b>	<b>20,920</b>	<b>69,604</b>
<b>General revenues:</b>			
Local aid	347,060		347,060
Federal and state aid	2,517,448		2,517,448
Miscellaneous	808		808
Transfers	96,232	(96,232)	-
<b>Total general Revenues</b>	<b>2,961,548</b>	<b>(96,232)</b>	<b>2,865,316</b>
<b>Total revenues</b>	<b>3,010,232</b>	<b>(75,312)</b>	<b>2,934,920</b>
<b>Expenses:</b>			
Instructions	1,301,870		1,301,870
Administrative & support services	1,342,583		1,342,583
Unallocated amortization	-		-
Food service	-	117,152	117,152
<b>Total expenses</b>	<b>2,644,453</b>	<b>117,152</b>	<b>2,761,605</b>
<b>Change in net position</b>	<b>\$ 365,779</b>	<b>\$ (192,464)</b>	<b>\$ 173,315</b>

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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**Governmental Activities**

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2013.

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 1,301,870	\$ 21,205
Administrative & support services	1,342,583	1,315,104
Unallocated depreciation	-	-
Total Expenses	<b>\$ 2,644,453</b>	<b>\$ 1,336,309</b>

**Business-Type Activity**

The business-type activity of the Charter School consists of the food service operation and the after-school program. These programs had revenues of \$117,152 (which includes a transfer from the General Fund of \$96,232 to cover deficit) and operating expenses of \$117,152 for fiscal year 2013. The Charter School intended to have food services be self operating in the future years, that is, without assistance from the General Fund.

**The Charter School's Funds**

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$2,914,000 and expenditures of \$2,740,685. The positive change in fund balance for the period reflects that the Charter School was able to meet its current costs.

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

During the course of fiscal 2013, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$2,691,704, which included a local tax levy of \$259,381. Expenditures and other financing uses were budgeted at \$2,733,160.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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The Charter School anticipated budgeted fund balance of \$216,253 in its 2012-2013 budget year. General Fund revenues were higher than expenditures by \$216,253. Actual revenues and other financing sources were \$2,865,316 and expenditures were \$2,595,769.

The State of New Jersey reimbursed the Charter School \$41,456 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members. This unbudgeted amount was included in both revenues and expenditures.

**Capital Assets**

At the end of year 2013, the Charter School had no funds invested in capital assets.

The Charter School's 2013-2014 budget projects spending approximately \$-0- for capital projects.

**Long-term debt**

At June 30, 2013, the Charter School did not have any long term debt.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

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**Economic Factors and Next Year's Budget**

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2013-2014. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

**Contacting the Charter School's Financial Management**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Business Office**  
**570 Broad Street**  
**Newark, New Jersey 07102**  
**Tel: (862) 307 7010**  
**Fax: (862) 307 7107**

## **Basic Financial Statements**

## **Government-wide Financial Statements**

**The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2013.**

NEWARK PREPARATORY CHARTER SCHOOL

A-1

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 320,576	\$ 270	\$ 320,846
Accounts receivable	199,803	20,650	220,453
Prepaid expenses	68,367		68,367
Interfund receivables	21,084	1,742	22,826
Total assets	<u>\$ 609,830</u>	<u>\$ 22,662</u>	<u>\$ 632,492</u>
<b>Liabilities</b>			
Accounts payable	\$ 371,096	\$ 22,662	\$ 393,758
Intergovernmental payables - state	17,419		17,419
Other liabilities	-		-
Security deposit payable	48,000		48,000
Interfund payable		-	-
Total liabilities	<u>436,515</u>	<u>22,662</u>	<u>459,177</u>
<b>Net position</b>			
Unrestricted, undesignated	<u>173,315</u>	-	<u>173,315</u>
Total net position	<u>173,315</u>	-	<u>173,315</u>
Total liabilities & net position	<u>\$ 609,830</u>	<u>\$ 22,662</u>	<u>\$ 632,492</u>

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

NEWARK PREPARATORY CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Regular	\$ 1,301,870		\$ 21,205	\$ (1,280,665)		\$(1,280,665)
<b>Administrative &amp; Support services:</b>						
General administration	650,184			(650,184)		(650,184)
Support services	692,399		27,479	(664,920)		(664,920)
Capital outlay				-		-
Unallocated depreciation				-		-
Total governmental activities	<u>2,644,453</u>		<u>48,684</u>	<u>(2,595,769)</u>		<u>(2,595,769)</u>
<b>Business-type activities:</b>						
Food service	117,152	\$ 270	20,650		\$ (96,232)	(96,232)
Total business-type activities	<u>117,152</u>	<u>270</u>	<u>20,650</u>	<u>-</u>	<u>(96,232)</u>	<u>(96,232)</u>
Total primary government	<u>\$ 2,761,605</u>	<u>\$ 270</u>	<u>\$ 69,334</u>	<u>(2,595,769)</u>	<u>(96,232)</u>	<u>(2,692,001)</u>
<b>General revenues, transfers and special items:</b>						
Local sources				347,060	-	347,060
Federal and State sources				2,517,448		2,517,448
Miscellaneous				808		808
Transfers				(96,232)	96,232	-
Total general revenues, transfers and special items				<u>2,769,084</u>	<u>96,232</u>	<u>2,865,316</u>
Change in net position				173,315	-	173,315
Net position - beginning				-	-	-
Net position - ending				<u>\$ 173,315</u>	<u>\$ -</u>	<u>\$ 173,315</u>

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

## **Funds Financial Statements**

## **Governmental Funds**

**NEWARK PREPARATORY CHARTER SCHOOL  
Governmental Funds**

**B-1**

**Balance Sheet**

**June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 346,812	\$ (26,236)	\$ 320,576
Accounts receivable:	-		-
State	151,119	-	151,119
Federal	-	48,684	48,684
Prepaid expenses	68,367	-	68,367
Interfund receivable	21,084		21,084
Total assets	<u>\$ 587,382</u>	<u>\$ 22,448</u>	<u>\$ 609,830</u>
<b>Liabilities and Fund Balances</b>			
Interfund payables		\$ -	\$ -
Accounts payables	\$ 348,648	22,448	371,096
Intergovernmental payables - federal	-	-	-
Intergovernmental payables - state	17,419	-	17,419
Intergovernmental payables - other	-	-	-
Security deposit payable	48,000	-	48,000
Total liabilities	<u>414,067</u>	<u>22,448</u>	<u>436,515</u>
<b>Fund balances:</b>			
Unreserved:			-
Undesignated	173,315	-	173,315
Total fund balances	<u>173,315</u>	-	<u>173,315</u>
Total liabilities and fund balances	<u>\$ 587,382</u>	<u>\$ 22,448</u>	

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

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

Cost of capital assets	-
Accumulated depreciation	-
	<u>-</u>

Net position of governmental activities - A-1	<u>\$ 173,315</u>
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*See independent auditor's report and accompanying notes to basic financial statements.*

**NEWARK PREPARATORY CHARTER SCHOOL  
Governmental Funds**

**B-2**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Local sources:			
Local tax levy	\$ 347,060		\$ 347,060
Miscellaneous	808		808
Total revenues - local sources	<u>347,868</u>		<u>347,868</u>
Federal sources	-	\$ 48,684	48,684
State sources	2,475,992		2,475,992
TPAF/FICA reimbursements	41,456	-	41,456
<b>Total revenues</b>	<u>2,865,316</u>	<u>48,684</u>	<u>2,914,000</u>
Current expense:			
Instruction	1,280,665	21,205	1,301,870
Administrative	650,184		650,184
Support services	664,920	27,479	692,399
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>2,595,769</u>	<u>48,684</u>	<u>2,644,453</u>
Excess (deficiency) of revenues over (under) expenditures	269,547	-	269,547
Other financing sources:			
Transfer to cover food deficit	(96,232)		(96,232)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 173,315</u>	<u>\$ -</u>	<u>\$ 173,315</u>

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**And Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2013**

B-3

**Total net change in fund balances - governmental funds (B-2)** \$ 173,315

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

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

	Depreciation expense	\$ -	
	Capital outlays	-	
		-	

**Change in net position of governmental activities (A-2)** \$ 173,315

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

## **Proprietary Funds**

NEWARK PREPARATORY CHARTER SCHOOL  
Proprietary Funds

B-4

Statement of Net Position

June 30, 2013

Assets	
Current assets:	
Cash and cash equivalents	\$ 270
Accounts receivable:	-
Federal	20,279
State	371
Interfund receivable - general fund	1,742
Total current assets	<u>\$ 22,662</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 22,662
Interfund payable - general fund	-
Total current liabilities	<u>\$ 22,662</u>
Net position	
Unrestricted	-
Total net position	<u><u>\$ -</u></u>

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Proprietary Funds**

**B-5**

**Statement of Revenues, Expenditures and Changes in Net Assets**

**Year ended June 30, 2013**

Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ 270
Miscellaneous revenue	-
Total operating revenues	<u>270</u>
Operating expenses:	
Cost of sales	93,116
Salaries	12,849
Employee benefits	-
Professional /technical service	4,629
Supplies and materials	6,558
Depreciation	-
Miscellaneous	-
Total operating expenses	<u>117,152</u>
Operating income (loss)	<u>(116,882)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	371
Federal sources:	
National School Lunch Program	17,910
National School Breakfast Program	2,369
Total nonoperating revenues	<u>20,650</u>
Net income/(loss) before contributions & transfers	(96,232)
Other financing sources:	
Transfer - from general fund to cover food deficit	96,232
	<u>96,232</u>
Change in net position	-
Total net position-beginning of year	<u>-</u>
Total net position-end of year	<u>\$ -</u>

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

**NEWARK PREPARATORY CHARTER SCHOOL  
Proprietary Fund**

**B-6**

**Statement of Cash Flows**

**Year ended June 30, 2013**

<b>Cash flows from operating activities</b>	
Operating loss	\$ (116,882)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(20,650)
Increase in due to general fund	(1,742)
Increase in accounts payable	22,662
Net cash used in operating activities	<u>(116,612)</u>
<b>Cash flows from noncapital financing activities</b>	
Cash received from state reimbursements	371
Cash received from federal reimbursements	20,279
Operating subsidies and transfers from other funds	96,232
Net cash provided by noncapital financing activities	<u>116,882</u>
<b>Cash flows from investing activities</b>	-
Net decrease in cash and cash equivalents	270
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	<u>\$ 270</u>

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

## **Fiduciary Funds**

**NEWARK PREPARATORY CHARTER SCHOOL  
Fiduciary Funds**

B-7

**Statement of Fiduciary Net Position**

**June 30, 2013**

	<u>Unemployment Insurance Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 30,788	\$ 22,826	\$53,614
Total assets	<u>\$ 30,788</u>	<u>\$ 22,826</u>	<u>\$53,614</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Interfund payables		\$ 22,826	\$22,826
Payroll liabilities	\$ -	-	-
Account payable - due to students group	\$ -		-
Total liabilities	<u>-</u>	<u>\$ 22,826</u>	<u>22,826</u>
<b>Net position</b>	30,788		30,788
Total liabilities and net position	<u>\$ 30,788</u>		<u>\$53,614</u>

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

**NEWARK PREPARATORY CHARTER SCHOOL  
Fiduciary Funds**

**B-8**

**Statement of Changes in Fiduciary Net Position**

**Year ended June 30, 2013**

	<b><u>Unemployment Compensation</u></b>
Additions:	
Board contributions	\$ 30,788
Employee contributions	-
Total additions	<u>30,788</u>
Deductions:	
Unemployment payments	<u>30,788</u>
Total deductions	<u>30,788</u>
Change in net position	-
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ -</u></u>

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

## **Notes to Basic Financial Statements**

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**1 Description of the Charter School District and Reporting Entity**

Newark Preparatory Charter School (the "Charter School" was incorporated in the State of New Jersey on April 7, 2011 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School's Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Head of School is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing statutes, the Charter School's duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**2 Summary of Significant Accounting Policies**

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

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

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

**A Basis of Presentation**

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

**Charter School Government-wide Financial Statements**

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

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

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**2 Summary of Significant Accounting Policies - *continued***

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

**Fund Financial Statements**

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

**B Fund Accounting**

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

**Governmental Funds**

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

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

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**2 Summary of Significant Accounting Policies - continued**

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

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

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

***Capital Projects Fund*** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2013 there was no Capital Projects Fund.

**Proprietary Funds**

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

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**2 Summary of Significant Accounting Policies - *continued***

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

**Fiduciary Funds**

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

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

***Agency Funds*** – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

**C Measurement Focus and Basis of Accounting**

***Measurement focus*** is a term used to describe “which” transactions are recorded within the various financial statements. ***Basis of accounting*** refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**2 Summary of Significant Accounting Policies - *continued***

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

**Basis of Accounting**

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

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

**D Budgets/Budgetary Control**

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**2 Summary of Significant Accounting Policies - *continued***

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

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

**E Cash, Cash Equivalent and Investments**

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

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

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

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**2 Summary of Significant Accounting Policies - *continued***

**F Short-Term Interfund Receivables/Payables**

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

**G Inventories and Prepaid Expenses**

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

**H Capital Assets**

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

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. *The Charter School did not have any capital assets during the year ended June 30, 2013.*

**I Compensated Absences**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**2 Summary of Significant Accounting Policies - *continued***

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

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

The Charter School had no compensated absences as of June 30, 2013.

**J Accrued Liabilities and Long-Term Obligations**

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

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

**K Deferred Revenue**

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

**L Fund Balance and Equity**

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2011 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**2 Summary of Significant Accounting Policies - *continued***

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

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

**M Net Position**

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

**N Management Estimates**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**2 Summary of Significant Accounting Policies - *continued***

**O On-Behalf Payments**

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

**3 Deposits and Investments**

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

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

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

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2013, the Charter School's carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Operating A/C	\$ 346,812	\$ (26,236)	\$ 270	\$ 53,614	\$ 374,460

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**3 Deposits and Investments - *continued***

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2013, the Charter School's carrying amount of deposits was \$374,460 and the bank balance was \$638,015. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2013 were secured by federal deposit insurance and \$388,015 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

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

***Category 1***

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

***Category 2***

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

***Category 3***

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

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

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**3 Deposits and Investments - *continued***

**Investments**

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

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

As of June 30, 2013, the Charter School did not hold any investments.

**4 Capital Assets**

There were no capital assets during the year ended June 30, 2013.

**5 Lease Obligations**

**Facilities Leases**

The Charter School leases its facilities under the following operating lease agreement:

590 Broad Street, Newark, New Jersey – a five year lease through June 30, 2017 covering 56,322 square foot space in year one at a monthly rent of \$62,301 (or \$747,612 per year). The amount paid under this lease for the year ended June 30, 2013 was \$280,117. The future minimum lease payments required under the operating leases are as follows: July 1, 2013 through August 31, 2017, annual rent of \$1,070,118 (or monthly rent of \$89,177). The Charter School has the option of renewing the lease for four terms of five years each.

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**5 Lease Obligations – continued**

**Equipment Leases**

The Charter School leases office equipment under operating lease agreements - (one copier – executed June 12, 2013 and a stamping machine – Pitney Bowes executed January 2013). For the year ended June 30, 2013, the Charter School incurred \$1,062 in equipment lease expenditures.

There is an additional equipment lease under a management agreement in Note 15 below.

Future minimum lease payments required under the operating leases are as follows:

<b>Year ending June 30:</b>	<b>590 Broad Space</b>	<b>Equipment Lease-Copier</b>	<b>Equipment Lease-Pitney</b>	<b>Total</b>
2014	\$ 1,070,118	\$ 6,072	\$ -	\$ 1,076,190
2015	1,070,118	6,072	-	1,076,190
2016	1,070,118	5,566		
2017	1,248,478			
2018	-	-	-	-
Thereafter			-	-
	<u>\$ 4,458,832</u>	<u>\$ 17,710</u>	<u>\$ -</u>	<u>\$ 2,152,380</u>

**Sub-lease Receivable**

During the year ended June 30, 2013 the Charter School had a sub-lease arrangement with another Newark, New Jersey charter school, Visions Academy. The sub-lease was for a portion of the space at 590 Broad Street, Newark. It was executed September 12, 2012 covering approximately 16,974 square feet for a period through June 30, 2013 at a monthly rent of \$24,047 or annual rent of \$288,558. The total amount received for 2012-2013 by the Charter School under the sublease was \$374,418 which included approximately \$95,839 for shared costs such as utilities, security services, and so on. Visions Academy had an option to renew for one year but did not exercise the option. The sub-lease was not renewed for 2013-2014 school year.

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**6 Pension Plans**

**Description of Plans**

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

**Teachers Pension and Annuity Fund (TPAF)**

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

**Public Employees' Retirement System (PERS)**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
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**6 Pension Plans - *continued***

**Defined Contribution Retirement Program (DCRP)**

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

**Vesting and Benefit Provisions**

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

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

**Significant Legislation**

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

**Pension Plan Design Changes**

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

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**6 Pension Plans - *continued***

**Funding Changes**

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

**COLA Suspension**

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the charter school is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and charter school).

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**6 Pension Plans – *continued***

**Annual Pension Costs (APC) - *continued***

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

The Charter School's contribution to PERS for the year ended June 30, 2013 was \$-0-, being only the first year of operations.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$41,456 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**7 Post Retirement Benefits**

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

As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

**8 Compensated Absences**

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences".

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**8      *Compensated Absences - continued***

A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

As of June 30, 2013, Charter School-wide compensated absences amounted to \$-0-.

**9      *Deferred Compensation***

The Charter School is in the process of offering its employees a choice of deferred compensation plans created in accordance with Internal Revenue Section 403(b).

**10     *Economic Dependency***

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

**11     *Contingent Liabilities***

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**12 Risk Management**

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

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

**13 Management Agreement – Educational Products and Services**

An Educational Products and Services Agreement (the “Agreement”) was executed by the Charter School and K12 Classroom LLC (“K12”), a Virginia based corporation. The terms of the Agreement included provision of educational products and services to the Charter School “in furtherance of the Charter School’s mission” The products and services include the proprietary K12 Curriculum, online school and learning management systems, teacher training, recruitment and management, financial and school administration services, technology services for a student account management system and other administrative and technology support services. The Agreement calls for the payment of the following fees:

- a. Administrative fee of 15% based on “Program Revenues” which is defined as all revenues and income generated or appropriated for and received by or on behalf of the school as attributed to any student currently in the school or previously in the school, but it is not limited to federal, state and local sources.
- b. Technology services fee of 7% of the Program Revenues as defined above.

The Charter School incurred a total of \$465,914 in expenditures paid/payable to K12 during the year ended June 30, 2013. This does not include the \$187,586 paid for the equipment lease mentioned in Note 15 below.

**14 Line of Credit – K12 Classroom LLC**

As part of its Educational Products and Services Agreement, the management company, K12 extended a \$100,000 Line of Credit financing to the Charter School. The outstanding amounts under the financing attracted 0% annual interest rate and were due and payable within 30 days from the date of advancing the line of credit. The loan was fully paid as agreed. There was no outstanding balance as of June 30, 2013.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**15 Equipment Operating Lease – K12 Classroom LLC**

As part of its Educational Products and Services Agreement, the management company, K12 provided equipment (furniture and technology equipment) to the Charter School during the year at a total cost of \$681,065. The arrangement calls for the payment to be spread over a period of four years. The arrangement is deemed an operating lease and the following are the payments due in each year:

<b>Year Ended/ Ending June 30:</b>	<b>Payments for K12 Equipment Lease</b>
2013	\$ 187,586
2014	187,586
2015	187,586
2016	118,308
2017	-
Thereafter	-
	\$ 681,066

The Charter School paid the \$187,586 payment due for the year ended June 30, 2013.

**16 Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2013 is as follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ 21,084	\$ -
Special Revenue Fund	-	-
Enterprise Fund	1,742	-
Trust and Agency Fund	-	22,826
	\$ 22,826	\$ 22,826

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**17 Receivables**

Receivables as of June 30, 2013 consisted of accounts, intergovernmental, grants and miscellaneous items. All receivables are considered collectible in full. A summary of the principal items of intergovernmental and other receivables are as follows:

State aid	\$ 151,490
Federal aid	68,963
Other	-
Total receivables	<u>\$ 220,453</u>

**18 Subsequent Events**

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

The Charter School increased enrollment by 150 students as of September 2013 for the 2013-2014 school-year by adding another grade – 10<sup>th</sup> grade pursuant to its charter.

# Required Supplementary Information

## Part II

### Budgetary Comparison

NEWARK PREPARATORY CHARTER SCHOOL  
General Fund

C-1

Budget Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
<b>Local Sources:</b>					
Local tax levy	\$ 259,381	\$ -	\$ 259,381	\$ 347,060	\$ 87,679
Miscellaneous	-	-	-	808	808
<b>Total revenues -local sources</b>	<b>259,381</b>	<b>-</b>	<b>259,381</b>	<b>347,868</b>	<b>88,487</b>
<b>State sources</b>					
TPAF-social security	1,820,123	612,200	2,432,323	2,475,992	43,669
				41,456	41,456
<b>Total revenues</b>	<b>2,079,504</b>	<b>612,200</b>	<b>2,691,704</b>	<b>2,865,316</b>	<b>173,612</b>
<b>Expenditures</b>					
<b>Current expense:</b>					
<b>Instruction</b>					
Salaries of teachers	454,300	\$ (11,288)	443,012	443,011	1
Other salaries for instruction	-	151,250	151,250	150,986	264
Purchased professional technical services	5,000	(5,000)	-	-	-
Other purchased services	150,147	44,201	194,348	190,217	4,131
General educational supplies	3,263	26,347	29,610	28,025	1,585
Textbooks	-	468,314	468,314	468,314	-
Miscellaneous expenses	1,000	1,175	2,175	112	2,063
	<b>613,710</b>	<b>674,999</b>	<b>1,288,709</b>	<b>1,280,665</b>	<b>8,044</b>
<b>Administrative cost:</b>					
Salaries	40,000	151,218	191,218	191,218	-
Total benefit costs	186,050	17,088	203,138	241,866	(38,728)
Professional /Technical service	34,743	51,298	86,041	85,588	453
Other purchased services	2,000	35,285	37,285	32,683	4,602
Communications and Telephones	56,400	(30,738)	25,662	23,113	2,549
Supplies and materials	20,000	12,428	32,428	32,852	(424)
Miscellaneous expenses	2,500	(350)	2,150	1,408	742
	<b>341,693</b>	<b>236,229</b>	<b>577,922</b>	<b>608,728</b>	<b>(30,806)</b>
<b>Support services:</b>					
Salaries	112,500	58,921	171,421	139,340	32,081
Purchased prof/tech service	15,000	47,412	62,412	61,938	474
Other purchased services	-	5,148	5,148	5,140	8
Rent on land and buildings	486,348	(71,770)	414,578	375,731	38,847
Insurance-fidelity, liability property	42,300	(23,108)	19,192	16,917	2,275
Supplies and materials	-	16,157	16,157	15,284	873
Energy & Utilities	60,000	(10,600)	49,400	33,575	15,825
Miscellaneous expenses	47,037	32,435	79,472	16,500	62,972
Transportation other than to/from school	2,000	-	2,000	495	1,505
<b>Total support services</b>	<b>765,185</b>	<b>54,595</b>	<b>819,780</b>	<b>664,920</b>	<b>154,860</b>
<b>Capital outlay:</b>					
Instructional equipment	76,162	(76,162)	-	-	-
Non-instructional equipment	66,501	(61,208)	5,293	-	5,293
Purchase land/improvements	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-
<b>Total capital outlay</b>	<b>142,663</b>	<b>(137,370)</b>	<b>5,293</b>	<b>-</b>	<b>5,293</b>
TPAF-Social Security		41,456	41,456	41,456	-
<b>Total expenditures</b>	<b>1,863,251</b>	<b>869,909</b>	<b>2,733,160</b>	<b>2,595,769</b>	<b>137,391</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>216,253</b>	<b>(257,709)</b>	<b>(41,456)</b>	<b>269,547</b>	<b>36,221</b>
<b>Other financing sources:</b>					
Transfer to cover food deficit	-	-	-	(96,232)	96,232
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 216,253</b>	<b>\$ (257,709)</b>	<b>\$ (41,456)</b>	<b>\$ 173,315</b>	<b>\$ 132,453</b>

**NEWARK PREPARATORY CHARTER SCHOOL  
Special Revenue Fund**

C-2

**Budget Comparison Schedule  
Budgetary Basis  
Year ended June 30, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues</b>					
Federal sources	\$ 206,568	\$ -	\$ 206,568	\$ 48,684	\$ 157,884
Local sources	-	-	-	-	-
Total revenues -all sources	<u>206,568</u>	<u>-</u>	<u>206,568</u>	<u>48,684</u>	<u>157,884</u>
<b>Expenditures</b>					
<b>Current Expenditures:</b>					
<b>Instruction:</b>					
Salaries of teachers	8,000	-	8,000	6,000	2,000
Purchased Prof. and technical services	44,750	-	44,750	8,654	36,096
Other purchased services	-	-	-	-	-
General supplies	36,584	-	36,584	6,551	30,033
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>89,334</u>	<u>-</u>	<u>89,334</u>	<u>21,205</u>	<u>68,129</u>
<b>Support services</b>					
Support services salaries	-	-	-	-	-
Employee benefits	640	-	640	459	181
Purchased professional services	56,962	-	56,962	19,754	37,208
Other purchased services	22,400	-	22,400	-	22,400
Supplies	36,992	-	36,992	7,032	29,960
Miscellaneous expenditures	240	-	240	234	6
Total support services	<u>117,234</u>	<u>-</u>	<u>117,234</u>	<u>27,479</u>	<u>89,755</u>
<b>Capital Outlay:</b>					
<b>Facilities acquisition and construction services</b>					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 206,568</u>	<u>\$ -</u>	<u>\$ 206,568</u>	<u>\$ 48,684</u>	<u>\$ 157,884</u>

## Notes to Required Supplementary Information

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Note to Required Supplementary Information**  
**Budget to GAAP Reconciliation**

C-3

**Year ended June 30, 2013**

		General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 2,865,316	
	[C-2]		\$ 48,684
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		0	0
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 2,865,316	\$ 48,684
 <b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 2,595,769	
	[C-2]		\$ 48,684
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			0
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfer (outflows) to general fund		0	0
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 2,595,769	\$ 48,684

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

## Other Supplementary Information

## School Level Schedules

## Special Revenue Fund

**NEWARK PREPARATORY CHARTER SCHOOL  
Special Revenue Fund**

**E-1**

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

**Year ended June 30, 2013**

	<b>Start Up Grant <u>2012-2013</u></b>	<b>I.D.E.A. C/Year <u>2012-2013</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Federal sources	\$ 18,655	\$ 30,029	\$ 48,684
Local sources			-
Total revenues -all sources	<u>\$ 18,655</u>	<u>\$ 30,029</u>	<u>\$ 48,684</u>
<b>Expenditures</b>			
<b>Instruction</b>			
Salaries of teachers	\$ 6,000	\$ -	\$ 6,000
Purchased Prof. and technical services	8,654	-	8,654
Other purchased services	-	-	-
General supplies	-	6,551	6,551
Miscellaneous expenditures	-	-	-
Total instruction	<u>14,654</u>	<u>6,551</u>	<u>21,205</u>
<b>Support services</b>			
Support services salaries	-	-	-
Employee benefits	459	-	459
Purchased professional services	3,542	16,212	19,754
Other purchased services	-	-	-
Supplies	-	7,032	7,032
Miscellaneous expenditures	-	234	234
Total support services	<u>4,001</u>	<u>23,478</u>	<u>27,479</u>
<b>Facilities acquisition and construction services</b>			
Instructional equipment	-	-	-
Noninstructional equipment	-	-	-
Construction services	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u><u>\$ 18,655</u></u>	<u><u>\$ 30,029</u></u>	<u><u>\$ 48,684</u></u>

**Capital Projects Fund**  
**At June 30, 2013, there was no capital project fund.**

## Enterprise Fund

NEWARK PREPARATORY CHARTER SCHOOL  
Enterprise Funds

G-1

Combining Statement of Net Position

June 30, 2013

**Assets**

Current assets:

Cash and cash equivalents	\$ 270
Accounts receivable:	
Federal	20,279
State	371
Interfund receivable - general fund	1,742
Total current assets	<u>\$ 22,662</u>

**Liabilities**

Current liabilities:

Accounts payable	\$ 22,662
Interfund payable - general fund	-
Total current liabilities	<u>\$ 22,662</u>

**Net position**

Unrestricted	-
Total net position	<u>\$ -</u>

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Enterprise Fund**

G-2

**Combining Statement of Revenues, Expenditures and Changes in Net Position**

**Year ended June 30, 2013**

	<b>Food Services</b>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ 270
Miscellaneous revenue	-
Total operating revenues	270
Operating expenses:	
Cost of sales	93,116
Salaries	12,849
Employee benefits	-
Professional /technical service	4,629
Supplies and materials	6,558
Depreciation	-
Miscellaneous	-
Total operating expenses	117,152
Operating income (loss)	(116,882)
Nonoperating revenues:	
State sources:	
State School Lunch Program	371
Federal sources:	
National School Lunch Program	17,910
National School Breakfast Program	2,369
Total nonoperating revenues	20,650
Net income/(loss) before contributions & transfers	(96,232)
Other financing sources:	
Transfer - from general fund to cover food deficit	96,232
	96,232
Change in net position	-
Total net position-beginning of year	-
Total net position-end of year	\$ -

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Enterprise Fund**

**G-3**

**Statement of Cash Flows**

**Year ended June 30, 2013**

**Cash flows from operating activities**

Operating loss	\$ (116,882)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(20,650)
Increase in due to general fund	(1,742)
Increase in accounts payable	22,662
Net cash used in operating activities	<u>270</u>

**Cash flows from noncapital financing activities**

Cash received from state reimbursements	371
Cash received from federal reimbursements	20,279
Operating subsidies and transfers from other funds	96,232
Net cash provided by noncapital financing activities	<u>116,882</u>

**Cash flows from investing activities**

Net increase in cash and cash equivalents	270
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	<u>\$ 270</u>

## Fiduciary Fund

**NEWARK PREPARATORY CHARTER SCHOOL  
Fiduciary Funds**

**H-1**

**Combining Statement of Fiduciary Net Position**

**June 30, 2013**

	<u>Unemployment Insurance Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 30,788	\$ 22,826	\$ 53,614
Total assets	<u>\$ 30,788</u>	<u>\$ 22,826</u>	<u>\$ 53,614</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Payroll deductions and withholdings		\$ -	\$ -
Interfund payables		22,826	22,826
Due to students group	\$ -		-
Total liabilities	<u>-</u>	<u>\$ 22,826</u>	<u>\$ 22,826</u>
<b>Net position</b>			
Total liabilities and net position	<u>30,788</u>		<u>30,788</u>
	<u>\$ 30,788</u>		<u>\$ 53,614</u>

NEWARK PREPARATORY CHARTER SCHOOL  
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

	<b><u>Unemployment Compensation</u></b>
Additions:	
Board contributions	\$ 30,788
Employee contributions	-
Total additions	<u>30,788</u>
Deductions:	
Unemployment payments	-
Total deductions	<u>-</u>
Change in net position	30,788
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ 30,788</u></u>

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**

H-3

**Year ended June 30, 2013**

	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
<b>Assets</b>				
Parent council fund	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**

H-4

**Year ended June 30, 2013**

	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 1,089,746	\$ 1,066,920	\$ 22,826
Total assets	<u>\$ -</u>	<u>\$ 1,089,746</u>	<u>\$ 1,066,920</u>	<u>\$ 22,826</u>
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ -	\$ 1,066,920	\$ 1,066,920	\$ -
Interfund payable	-	22,826		22,826
Total liabilities	<u>\$ -</u>	<u>\$ 1,089,746</u>	<u>\$ 1,066,920</u>	<u>\$ 22,826</u>

**Long Term Debt**  
At June 30, 2013, there was no long term debt.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**Long-Term Debt**  
**Schedule of Obligations Under Renovation Loan**

I-2

Year ended June 30, 2013

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2012</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2013</u>
--------------------------------------	---	---	--------------------------------------	-------------------------------------	---

NONE

		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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## Statistical Section

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-1

**Net Position By Component**  
**First Fiscal Year**  
*(accrual basis of accounting)*  
**(Unaudited)**

	<b>Fiscal Year Ended June 30, 2013</b>
<b>Governmental activities</b>	
Invested in capital assets, net of related debt	\$ -
Restricted	-
Unrestricted	173,315
<b>Total governmental activities net position</b>	<b>\$ 173,315</b>
<b>Business-type activities</b>	
Invested in capital assets, net of related debt	\$ -
Restricted	-
Unrestricted	-
<b>Total business-type activities</b>	<b>\$ -</b>
<b>School-wide</b>	
Invested in capital assets, net of related debt	\$ -
Restricted	-
Unrestricted	173,315
<b>Total charter school net position</b>	<b>\$ 173,315</b>

**Notes**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
County of Essex, New Jersey

J-2

**Changes In Net Position**  
**First Fiscal Year**  
*(accrual basis of accounting)*  
(Unaudited)

	<u>Fiscal Year Ended June 30,</u>	
	<u>2013</u>	
<b>Expenses</b>		
<b>Governmental activities</b>		
Instruction		
Regular	\$	1,301,870
Support Services:		
General administration		650,184
School administrative services		650,943
On-behalf TPAF/FICA Reimbursements		41,456
Capital outlay		-
Unallocated depreciation		-
<b>Total governmental activities expenses</b>		<u>2,644,453</u>
<b>Business-type activities:</b>		
Food service		117,152
Child Care		-
<b>Total business-type activities expense</b>		<u>117,152</u>
<b>Total charter school expenses</b>	\$	<u>2,761,605</u>
<b>Program Revenues</b>		
<b>Governmental activities:</b>		
Charges for services:		
Operating grants and contributions	\$	48,684
Capital grants and contributions		-
<b>Total governmental activities program revenues</b>		<u>48,684</u>
<b>Business-type activities:</b>		
Charges for services:		
Food service		270
Child care		-
Operating grants and contributions		20,650
Capital grants and contributions		-
<b>Total business type activities program revenues</b>		<u>20,920</u>
<b>Total charter school program revenues</b>	\$	<u>69,604</u>
<b>Net (Expense)/Revenue</b>		
<b>Governmental activities</b>	\$	(2,595,769)
<b>Business-type activities</b>		(96,232)
<b>Total charter school-wide net expense</b>	\$	<u>(2,692,001)</u>
<b>General Revenues and Other Changes in Net Position</b>		
<b>Governmental activities:</b>		
Property taxes levied for general purposes, net	\$	347,060
Grants and contributions		2,517,448
Miscellaneous income		808
Transfers		(96,232)
<b>Total governmental activities</b>		<u>2,769,084</u>
<b>Business-type activities:</b>		
Transfers		96,232
<b>Total business-type activities</b>		<u>96,232</u>
<b>Total charter school-wide</b>	\$	<u>2,865,316</u>
<b>Change in Net Position</b>		
<b>Governmental activities</b>	\$	269,547
<b>Business-type activities</b>		(96,232)
<b>Total charter school</b>	\$	<u>173,315</u>

**Notes**

GASB requires that ten year of statistical data be presented. However, only one year of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.
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**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-3

**Fund Balances - Governmental Funds**  
**First Fiscal Year**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	<b>Fiscal Year Ended June 30,</b>
	<b>2013</b>
General Fund	
Unreserved	\$ 173,315
Total general fund	\$ 173,315
 All Other Governmental Funds	
Reserved	\$ -
Unreserved, reported in:	
Special revenue fund	-
Capital projects fund	-
Debt service fund	-
Permanent fund	-
Total all other governmental funds	\$ -

**Notes**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-4

**Changes in Fund Balances - Governmental Funds**  
**First Fiscal Year**  
**(Unaudited)**

<u>Function</u>	<u>Fiscal Year Ended June 30,</u> <u>2013</u>
Revenues	
Local tax levy	\$ 347,060
Miscellaneous	808
State sources	2,517,448
Federal sources	48,684
Total revenue	<u>2,914,000</u>
Expenditures	
Instruction	1,301,870
Administration	650,184
Support Services	692,399
Capital Outlay	0
Total expenditures	<u>2,644,453</u>
Net change in fund balances	<u>\$ 269,547</u>

Source: Charter School's Records

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-5**

**General Fund Other Local Revenue by Source**  
**First Fiscal Year**  
**(Unaudited)**

<u>Function</u>	<u>Fiscal Year Ended June 30,</u> <u>2013</u>
Other local revenues	
Miscellaneous	\$ 808
Total other local revenue	<u>\$ 808</u>

Source: Charter School's Records

**NEWARK PREPARATORY CHARTER SCHOOL**  
 County of Essex, New Jersey

J-10

**Ratio of Outstanding Debt By Type**  
**First Fiscal Year**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total Charter School	Percentage of Personal Income *	Per Capita *
	General Obligation Bonds b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -

**NO LONG TERM DEBT FOR THE CHARTER SCHOOL**

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-14**

**Demographic and Economic Statistics**  
**First Fiscal Year**  
**(Unaudited)**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>County Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2013	277,540	\$ 13,973,861,460	\$ 50,349	15.00%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-15**

**Principal Employers**  
**Current Year**  
**(Unaudited)**

<u>Employer</u>	<u>2013</u>		
	<u>Employees</u>	<u>Rank</u> <u>[Optional]</u>	<u>Percentage of</u> <u>Total Municipal</u> <u>Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airlines	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	<u>103,126</u>		<u>73.66%</u>

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-16**

**Full-Time Equivalent Charter School Employees by Function/Program**  
**First Fiscal Year**  
**(Unaudited)**

<b><u>Function/Program</u></b>	<b><u>Fiscal Year Ended June 30,</u></b> <b><u>2013</u></b>
Instruction	
Regular	8
Special education	-
Other instruction	6
Support Services:	
General administration	3
Other support services	5
Total	<u>22</u>

**Source:** Charter School Personnel Records

**NEWARK PREPARATORY CHARTER SCHOOL**  
County of Essex, New Jersey

J-17

**Operating Statistics**

**First Fiscal Year  
(Unaudited)**

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures <sup>a</sup></b>	<b>Cost Per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff <sup>b</sup></b>	<b>Pupil/Teacher Ratio</b>	<b>Average Daily Enrollment (ADE) <sup>c</sup></b>	<b>Average Daily Attendance (ADA) <sup>c</sup></b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2013	150	\$ 2,644,453	\$ 17,630	N/A	14	1:10	150.0	143	N/A	95.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-18**

**School Building Information**  
**First Fiscal Year**  
**(Unaudited)**

**Fiscal Year Ended June 30,**  
**2013**

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Square Feet	56,322
Capacity (students)	400
Enrollment	150

**Source:** School Records

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-19**

**Schedule of Required Maintenance Expenditures**  
**By School Facility\***  
**First Fiscal Year**  
**(Unaudited)**

2013	\$ 525,085
	<u>-</u>
Total	<u>\$ 525,085</u>

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

Source: Charter School records

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-20**

**Insurance Schedule**

**June 30, 2013**  
**(Unaudited)**

	<u><b>Coverage</b></u>
<b>Commercial General Liability:</b>	
Each Occurrence	\$ 1,000,000
Damage to Rented Premises	100,000
Medical Expense Limit Per Person	5,000
Personal and Adv Injury	1,000,000
General Aggregate	2,000,000
Products - Comp/Op Agg	2,000,000
<b>Excess/Umbrella Liability:</b>	
Each Occurrence	4,000,000
Aggregate	4,000,000
<b>Workers Compension and Employers Liability:</b>	
E.L Each Accident	1,000,000
E.L Disease - EA Employee	1,000,000
E.L Disease - Policy Limit	1,000,000
<b>Directors &amp; Officers Bonds</b>	1,000,000
<b>Property</b>	100,000

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-21

**Charter School Performance Framework Financial Indicators**  
**New Term Indicators**

**June 30, 2013**  
**(Unaudited)**

	<u>2013</u>
Cash	\$ 320,846
Current assets	311,646
Capital assets, net	-
Total assets	<u>632,492</u>
Current liabilities	459,177
Long term liabilities	-
Total liabilities	<u>459,177</u>
Net position	<u>\$ 173,315</u>
Total revenue	\$ 2,934,920
Total expenses	<u>(2,761,605)</u>
Change in net position	<u>\$ 173,315</u>

Depreciation expense	\$ -
Interest expense	-
Principal payments	-
Interest payments	-
Final average daily enrollment	150
March 30th budgeted enrollment	150

	<u>2013</u>	<u>Three Year Cumulative</u>
<b>NEAR TERM INDICATORS:</b>		
Current ratio	1.38	1.38
Unrestricted days cash	42.41	42.41
Enrollment variance	100%	100%
Default	N/A	N/A

Source: Charter School Records

**NEWARK PREPARATORY CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-21

**Charter School Performance Framework Financial Indicators**  
**Sustainability Indicators**

**June 30, 2013**  
**(Unaudited)**

	<u>2013</u>
Cash	\$ 320,846
Current assets	311,646
Capital assets, net	-
Total assets	<u>632,492</u>
Current liabilities	459,177
Long term liabilities	-
Total liabilities	<u>459,177</u>
Net position	<u>\$ 173,315</u>
Total revenue	\$ 2,934,920
Total expenses	<u>(2,761,605)</u>
Change in net position	<u>\$ 173,315</u>

Depreciation expense	\$ -
Interest expense	-
Principal payments	-
Interest payments	-
Final average daily enrollment	150
March 30th budgeted enrollment	150

	<u>2013</u>	<u>Three Year Cumulative</u>
<b>SUSTAINABILITY INDICATORS:</b>		
Total margin	6%	6%
Debt to asset	N/A	N/A
Cash flow	\$ 320,846	\$ 320,846
Debt service coverage ratio	N/A	N/A

Source: Charter School Records

## Single Audit Section

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

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

K-1

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and 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 Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Newark Preparatory Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon, dated November 11, 2013.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

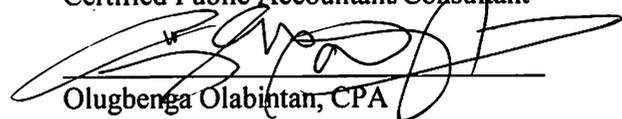
### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Olugbenga Olabintan, CPA*

November 11, 2013  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



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

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

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

**K-2**

## **Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by State of New Jersey OMB Circular 04-04**

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

### **Compliance**

We have audited the Newark Preparatory Charter School ("the Charter School"), in the County of Essex, State of New Jersey's ("the Charter School's") with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2013. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, and State of New Jersey Department of Treasury Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and State of New Jersey Department of Treasury Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Charter School's compliance.

### **Opinion on Each Major state Program**

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state program for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Department of Treasury Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of State of New Jersey Department of Treasury Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

*Olugbenga Olabintan, CPA*

November 11, 2013  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



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

NEWARK PREPARATORY CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Grant Period	Award Amount	Balance at June 30, 2012	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2013	Deferred Revenue at June 30, 2013	Due to Grantor at June 30, 2013
<b>Special Revenue Fund:</b>											
<b>U.S. Department of Education:</b>											
<b>Passed-Through State Department of Education</b>											
IDEA Part B - FY 2012-2013	84.010A	9/1/12-8/31/13	\$ 31,568				\$ (30,029)		\$ (30,029)		
Charter Schools Grant Program - Implementation I, FY13	84.282	12/1/12-11/30/13	175,000				(18,655)		(18,655)		
<b>Total for U.S. Department of Education</b>							<u>(48,684)</u>		<u>(48,684)</u>		
<b>Enterprise Fund:</b>											
<b>U.S. Department of Agriculture</b>											
<b>Passed-Through New Jersey Dept of Agriculture</b>											
National School lunch program	10.555	7/1/12-6/30/13	17,910				(17,910)		(17,910)		
National School breakfast program	10.553	7/1/12-6/30/13	2,369				(2,369)		(2,369)		
<b>Total Enterprise Fund/Total U.S. Department of Agriculture</b>							<u>(20,279)</u>		<u>(20,279)</u>		
<b>Total Expenditures of Federal Awards</b>							<u>\$ (68,963)</u>		<u>\$ (68,963)</u>		

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

NEWARK PREPARATORY CHARTER SCHOOL

Schedule of Expenditures of State Awards

Year ended June 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2013	Deferred Revenue at June 30, 2013	Due to Grantor at June 30, 2013
<b>State Department of Education</b>														
<b>General Fund:</b>														
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	\$ 2,474,238						\$ 2,365,215	\$ (2,474,238)		\$ (126,442)		\$ 17,419
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	123,453						123,453	(123,453)				
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	69,869						69,869	(69,869)				
State Non-Public Aid	13-100-034-5120-060	7/1/12-6/30/13	155,492						155,492	(155,492)				
TPAF/FICA Reimbursements	13-495-034-5095-002	7/1/12-6/30/13	41,456						16,779	(41,456)		(24,677)		
									-					
<b>Total General Fund</b>									<u>2,730,808</u>	<u>(2,864,508)</u>		<u>(151,119)</u>		<u>17,419</u>
									-					
<b>State Department of Agriculture</b>														
<b>Enterprise Fund:</b>														
State School lunch program	13-100-010-3350-023	7/1/12-6/30/13	371						-	(371)		(371)		
<b>Total Enterprise Fund</b>									<u>-</u>	<u>(371)</u>		<u>(371)</u>		
									-					
<b>Total State Financial Assistance</b>									<u>\$ 2,730,808</u>	<u>\$ (2,864,879)</u>		<u>\$ (151,490)</u>		<u>\$ 17,419</u>

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**

**Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended June 30, 2013**

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**1. General**

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

**2. Basis of Accounting**

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

**3. Relationship to Basic Financial Statements**

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

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

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

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended June 30, 2013**

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**3. Relationship to Basic Financial Statements - *continued***

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,864,508	\$ 2,864,508
Special Revenue Fund	48,684	-	48,684
Enterprise Fund	20,279	371	20,650
Total	<u>\$ 68,963</u>	<u>\$ 2,864,879</u>	<u>\$ 2,933,842</u>

**4. Relationship to Federal and State Financial Reports**

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

**5. Other**

TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2013**

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**Part I Summary of Auditors' Results**

**Financial Statements Section**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes  No

Significant deficiencies identified? \_\_\_\_\_ Yes  None reported

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes  No

**Federal Awards Section**

**Federal Awards:**

*On June 27, 2003, US Office of Management & Budget (OMB) amended OMB Circular A-133 to raise the audit threshold from \$300,000 to \$500,000. Thus, for fiscal years ending after December 31, 2003, organizations that expend less than \$500,000 in federal awards during a year are exempt from the single audit requirement for that year.*

*For the fiscal year ended June 30, 2013, 100 the Charter School was determined to expend less than \$500,000 in federal awards and is therefore exempt from the federal single audit requirements for 2013.*

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2013**

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**Part I Summary of Auditors' Results**

**State Financial Assistance Section**

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

Auditee qualifies as low-risk auditee?  yes  No

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

Internal control over major programs:

Material weaknesses identified?  Yes  No

Significant deficiencies identified?  Yes  None reported

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

Identification of Major Programs:

State Grant/Program Number(s)

Name of State Program or Cluster

13-495-034-5120-078

Equalization Aid - Cluster

13-495-034-5120-089

Special Education Aid - Cluster

13-495-034-5120-084

Security Aid - Cluster

**NEWARK PREPARATORY CHARTER SCHOOL**  
**(County of Essex)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2013**

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**Part II – Schedule of Financial Statement Findings**

NONE

**NEWARK PREPARATORY CHARTER SCHOOL  
(County of Essex)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

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**Part III – Schedule of Federal Awards and State Financial Assistance**

NONE

**NEWARK PREPARATORY CHARTER SCHOOL  
(County of Essex)  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2013**

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**There were no prior year's audit findings.**