

**JERSEY CITY COMMUNITY
CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**BCA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS**

**JERSEY CITY COMMUNITY CHARTER SCHOOL
JUNE 30, 2013**

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INTRODUCTORY SECTION



JERSEY CITY COMMUNITY CHARTER SCHOOL

128 Danforth Avenue – Jersey City, N.J. 07305
(201) 433 – 2288 - Fax: (201) 433 – 5803

Eugene W. Harris, Chief School Administrator
Reynaldo Acevedo, Assistant Principal

October 22, 2013

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

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Jersey City Community Charter School (the “Charter School”) for the fiscal 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 is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: **introductory, financial, statistical, and single audit**. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor’s report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section includes information related to the single audit, including the auditor’s report on internal control and compliance with applicable *laws and regulations* and findings and recommendations.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey Treasury OMB Circular Letter 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*.”

1) REPORTING ENTITY AND ITS SERVICES

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

The Charter School provides a comprehensive early childhood program appropriate to grade level K to 8. That program included social, health and nutrition services that support the total education of the students and their families. The Charter School completed the 2012-2013 fiscal year with an average daily enrollment of 574 students, which is 6 students below the previous year's enrollment. The following details the changes in student enrollment of the school over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2012-2013	574	-1.03%
2011-2012	580	-1.53%
2010-2011	589	1.20%
2009-2010	582	3.13%
2008-2009	576	3.97%
2007-2008	554	13.76%
2006-2007	487	1.88%
2005-2006	478	9.38%
2004-2005	437	10.35%
2003-2004	396	32.00%

2) ECONOMIC CONDITION AND OUTLOOK

The Charter School is located in Jersey City, the second largest municipality in New Jersey with a population of 250,323 according to the United States Department of Commerce's 2010 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York-Northern New Jersey Metropolitan area.

The City's land area is 14.9 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multifamily development over the past ten years. The City is connected to New York City by Holland Tunnel and the PATH railroad tubes, and is within ten miles of Newark Liberty International Airport and the container and cargo facilities of Port Newark-Elizabeth.

2) **ECONOMIC CONDITION AND OUTLOOK – CONTINUED**

The City is located in the County of Hudson. The City's size and current development activity cause it to dominate the economy of Hudson County. The City also serves as the seat of the County Government. Of the approximately 352,106 persons employed in the County, approximately 136,038 or 39% are employed in Jersey City.

The Charter School has completed its 15th year of implementation. During the 2012-2013 School-Year, the school serviced the following number of students per grade:

<u>Grades</u>	<u>Number of Students</u>
Kindergarten	63
Grade 1	66
Grade 2	66
Grade 3	64
Grade 4	65
Grade 5	66
Grade 6	68
Grade 7	62
Grade 8	54
Total	<u><u>574</u></u>

Growth

At its inception, the Charter School began with 72 kindergarten students. Plans for expansion included adding first grade in the 1998-1999 school year; second grade in the 2000-2001; third, through eighth grades in the subsequent years.

The Charter School is one of the first cohort of charter schools in the State of New Jersey. In December 2000, the school submitted its first renewal application for continuation of its charter. In February 2001, the school received a charter to continue its operation under a charter for five additional years. The school submitted its most recent renewal application during the 2010-2011 school-year and received a charter for an additional five years to 2015-2016. As part of the renewal process, the Charter School was required to develop a five-year fiscal plan.

2) **ECONOMIC CONDITION AND OUTLOOK – CONTINUED**

Growth – Continued

During the school year, 2003-2004 the Charter School purchased one of its existing facilities (at 128 Danforth Avenue, in Jersey City, New Jersey) from the former owners, the Urban League of Hudson County, Inc. The building had a capacity for up to 350 students. During the 2008-2009 school-year the school completed the expansion of its existing facilities adding 14 classrooms at the 128 Danforth location. In addition, during the school year 2010-2011, the Charter School acquired and renovated a building at 16 Bentley Avenue, Jersey City, New Jersey providing more permanent facilities (classrooms and administrative offices) for the Middle School.

3) **MAJOR INITIATIVES**

The Charter School has developed a comprehensive strategic plan to support its mission and vision and serve as blue print for the achievement of its goals. The plan includes objectives such as pupil achievement, staff development and technology in the classroom. The school offers an extensive educational enrichment program as well as extracurricular programs that would continue the involvement of parents in the education of their children. The Charter School has created a “safe haven” program in the afternoons for students whose parents work. The program offers tutorial assistance as well as enrichment activities. The Charter School also offers an Academic Athletic and Individual Mentoring Program which provides sports activities along with tutorial assistance; and it also offers a Saturday Academy for Excellence (S.A.F.E) to assist the students with test taking strategies.

During the 2012-2013 school-year, the school continued the implementation of its Family Literacy Program which included Family Reading, Family Math, Family Science, Family Art, Family Writing, Family Technology and Family Health Literacy.

As a result of the Charter School’s expansion program, the following components of the academic program have been added:

- Science Laboratory
- Library with Multi-Media Center and “Reading Room”
- Writing Laboratory
- Block Room
- Art Room
- Roof Top Playground
- Gymnasium
- Cafeteria

The elementary school's third floor gymnasium offers students in grades K-5 the opportunity to fully participate in a comprehensive physical education program. The addition of the Middle School building, for grades 6-8, allows the school to offer Physical Education in a full gymnasium along with several elective courses re, filmmaking, photography, culinary, arts, graphic designs, art studio, aviation and music. These additions allow the school to offer a comprehensive program that will allow the students to experience the success they are entitled to.

4) INTERNAL ACCOUNTING CONTROLS

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

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

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

5) BUDGETARY CONTROLS

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made as of and for the fiscal year ended June 30, 2013.

6) ACCOUNTING SYSTEM AND REPORT

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

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general and special revenue funds for the fiscal years ended June 30, 2013 and 2012, and the amount of increases in relation to prior year's revenues:

<u>Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Local sources	\$ 1,897,056	\$ 1,651,115	\$ 245,941	14.90%
State sources	5,529,002	5,380,813	148,189	2.75%
Federal sources	713,517	701,082	12,435	1.77%
Total	<u>\$ 8,139,575</u>	<u>\$ 7,733,010</u>	<u>\$ 406,565</u>	5.26%

The increase in state sources is due to the following factors: (1) increase in on behalf payments and (2) increase in the number of special education students, during the school-year 2012-2013.

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

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2013 as compared against the June 30, 2012 expenditure levels.

<u>Expenditures</u>	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Instruction	\$ 3,348,940	\$ 3,259,704	\$ 89,236	2.74%
Administrative	3,354,850	2,894,255	460,595	15.91%
Support	1,143,104	1,179,277	(36,173)	-3.07%
Capital Outlay	93,991	191,849	(97,858)	-51.01%
Total	<u>\$ 7,940,885</u>	<u>\$ 7,525,085</u>	<u>\$ 415,800</u>	5.53%

The slight increase in total expenditures is consistent with the trend noted in the Charter School's revenue sources.

8) CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by State statute as detailed in “Notes to the Financial Statements”, Note 2. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”).

GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) RISK MANAGEMENT

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

10) OTHER INFORMATION

Independent Audit

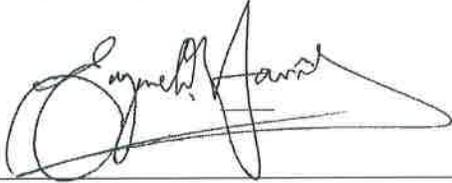
State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of BCA Watson Rice LLP. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.

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

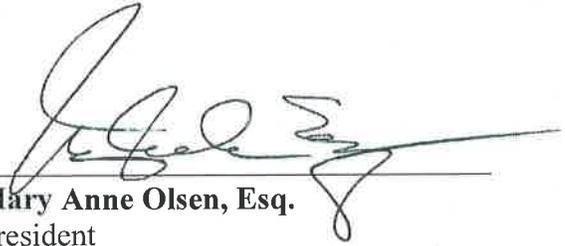
11) ACKNOWLEDGMENTS

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

Respectfully submitted,



Eugene W. Harris
Chief School Administrator
Jersey City Community Charter School

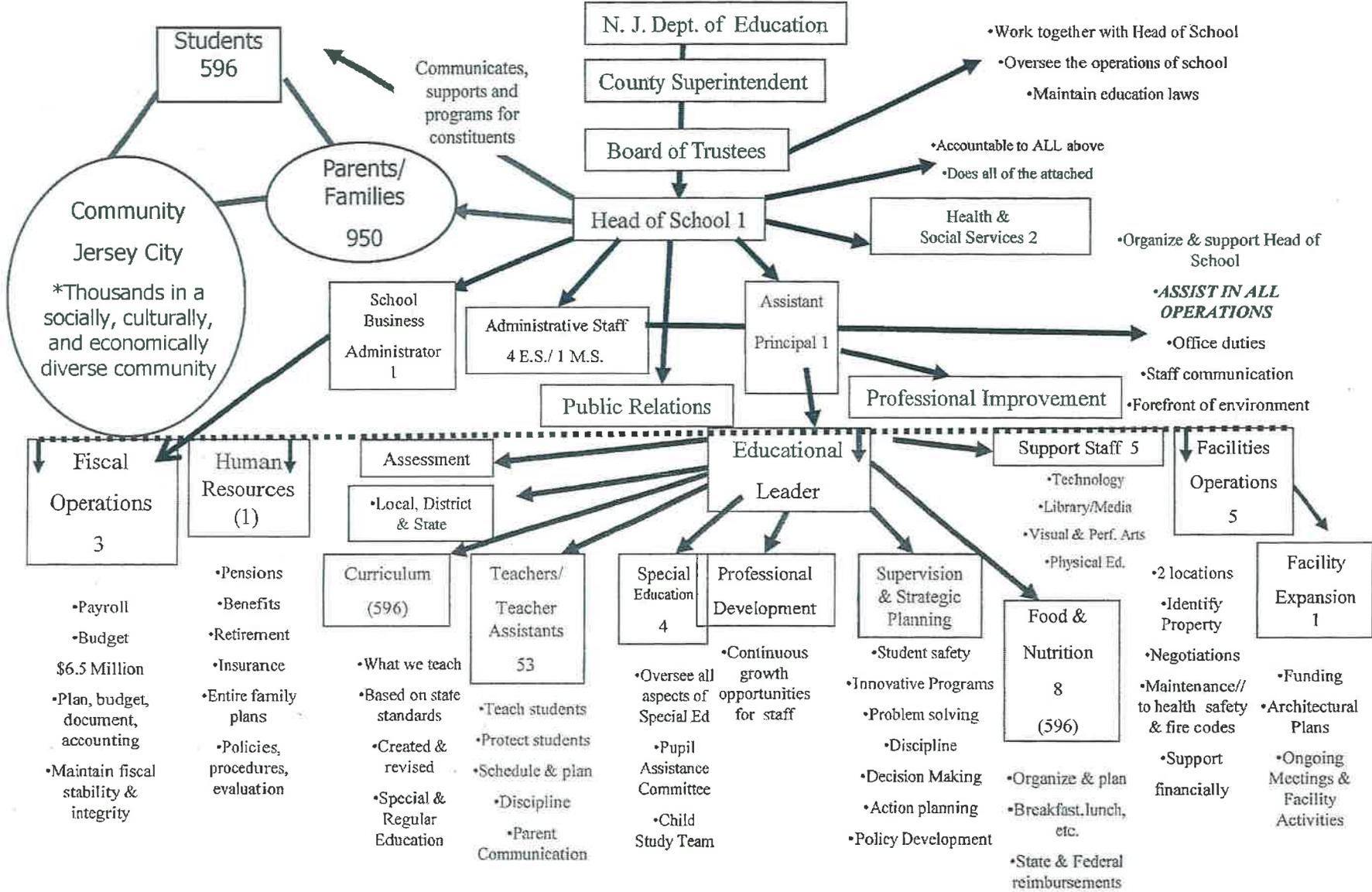


Mary Anne Olsen, Esq.
President
Jersey City Community Charter School

Constituents of JCCCS
The People We Serve

Jersey City Community Charter School "School of Choice"

*Approximately 1,546 people are directly affected by the JCCCS



ROSTER OF OFFICIALS

JUNE 30, 2013

Members of Board of Trustees

Mary Ann Olsen, Esq.
Elnora Watson
Bettye Ingram
David Asige

Baba Sulemana
Dayna Faulk
William Armbruster
Eugene Harris ***

Executive Board

Mary Ann Olsen, Esq.
Baba Sulemana
Hillary Fraenkel, Esq.***
Eugene Harris
Anita Hammond

Bima Baje

Nora Galleros, CPA***

President
Vice President
Attorney
Chief Executive Officer
School Business Administrator/
Board Secretary (9/26/12 -5/21/13)
School Business Administrator
(5/22/13 -Present)
Treasurer of School Monies

*** Ex-officio

JERSEY CITY COMMUNITY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

BCA Watson Rice LLP
Certified Public Accountants and Advisors
301 Route 17 North, 4th Floor
Rutherford, New Jersey 07070

Attorneys at Law

Marshall, Dennehey, Warner, Coleman & Goggin
Attorneys at Law
425 Eagle Rock Avenue, Suite 302
Roseland, New Jersey 07068

Connell Folley LLP
Attorneys at Law
Harborside Financial Center
2510 Plaza Five
Jersey City, New Jersey 07311

Official Depository

Bayonne Community Bank
104-110 Avenue C
Bayonne, New Jersey 07002

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jersey City Community Charter School (the "Charter School"), 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Charter School's 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the New Jersey Department of Education, Division of Finance and Regulatory Compliance. 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.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Opinions

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, 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 accordance 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 Discussion and Analysis on pages 15 through 23 and Budgetary Comparison Information on pages 60 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the schedule of expenditures of state financial assistance, as required by the New Jersey State Grant Compliance Supplement and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Other Matters – Continued

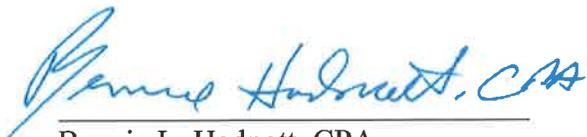
Other Information – Continued

The schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were 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 schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2013 on our consideration of the Charter School's internal control over financial reporting and 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 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.



Bennie L. Hadnott, CPA
Licensed Public School Accountant
No. 20CS00247800



BCA Watson Rice LLP
Certified Public Accountant and Advisors

Rutherford, New Jersey
October 22, 2013

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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Introduction

This section of the Jersey City Community Charter School's (the "Charter School") comprehensive 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.

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

Financial Highlights

Key Financial highlights for the fiscal year 2013 are as follows:

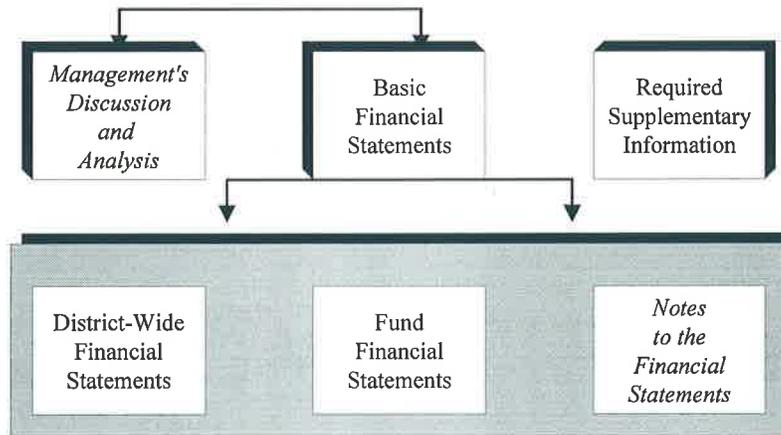
- In total, net assets decreased from (\$503,390) to (\$1,080,648). Net assets of governmental activities decreased by \$602,342 which represents a 89% decrease from fiscal year 2012 due to provision of annual depreciation of fixed assets and increase in accrued compensated absences. Net assets of business-type activities, which represent food service and after care operations, increased by \$25,084 or 14% from fiscal year 2012.
- General revenues of \$6,939,899 accounted for 85% of total revenues of \$8,139,575. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$713,517 or 9% of total revenues.
- The Charter School had \$8,741,917 in expenses related to governmental activities; \$1,199,676 of these expenses was offset by operating grants and contributions. General revenues (primarily Local and State Aid) of \$7,426,058 were adequate to provide for program expenses but not adequate to cover the provision of annual depreciation.
- The General Fund reported fund balances at June 30, 2013, of \$991,393. General Fund's fund balance increased by \$198,690 over 2012. The increase was due in part to an increase in miscellaneous revenues

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

Overview of the Financial Statements

This annual report consists of six parts—management’s discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, the statistical section, and the single audit section.

Table A-1. Required Components of the School’s Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are Charter School *financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in *more detail* than the district-wide statements.
 - *Governmental funds* statements tell how *basic* services such as regular and special education were financed in the *short term* as well as what remains for future spending.
 - *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

The financial statements also include *notes* that explain certain 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. Table A-1 shows how the required parts of this annual report are arranged and related to one another.

	School-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: Food Service Fund and Extended Day Program	Instances in which the School administers resources on behalf of someone else, such as State Unemployment Insurance, payroll and payroll agency and student activities
Required financial statements	*Statements of Net Assets *Statements of Activities	*Balance Sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of net assets *Statement of revenues, expenditures and changes in fund net assets *Statement of cash flows	*Statement of fiduciary net assets *Statement of changes in fiduciary assets
Accounting Basis and Measurement Focus	Actual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both financial and capital, short-term and long term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and dedications during the year; regardless of when cash is received or paid

Table A-2 summarizes the major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements. The basic financial statements include two kinds of statements that present different views of the School:

- Charter School-Wide Statements
- Fund Financial Statements

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Basic Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

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 Statement 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 accounts all of the current year’s revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School’s net 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. Normally, the Charter School’s Food Service enterprise fund is reported as a business activity. However, in 2013, the Charter School decided to enter into an Agreement for Local Education Agencies’ Consolidating School Meal Program (the “Agreement”) with the Jersey City Public School (the “School District”) for the full operation of the Charter School’s Food Services. Under said agreement, the School District absorbed the legal, fiscal and reporting responsibility over the food services rendered for the Charter School’s registered students; therefore the Charter School’s June 30, 2013 enterprise fund did not include Food Program activities.

Reporting the School Charter School’s Most Significant Funds

Fund Financial Statements

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

Reporting the School Charter School's Most Significant Funds – Continued

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.

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. The table below provides a summary of the Charter School's net position at June 30, 2013.

	Governmental Activities		Busines Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current Assets	\$ 2,040,315	\$ 2,314,857	\$ 201,885	\$ 173,367	\$ 2,242,200	\$ 2,488,224
Capital Assets, net	8,480,639	9,225,791	-	-	8,480,639	9,225,791
Total Assets	<u>10,520,954</u>	<u>11,540,648</u>	<u>201,885</u>	<u>173,367</u>	<u>10,722,839</u>	<u>11,714,015</u>
Liabilities						
Current Liabilities	1,200,417	2,512,868	5,174	1,740	1,205,591	2,514,608
Long Term Liabilities	10,597,896	9,736,277	-	-	10,597,896	9,736,277
Total Liabilities	<u>11,798,313</u>	<u>12,249,145</u>	<u>5,174</u>	<u>1,740</u>	<u>11,803,487</u>	<u>12,250,885</u>
Net Assets						
Invested in Capital Assets						
- net of related debt	(1,256,461)	(557,323)	-	-	(1,256,461)	(557,323)
Unrestricted	(20,898)	(117,694)	196,711	171,627	175,813	53,933
Total Net Position	<u>\$ (1,277,359)</u>	<u>\$ (675,017)</u>	<u>\$ 196,711</u>	<u>\$ 171,627</u>	<u>\$ (1,080,648)</u>	<u>\$ (503,390)</u>

The total net position of the Charter School decreased by \$577,258 during the current fiscal year ended June 30, 2013.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

The Charter School as a Whole – Continued

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

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 87,079	\$ 66,224	\$ 87,079	\$ 66,224
Operating grants and Contributions	-	-	-	-	-	-
	1,199,676	701,082	-	273,544	1,199,676	974,626
Total Program Revenues	<u>1,199,676</u>	<u>701,082</u>	<u>87,079</u>	<u>339,768</u>	<u>1,286,755</u>	<u>1,040,850</u>
General Revenues:						
Local Aid	1,703,479	1,645,889	-	-	1,703,479	1,645,889
Federal and State Aid	5,042,843	5,380,813	-	-	5,042,843	5,380,813
Miscellaneous	193,577	5,226	-	-	193,577	5,226
Total General Revenues	<u>6,939,899</u>	<u>7,031,928</u>	<u>-</u>	<u>-</u>	<u>6,939,899</u>	<u>7,031,928</u>
Total Revenues	<u>8,139,575</u>	<u>7,733,010</u>	<u>87,079</u>	<u>339,768</u>	<u>8,226,654</u>	<u>8,072,778</u>
Expenses						
Instructions	3,348,940	3,259,704	-	-	3,348,940	3,259,704
Support Services:						
Administrative and other support services	4,613,620	3,999,359	-	-	4,613,620	3,999,359
Unallocated Depreciation	779,357	792,955	-	-	779,357	792,955
Food Service	-	-	-	305,129	-	305,129
After Care	-	-	61,995	17,305	61,995	17,305
Total Expenses	<u>8,741,917</u>	<u>8,052,018</u>	<u>61,995</u>	<u>322,434</u>	<u>8,803,912</u>	<u>8,374,452</u>
Change in Net Position	<u>\$ (602,342)</u>	<u>\$ (319,008)</u>	<u>\$ 25,084</u>	<u>\$ 17,334</u>	<u>\$ (577,258)</u>	<u>\$ (301,674)</u>

In 2013, total revenues increased by \$153,876, about 1.91%. This was due to the increase in on-behalf payments and miscellaneous revenues. Total revenues for the business-type activities decreased due primarily to the transfer of the Food Service Program administration to Jersey City Public Schools for 2012-2013. Total expenses increased by \$429,460 or about 5% primarily due to increases in compensated absences and on-behalf payments.

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental Activities

The Charter School's total revenues were \$8,226,654 for 2013 and \$8,072,778 for 2012, respectively. This includes \$175,411 for 2013 and \$176,092 for 2012 of State reimbursed TPAF social security contributions; and \$310,748 for 2013 and \$226,538 for 2012 in TPAF Pension on-behalf contributions.

The total cost of all program and services were \$8,741,917 for 2013 and \$8,052,018 for 2012. Instruction comprises 38% of Charter School expenses for 2013 and 41% for 2012.

Business-Type Activity

The business-type activity of the Charter School comprised of after school program operations. Operations had total revenues of \$87,079 and operating expenses of \$61,992 for fiscal year 2013, compared against \$339,768 in total revenues and \$322,434 in operating expenses for 2012. During the fiscal year ended June 30, 2013, the Charter School's Food Service Program was fully managed by Jersey City Public School. The Charter School continued in its effort to have both the food services and after school programs be self-sustaining 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 \$8,139,575. Governmental funds had expenditures and other financing uses of \$7,940,885. The positive change in fund balance for the year was anticipated by the Board of the Charter School due to cost cutting measures implemented to adopt its operations to the anticipated budget cuts from the State. Further, the Charter School was able to timely implement all of its planned programs by the end of the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal 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 management teams.

For the General Fund, final budgeted revenues and other financing sources were \$7,227,428 which included a local tax levy of \$1,699,838. Expenditures and other financing uses were budgeted at \$6,952,702. The Charter School anticipated a positive fund balance before other financing sources of \$1,247,603. In its 2012-2013 budget, General Fund expenses were less than revenues by \$28,919. Actual revenues were \$7,426,058 and actual expenditures were \$7,227,368.

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

General Fund Budgeting Highlights – Continued

The State of New Jersey reimbursed the Charter School \$175,411 during the year ended June 30, 2013 for the employer's share of social security contributions and \$310,748 in Pension on-behalf contributions for TPAF members.

Capital Assets

At the end of fiscal year 2013, the Charter School had (\$1,256,461) invested in capital assets net of related debt; all of which are reflected in the governmental activities. Additions to capital assets in 2013 amounted to \$34,206 representing the cost of Electric Gate and camera system.

Long-term Debt and Capitalized Lease Obligations

At June 30, 2013, the Charter School had \$9,737,100 in long-term debt – mortgages on the school buildings. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid 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.

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:

JERSEY CITY COMMUNITY CHARTER SCHOOL
Business Office
128 Danforth Avenue
Jersey City, New Jersey 07305

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

EXHIBIT A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,508,854	\$ 134,119	\$ 1,642,973
Accounts receivable	445,713	-	445,713
Prepaid expense	-	2,569	2,569
Interfund receivables	79,748	65,197	144,945
Security deposit	6,000	-	6,000
Capital assets, net	<u>8,480,639</u>	<u>-</u>	<u>8,480,639</u>
Total Assets	<u>10,520,954</u>	<u>201,885</u>	<u>10,722,839</u>
Liabilities			
Accounts payable and accrued expenses	433,687	-	433,687
Accrued salaries and benefits	405,262	-	405,262
Intergovernmental payables:			
State	58,026	-	58,026
Federal	83,563	-	83,563
Deferred revenues	3,187	-	3,187
Interfund payables	65,197	5,174	70,371
Current portion of compensated absences payable	101,229	-	101,229
Current portion of long-term obligations	50,266	-	50,266
Noncurrent portion of compensated absences payable	911,062	-	911,062
Noncurrent portion of long-term obligations	<u>9,686,834</u>	<u>-</u>	<u>9,686,834</u>
Total Liabilities	<u>11,798,313</u>	<u>5,174</u>	<u>11,803,487</u>
Net Position			
Invested in capital assets, net of related debt	(1,256,461)	-	(1,256,461)
Unrestricted	<u>(20,898)</u>	<u>196,711</u>	<u>175,813</u>
Total Net Position	<u>\$ (1,277,359)</u>	<u>\$ 196,711</u>	<u>\$ (1,080,648)</u>

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

EXHIBIT A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Instruction						
Salaries	\$ 3,159,739		\$ 548,314	\$ (2,611,425)		\$ (2,611,425)
Professional /Technical service	36,106		-	(36,106)		(36,106)
Other purchased services	776		-	(776)		(776)
General educational supplies and textbooks	146,393		42,897	(103,496)		(103,496)
Other instructional expenses	5,926		-	(5,926)		(5,926)
Administrative and Support Services						
Salaries	972,753		-	(972,753)		(972,753)
Unallocated benefit costs	1,927,105		566,290	(1,360,815)		(1,360,815)
Professional /Technical service	137,249		34,381	(102,868)		(102,868)
Other purchased services	166,605		-	(166,605)		(166,605)
Communications and telephones	17,388		-	(17,388)		(17,388)
Insurance-fidelity, liability property	86,352		-	(86,352)		(86,352)
Supplies and materials	140,513		7,794	(132,719)		(132,719)
Transportation costs	14,896		-	(14,896)		(14,896)
Judgment against charter	73,421		-	(73,421)		(73,421)
Energy costs	189,687		-	(189,687)		(189,687)
Interest on long-term debt	789,594		-	(789,594)		(789,594)
Miscellaneous expenses	98,057		-	(98,057)		(98,057)
Unallocated depreciation	779,357		-	(779,357)		(779,357)
Total Governmental Activities	<u>8,741,917</u>		<u>1,199,676</u>	<u>(7,542,241)</u>		<u>(7,542,241)</u>
Business-type Activities						
Food service	-	-	-	-	-	-
After Care Program	61,995	87,079	-	-	25,084	25,084
Total Business-type Activities	<u>61,995</u>	<u>87,079</u>	<u>-</u>	<u>-</u>	<u>25,084</u>	<u>25,084</u>
Total Primary Government	<u>\$ 8,803,912</u>	<u>\$ 87,079</u>	<u>\$ 1,199,676</u>	<u>\$ (7,542,241)</u>	<u>\$ 25,084</u>	<u>\$ (7,517,157)</u>
General revenues, transfers and special items:						
Local sources				1,703,479	-	1,703,479
State sources				5,042,843	-	5,042,843
Miscellaneous				193,577	-	193,577
Total general revenues, transfers and special items				<u>6,939,899</u>	<u>-</u>	<u>6,939,899</u>
Change in net position				(602,342)	25,084	(577,258)
Net position - beginning				(675,017)	171,627	(503,390)
Net position - ending				<u>\$ (1,277,359)</u>	<u>\$ 196,711</u>	<u>\$ (1,080,648)</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENT FUNDS FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2013**

EXHIBIT B-1

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,508,854	\$ -	\$ 1,508,854
Accounts receivable:			
State	39,187	-	39,187
Federal	-	406,526	406,526
Other	-	-	-
Interfund receivables	390,185	54,605	444,790
Security deposit	6,000	-	6,000
Total Assets	<u>\$ 1,944,226</u>	<u>\$ 461,131</u>	<u>\$ 2,405,357</u>
Liabilities and Fund Balances			
<u>Liabilities</u>			
Accounts payable and accrued expenses	\$ 424,348	\$ 9,339	\$ 433,687
Accrued salaries and benefits	405,262	-	405,262
Intergovernmental payables:	-	-	-
State	58,026	-	58,026
Federal	-	83,563	83,563
Deferred Revenues	-	3,187	3,187
Interfund payables	65,197	365,042	430,239
Total Liabilities	<u>952,833</u>	<u>461,131</u>	<u>1,413,964</u>
<u>Fund Balances</u>			
Unassigned	991,393	-	991,393
Total Fund Balances	<u>991,393</u>	<u>-</u>	<u>991,393</u>
Total Liabilities and Fund Balances	<u>\$ 1,944,226</u>	<u>\$ 461,131</u>	

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

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

Cost of capital assets	12,800,567
Accumulated depreciation	<u>(4,319,928)</u>
	<u>8,480,639</u>

Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Compensated absences payable	(1,012,291)
Long-term obligations	<u>(9,737,100)</u>
	<u>(10,749,391)</u>

Net position of governmental activities - A-1

\$ (1,277,359)

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
GOVERNMENTAL FUNDS**

EXHIBIT B-2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013**

	General Fund	Special Revenue Fund	Total
Revenues			
<u>Local Sources</u>			
Local tax levy	\$ 1,703,479	\$ -	\$ 1,703,479
Interest income	2,585	-	2,585
Miscellaneous	190,992	-	190,992
Total Revenues - Local Sources	<u>1,897,056</u>	-	<u>1,897,056</u>
State sources	5,529,002	-	5,529,002
Federal sources	-	713,517	713,517
Total Revenues	<u>7,426,058</u>	<u>713,517</u>	<u>8,139,575</u>
Expenditures			
Instruction	2,757,729	591,211	3,348,940
Administrative	3,354,850	-	3,354,850
Support services	1,020,798	122,306	1,143,104
Capital outlay	93,991	-	93,991
Total Expenditures	<u>7,227,368</u>	<u>713,517</u>	<u>7,940,885</u>
Excess of revenue over expenditures before other financing sources	198,690	-	198,690
Other Financing Sources:			
Loan funds from Community Loans of New Jersey	-	-	-
Purchase cost of new building and other renovations costs	-	-	-
Net Change in Fund Balances	198,690	-	198,690
Fund Balances, July 1, 2012	<u>792,703</u>	-	<u>792,703</u>
Fund Balances, June 30, 2013	<u>\$ 991,393</u>	<u>\$ -</u>	<u>\$ 991,393</u>

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)**

EXHIBIT B-3

**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**

Total net change in fund balances - governmental funds (B-2) \$ 198,690

**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	(779,357)	
Capital outlays	<u>34,206</u>	(745,151)

Repayment of principal portion of long term loans are expenditures in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets and is not reported in the statement of activities.

Repayment of long term loan principal	46,014
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In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amounts exceeds the paid amount, the difference is a reduction in the reconciliation, when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.

Amount of compensated absences earned in excess of paid amount	<u>(101,895)</u>	<u>(101,895)</u>
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Change in net position of governmental activities (A-2) \$ (602,342)

See accompanying notes to the basic financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2013**

EXHIBIT B-4

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ -	\$ 134,119	\$ 134,119
Prepaid expense	1,672	897	2,569
Interfund receivables	<u>-</u>	<u>65,197</u>	<u>65,197</u>
Total Current Assets	<u>1,672</u>	<u>200,213</u>	<u>201,885</u>
Liabilities			
<u>Current Liabilities</u>			
Interfund payable	<u>-</u>	<u>5,174</u>	<u>5,174</u>
Total Current Liabilities	<u>-</u>	<u>5,174</u>	<u>5,174</u>
Net Position			
Unrestricted	<u>\$ 1,672</u>	<u>\$ 195,039</u>	<u>\$ 196,711</u>

See accompanying notes to the basic financial statements.

JERSEY CITY COMMUNITY CHARTER SCHOOL

EXHIBIT B-5

(HUDSON COUNTY)

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2013

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Operating Revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ -	\$ -	\$ -
Daily sales - after care program	-	87,079	87,079
Total Operating Revenues	<u>-</u>	<u>87,079</u>	<u>87,079</u>
Operating Expenses:			
Cost of sales	-	-	-
Other purchased service	-	32,412	32,412
Other costs	-	29,583	29,583
Miscellaneous	-	-	-
Total Operating Expenses	<u>-</u>	<u>61,995</u>	<u>61,995</u>
Operating income (loss)	<u>-</u>	<u>25,084</u>	<u>25,084</u>
Nonoperating Revenues:			
State sources:			
State School Lunch Program	-	-	-
Federal sources:			
National School Lunch Program	-	-	-
National School Breakfast Program	-	-	-
After School Snacks	-	-	-
Total Nonoperating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	25,084	25,084
Net Position-Beginning of Year	<u>1,672</u>	<u>169,955</u>	<u>171,627</u>
Net Position-End of Year	<u>\$ 1,672</u>	<u>\$ 195,039</u>	<u>\$ 196,711</u>

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013**

EXHIBIT B-6

	Enterprise Funds		
	Food Program	After Care Program	Total Enterprise
Cash Flows from Operating Activities			
Receipts from customers and other funds	\$ -	\$ 87,079	\$ 87,079
Cost of sales	-	-	-
Other purchased service	-	(32,412)	(32,412)
Other costs	-	(29,583)	(29,583)
Miscellaneous	-	54,858	54,858
Net cash provided by operating activities	<u>-</u>	<u>79,942</u>	<u>79,942</u>
Cash Flows from Non-capital Financing Activities			
State sources	892	-	892
Federal sources	50,976	-	50,976
Operating subsidies and transfers from other funds	(51,868)	-	(51,868)
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	79,942	79,942
Balances - Beginning of Year	<u>-</u>	<u>54,177</u>	<u>54,177</u>
Balances - End of Year	<u>\$ -</u>	<u>\$ 134,119</u>	<u>\$ 134,119</u>
Reconciliation of operating income to net cash provided by operating activities:			
Changes in net position	\$ -	\$ 25,084	\$ 25,084
Adjustments to reconcile operating income to net cash provided by operating activities			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	51,868	-	51,868
(Increase) decrease in interfund receivables	(48,456)	50,581	2,125
(Increase) decrease in prepaid expense	(1,672)	(897)	(2,569)
Increase (decrease) in accounts payable	(1,740)	-	(1,740)
Increase (decrease) in interfund payable	-	5,174	5,174
Total Adjustments	<u>-</u>	<u>54,858</u>	<u>54,858</u>
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 79,942</u>	<u>\$ 79,942</u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2013**

EXHIBIT B-7

	<u>Agency Funds</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 43,001	\$ 92,508	\$ 135,509
Accounts Receivable	370	3,207	3,577
Interfund receivables	(388)	5,562	5,174
Total Assets	<u>42,983</u>	<u>101,277</u>	<u>144,260</u>
Liabilities			
<u>Liabilities</u>			
Interfund payables	13,576	66,172	79,748
Withholding payables	-	35,105	35,105
Due to student groups	<u>29,407</u>	<u>-</u>	<u>29,407</u>
Total Liabilities	<u>42,983</u>	<u>101,277</u>	<u>144,260</u>
Net Position			
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Jersey City Community Charter School (the "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 accounting principles generally accepted in the United States of America as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity

Jersey City Community Charter School (the "Charter School") was incorporated in the State of New Jersey on March 13, 1997 as a not-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. Jersey City Community Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

B. Component Units

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Basis of Presentation

The financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

D. Basic Financial Statements

The Charter School's basic financial statements consist of Charter School's 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.

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements – Continued

Fund Financial Statements

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

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

E. Governmental Funds

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Governmental Funds – Continued

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.

Debt Service Fund -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2013 there was no debt service fund.

F. 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 Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Charter School is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods and services to the 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Proprietary Funds – Continued

Enterprise Funds – 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 noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

Internal Service (Self-Insurance) Fund

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Jersey City Community Charter School does not use self-insurance fund.

G. Fiduciary Funds

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

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

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

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

As of June 30, 2013, the Charter School only had Agency Funds as part of its Fiduciary Funds.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Measurement Focus and Basis of Accounting

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

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

Basis of Accounting

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Budgets/Budgetary Control

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

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal yearend. 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 for the presentation of GAAP basis financial reports.

J. 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 investment is 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Cash, Cash Equivalent and Investments – Continued

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.

K. Tuition Payable

The Charter School did not send any of its students to any other Charter Schools during the fiscal year ended June 30, 2013.

L. 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. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond the current reporting year.

M. Interfund Assets/Liabilities

On the fund financial statement, receivable and payables resulting from short-term interfund loans are classified as interfund receivable/payable. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Capital Assets

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets. Capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000, as required by the State of New Jersey’s Department of Education.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 years
Building and Building Improvements	15 years
Furniture and Equipment	5 years

O. 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 they are not contingent on specific events that are 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 events that are outside the control of the Charter School and its employees, are accounted for in the period in which such service is rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. In proprietary and similar trust funds, compensated absences are required as an expense and liability of the fund that will pay for them.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. Deferred Revenue

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

Q. Accrued Liabilities and Long Term Obligation

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

R. Fund Balance

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

- 1) *Nonspendable* - includes amounts that cannot be spent because they are 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

R. Fund Balance – Continued

- 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.

S. Net Position

The *Statement of Net Position* include the following:

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

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

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

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

T. Contributed Capital

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

U. Interfund Transactions

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

V. Use of Estimates

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

W. 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.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization on maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board’s custodial bank trust department or agent in the Board’s name. Category 2 includes uninsured and unregistered deposits/investments held by the Board’s custodial bank trust department or agent in the Board’s name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board’s custodial bank trust department or agent but not in the Board’s name.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

These categories are not broad representations that deposits or investments are “safe” or “unsafe”.

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which 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. 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 five percent of the average daily balance of collected public 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.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. 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.
- c. Bonds or other obligations of the Charter School.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

As of June 30, 2013, cash and cash equivalents and investments of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Enterprise Services</u>	<u>Agency Fund</u>	<u>Total</u>
Operating Account	\$ 1,165,062	\$ 134,119	\$ 135,509	\$ 1,434,690
Money Market Account	343,792	-	-	343,792
Total	<u>\$ 1,508,854</u>	<u>\$ 134,119</u>	<u>\$ 135,509</u>	<u>\$ 1,778,482</u>

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. All bank balances were covered by the federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey Statutes.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act (GUDPA). In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 – Insured or collateralized with securities held by the Board or by its agent in the Board’s name.

Category 2 – Collateralized with securities held by the pledging public depository’s trust department or agent in the Board’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 Board’s name.

As of June 30, 2013, the Charter School has funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions as defined by GASB

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2013, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

3. RECEIVABLES

Receivables at June 30, 2013 consisted of state and federal receivables for tuition, state aid, and grants.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
State Aid	\$ 39,187	\$ -	\$ 39,187
Federal Aid	406,526	-	406,526
Total	<u>\$ 445,713</u>	<u>\$ -</u>	<u>\$ 445,713</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Capital assets not depreciated:			
Land	\$ 861,909	\$ -	\$ 861,909
Capital assets being depreciated:			
Buildings	11,159,270	-	11,159,270
Buildings improvements	395,304	-	395,304
Machinery and equipment	329,269	34,206	363,475
Furniture	20,609	-	20,609
Totals at historical cost	<u>11,904,452</u>	<u>34,206</u>	<u>11,938,658</u>
Less: Accumulated depreciation			
Buildings	3,084,502	743,952	3,828,454
Buildings improvements	146,291	10,395	156,686
Machinery and equipment	289,169	25,010	314,179
Furniture	20,609	-	20,609
Total Accumulated depreciation	<u>3,540,571</u>	<u>779,357</u>	<u>4,319,928</u>
Total capital assets being depreciated net of accumulated depreciation	<u>8,363,881</u>	<u>(745,151)</u>	<u>7,618,730</u>
Capital assets, net	<u>\$ 9,225,790</u>	<u>\$ (745,151)</u>	<u>\$ 8,480,639</u>

Depreciation expense of \$779,357 was charged to an unallocated function.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

5. INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-Wide Statement of Net Asset. At June 30, 2013, the interfund balances consisted of the following components:

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 390,185	\$ 65,197
Special Revenue Fund	-	310,437
Enterprise Fund	65,197	5,174
Fiduciary Fund	5,174	79,748
Total	460,556	460,556
GASB No 34 mandated eliminations within governmental activities Special Revenue	<u>(310,437)</u>	<u>(310,437)</u>
Balances at June 30, 2013	<u>\$ 150,119</u>	<u>\$ 150,119</u>

6. MORTGAGE PAYABLE

The Reinvestment Fund Loans

On February 27, 2007, JCCCS entered into two (2) mortgage agreements with The Reinvestment Fund for a total financing in the total amount of \$7,000,000 a senior Note in the amount of \$5,740,000 and a subordinated Note in the amount of \$1,260,000. A portion of the loan proceeds was used to pay off the two outstanding loan balances owed to Bayonne Community Bank and New Jersey Community Loan Fund. The remaining proceeds were designated for the Charter School’s expansion project – construction of additional 14 classrooms.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

6. MORTGAGE PAYABLE – CONTINUED

The Reinvestment Fund Loans – Continued

Both mortgages are collateralized by the land, building and building improvements and are due on February 27, 2024. The terms of the mortgages requires no monthly principal payments, only monthly interest payments. The interest rate on the \$5,740,000 Note is a variable equal to the 90-day LIBOR plus 230 basis points per annum (“LIBOR-Base Rate”) as determined by the payee prior to the commencement of each 90 day Interest Period. Interest shall be calculated daily on the basis of the actual number of days elapsed over a 360 day year. The interest rate on the \$1,260,000 is a fixed rate at 3.39% per annum. The mortgages cannot be prepaid prior to January 1, 2014.

The Community Loan Fund of New Jersey Loans

On July 23, 2010, JCCCS entered into an acquisition/renovations mortgage agreements with Community Loan Fund of New Jersey for a total financing of \$3,228,200 - a building acquisition loan in the amount of \$2,855,000 and a Line of Credit in the amount of \$373,200. The entire \$2,855,000 loan and \$50,724 of the \$372,200 were used for the acquisition and renovations of the Middle School building at 16 Bentley Avenue, Jersey City, New Jersey. The \$50,724 balance of the second loan was fully liquidated prior to June 30, 2013.

The acquisition/renovation financing was converted into a permanent mortgage in the amount of \$2,855,000 as of January 1, 2011 after the completion of renovations. The loan is collateralized by the land, building and building improvements at 16 Bentley Avenue, Jersey City, New Jersey. It is fully amortizing over 25 years at a fixed interest rate of 7.25%, however it matures in five years with a balloon payment due August 1, 2015. The monthly payment of principal and interest is \$20,636.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

6. MORTGAGE PAYABLE - CONTINUED

The following are the future maturities of The Reinvestment Fund Loans and Community Loan Fund of New Jersey Loan:

Year Ending June 30,	TRF Loans	Community Loan Fund of NJ Loan	Total
2014	\$ -	\$ 50,266	\$ 50,266
2015	-	54,877	54,877
2016	-	2,631,957	2,631,957
2017	-	-	-
2018	-	-	-
Thereafter	7,000,000	-	7,000,000
Total	<u>\$ 7,000,000</u>	<u>\$ 2,737,100</u>	<u>\$ 9,737,100</u>
Less: Amount due in one year			<u>50,266</u>
Amount due after one year			<u>\$ 9,686,834</u>

Total interest paid for both loans in 2013 charged to operations is \$789,594.

7. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the *Statement of Net Assets*:

	Balance June 30, 2012	Additions	Retired	Balance June 30, 2013
Compensated absences	\$ 910,396	\$ 101,895	\$ -	\$ 1,012,291
Mortgage obligations	<u>9,783,114</u>	<u>-</u>	<u>46,014</u>	<u>9,737,100</u>
Total long-term debt	<u>\$ 10,693,510</u>	<u>\$ 101,895</u>	<u>\$ 46,014</u>	<u>\$ 10,749,391</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

8. EQUIPMENT LEASE

The Charter School is currently leasing the following:

- Three (3) copiers commencing September 2010 for a period of sixty (60) months in the amount of \$2,775 per month.
- A printer commencing March 2010 for a period of sixty (60) months in the amount of \$340 per month.
- A copier commencing January 2011 for a period of sixty three (63) months in the amount of \$1,175 per month.
- Two (2) copiers commencing January 2009 for a period of sixty three (63) months in the amount of \$895 per month.
- Two (2) water purification equipment commencing May and July 2012 for sixty (60) months in the amount of \$240 per month.

The above leases are recorded as operating leases by the Charter School.

Total lease payments amounted to \$65,100 for the fiscal year ended June 30, 2013. Future minimum operating lease payments on equipment follow:

<u>Year</u>	<u>Amount</u>
2014	\$ 59,730
2015	53,000
2016	19,005
2017	2,880
Total	<u>\$ 134,615</u>

9. NET POSITION (DEFICIT)

As of June 30, 2013, governmental activities net assets consisted of the following components:

	<u>Capital Assets</u>	<u>Unrestricted</u>
Governmental Activities - Net Position (Deficit)		
Capital Assets, net	\$ 8,480,639	\$ -
Less: Related Debt	<u>(9,737,100)</u>	<u>-</u>
Invested in Capital Assets, net of related debt	(1,256,461)	-
Unrestricted	<u>-</u>	<u>(20,898)</u>
Net Position (Deficit), June 30, 2013	<u>\$ (1,256,461)</u>	<u>\$ (20,898)</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

9. NET POSITION (DEFICIT) – CONTINUED

The Charter School has a deficit in net position invested in capital assets, net of related debt, of \$1,256,461 as of June 30, 2013. This deficit is the result of the Charter School's utilization of temporary financing to fund its capital expenditures in previous years; and the faster rate at which the capital assets are depreciated as compared to the rate that the Charter School is paying off its obligations. Capital assets are used by the School District in its general operations and the Charter school will utilize unrestricted resources to liquidate obligations incurred for the acquisition of these assets.

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

10. PENSION PLANS

a) Description of Plans

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

i. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as a January 1, 1995, 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

10. PENSION PLANS – CONTINUED

a) Description of Plans – Continued

ii. Public Employees' Retirement System (PERS)

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

b) Vesting and Benefit Provisions

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

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

10. PENSION PLANS – CONTINUED

c) Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent of the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

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

d) Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5 % of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

10. PENSION PLANS – CONTINUED

d) Contribution Requirement – Continued

The Charter School's contribution to PERS for the year ended June 30, 2013 was \$310,748.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$175,411 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. These amounts have been included in the general-purpose financial statements.

11. POST EMPLOYMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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 eligible for post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, 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.

12. DEFERRED COMPENSATION

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

13. COMPENSATED ABSENCES

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

The entire liability for vested compensated absences of governmental activities is recorded in the Charter School-wide financial statement. The current portion of the governmental activities compensated absences balance is not considered material to the applicable funds total liabilities; therefore it is not shown in the fund financial statement.

The liabilities for vested compensated absences of the proprietary fund types are recorded within those funds as the benefits accrued to employees. As of June 30, 2013, Charter School-wide compensated absences amounted to \$1,012,291, of which \$101,229 is estimated to be due the following fiscal year.

14. RISK MANAGEMENT

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

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.

New Jersey Unemployment Compensation

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

15. LITIGATIONS AND CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2013, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2013.

Transportation Issue

The transportation of the Charter School's students (to and from school) is provided by the Jersey City Public Schools (JCPS) as part of the administrative fee (10%) that goes to the resident school district. The Charter School's transportation has been provided by the JCPS since 1997 as part of a bidding process which the JCPS conduct. It should be noted that the Jersey City Community Charter School does not directly transport any of its students to and from school.

It should also be noted that New Jersey Statute – Title 18A:39-1 states as follows: "Whenever in any district there are elementary school pupils who live more than two (2) miles from their public school of attendance or secondary school pupils who live more than two and a half (2 ½) miles from their public school of attendance, the district shall provide transportation to and from school for these pupils."

It is the understanding of the Charter School that Jersey City Public Schools has complied and continues to comply with NJ Title 18A:39-1 in carrying out their obligations under the transportation agreement they have with the Charter School. The Charter School maintains that the "to and from" school transportation that the JCPS provided was for only eligible students.

Further, by their letter dated July 31, 2008 to the Charter School, the Jersey City Public Schools acknowledged a dispute (by the Charter School) of their billings. The Charter School is disputing billings submitted by the School District for several years. Pursuant to the dispute, the Charter School has accrued liabilities in its financial statements in the amount of \$222,972 through June 30, 2013. This is to recognize the liabilities, pending the complete resolution of all disputes.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

15. LITIGATIONS AND CONTINGENCIES – CONTINUED

Other Matters

In May 2011, the Charter School did not renew the contract of its former Head of School. The separated employee has filed an appeal of her dismissal with the State of New Jersey.

On November 26, 2012, the final Settlement Agreement and Release (the “Settlement”) was finalized and duly approved by the Charter School’s Board of Trustees on December 3, 2013. The Settlement calls for the Charter School to pay \$230,000 to the former employee. As of June 30, 2013, the Charter School has fulfilled the terms of the settlement agreement through the issuance of checks to the designated Trustee for the former employee. The Charter School used the \$154,000 insurance proceeds as part of the funds it used to fulfill the Settlement.

16. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the balance sheet date through the date of October 22, 2013 which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no other subsequent events have occurred which require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON

JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2013

EXHIBIT C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Revenues					
Local Sources:					
Local tax levy	\$ 1,661,166	\$ 42,313	\$ 1,703,479	\$ 1,703,479	\$ -
Interest income	3,000	-	3,000	2,585	415
Miscellaneous	5,000	14,610	19,610	190,992	(171,382)
Total revenues -local sources	1,669,166	56,923	1,726,089	1,897,056	(170,967)
State sources	4,948,223	377,494	5,325,717	5,042,843	282,874
TPAF - Pension (on behalf)	-	-	-	310,748	(310,748)
TPAF-Social Security	155,746	19,876	175,622	175,411	211
Total revenues	6,773,135	454,293	7,227,428	7,426,058	(198,630)
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	2,132,981	82,000	2,214,981	2,209,425	5,556
Other salaries of instruction	582,619	(179,909)	402,710	402,000	710
Professional /Technical service	25,000	12,000	37,000	36,106	894
Other purchased services	2,500	-	2,500	776	1,724
General educational supplies	125,000	(96,000)	29,000	28,725	275
Instructional text and books	72,000	5,000	77,000	74,771	2,229
Other instructional expenses	6,000	-	6,000	5,926	74
Total current expense	2,946,100	(176,909)	2,769,191	2,757,729	11,462
Administrative cost:					
Salaries	387,398	(23,760)	363,638	363,528	110
Total benefit costs	1,246,731	187,613	1,434,344	1,258,923	175,421
Professional /Technical service	137,500	(67,164)	70,336	70,336	-
Communications and Telephones	29,775	(12,387)	17,388	17,388	-
Other purchased services	68,970	58,941	127,911	127,911	-
Supplies and materials	60,000	9,868	69,868	69,868	-
Judgment Against Charters	-	73,421	73,421	73,421	-
Mortgage payments - interest	760,332	29,263	789,595	789,594	1
Miscellaneous expenses	66,000	32,000	98,000	97,722	278
Total administrative cost	2,756,706	287,795	3,044,501	2,868,691	175,810
Support services:					
Salaries	530,710	78,600	609,310	609,225	85
Purchased Professional /Technical service	67,500	(34,900)	32,600	32,532	68
Other purchased services	49,200	(10,500)	38,700	38,694	6
Rent on land and buildings	-	-	-	-	-
Insurance-fidelity, liability property	85,500	900	86,400	86,352	48
Supplies and materials	30,000	19,100	49,100	49,080	20
Transportation costs	20,000	(5,000)	15,000	14,896	104
Non-mandated transport - to and from school	-	-	-	-	-
Energy costs	150,000	42,400	192,400	189,687	2,713
Miscellaneous	1,000	(500)	500	332	168
Total support services	933,910	90,100	1,024,010	1,020,798	3,212
Capital outlay:					
Instructional equipment	10,000	(9,000)	1,000	-	1,000
Non-instructional equipment	13,000	35,000	48,000	47,977	23
Purchased land/improvements - renovations of new building	40,000	(28,500)	11,500	-	11,500
Mortgage payments - principal	42,000	12,500	54,500	46,014	8,486
Miscellaneous	2,500	(2,500)	-	-	-
Total capital outlay	107,500	7,500	115,000	93,991	21,009
TPAF-Pension (on behalf)	-	-	-	310,748	(310,748)
TPAF-Social Security	-	-	-	175,411	(175,411)
Total expenditures	6,744,216	208,486	6,952,702	7,227,368	(274,666)
Surplus of revenue over expenditures before other financing sources	28,919	245,807	274,726	198,690	76,036
Other Financing Sources:					
Loan funds from Community Loans of New Jersey	-	-	-	-	-
Purchase cost of new building and other renovations costs	-	-	-	-	-
Surplus of revenue over expenditures after other financing sources	28,919	245,807	274,726	198,690	76,036
Fund balances, beginning	758,492	214,385	972,877	792,703	180,174
Fund balances, ending	\$ 787,411	\$ 460,192	\$ 1,247,603	\$ 991,393	\$ 256,210

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SPECIAL REVENUE FUND
 COMBINING BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2013**

EXHIBIT C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Federal sources	\$ 671,342	\$ 42,789	\$ 714,131	\$ 713,517	\$ (614)
Total revenues -all sources	<u>671,342</u>	<u>42,789</u>	<u>714,131</u>	<u>713,517</u>	<u>(614)</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	540,392	7,922	548,314	548,314	-
Purchased prof. and technical services	5,000	(5,000)	-	-	-
Other purchased prof. services	-	-	-	-	-
General supplies	40,809	2,088	42,897	42,897	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>586,201</u>	<u>5,010</u>	<u>591,211</u>	<u>591,211</u>	<u>-</u>
Support services					
Support salaries	-	-	-	-	-
Employee benefits	54,051	-	54,051	54,051	-
Purchased professional educational services	26,080	34,995	61,075	60,461	614
Other purchased services	5,010	(5,010)	-	-	-
Supplies	-	7,794	7,794	7,794	-
Support miscellaneous	-	-	-	-	-
Total support services	<u>85,141</u>	<u>37,779</u>	<u>122,920</u>	<u>122,306</u>	<u>614</u>
Total expenditures	<u>\$ 671,342</u>	<u>\$ 42,789</u>	<u>\$ 714,131</u>	<u>\$ 713,517</u>	<u>614</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013**

EXHIBIT C-3

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 7,426,058	[C-2] \$ 713,517
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>7,426,058</u>	[B-2] <u>713,517</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 7,227,368	[C-2] \$ 713,517
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>-</u>	<u>-</u>
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 7,227,368</u>	[B-2] <u>\$ 713,517</u>

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2013**

EXHIBIT E-1

	<u>Title 1</u>	<u>Title 1IA</u>	<u>IDEA-Basic</u>	<u>Race to the Top</u>	<u>Total</u>
Revenues					
Federal sources	\$ 521,760	\$ 26,080	\$ 123,502	\$ 42,175	\$ 713,517
Total Revenues - All Sources	<u>521,760</u>	<u>26,080</u>	<u>123,502</u>	<u>42,175</u>	<u>713,517</u>
Expenditures					
<u>Current Expenditures</u>					
Instruction:					
Salaries of teachers	445,396	-	102,918	-	548,314
Purchased prof. and technical services	-	-	-	-	-
Other purchased prof. services	-	-	-	-	-
General supplies and textbooks	42,897	-	-	-	42,897
Miscellaneous expenditures	-	-	-	-	-
Total Instruction	<u>488,293</u>	<u>-</u>	<u>102,918</u>	<u>-</u>	<u>591,211</u>
Support Services:					
Support salaries	-	-	-	-	-
Employee benefits	33,467	-	20,584	-	54,051
Purchased professional educational services	-	26,080	-	34,381	60,461
Other purchased services	-	-	-	-	-
Supplies	-	-	-	7,794	7,794
Support miscellaneous	-	-	-	-	-
Total Support Services	<u>33,467</u>	<u>26,080</u>	<u>20,584</u>	<u>42,175</u>	<u>122,306</u>
Total Expenditures	<u>\$ 521,760</u>	<u>\$ 26,080</u>	<u>\$ 123,502</u>	<u>\$ 42,175</u>	<u>\$ 713,517</u>

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

At June 30, 2013, there was no capital project fund.

PROPRIETARY FUNDS

**ENTERPRISE FUNDS
DETAIL STATEMENTS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges.

Food Service - provides for the operation of food services for the Charter School. Jersey City Public Schools handled the whole operation for 2012-2013.

After Care - provides for the operation of after school care for the Charter School's students.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

EXHIBIT G-1

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ -	\$ 134,119	\$ 134,119
Prepaid expense	1,672	897	2,569
Interfund receivables	<u>-</u>	<u>65,197</u>	<u>65,197</u>
Total Current Assets	<u>1,672</u>	<u>200,213</u>	<u>201,885</u>
 Liabilities			
<u>Current Liabilities</u>			
Interfund payables	<u>-</u>	<u>5,174</u>	<u>5,174</u>
Total Current Liabilities	<u>-</u>	<u>5,174</u>	<u>5,174</u>
 Net Position			
Unrestricted	<u>\$ 1,672</u>	<u>\$ 195,039</u>	<u>\$ 196,711</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013**

EXHIBIT G-2

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Operating Revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ -	\$ -	\$ -
Daily sales - after care program	-	87,079	87,079
Total Operating Revenues	<u>-</u>	<u>87,079</u>	<u>87,079</u>
Operating Expenses:			
Cost of sales	-	-	-
Other purchased service	-	32,412	32,412
Other costs	-	29,583	29,583
Miscellaneous	-	-	-
Total Operating Expenses	<u>-</u>	<u>61,995</u>	<u>61,995</u>
Operating income (loss)	<u>-</u>	<u>25,084</u>	<u>25,084</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	-	-	-
Federal sources:			
National School Lunch Program	-	-	-
National School Breakfast Program	-	-	-
After School Snacks	-	-	-
Total Nonoperating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	25,084	25,084
Net Position - Beginning of Year	<u>1,672</u>	<u>169,955</u>	<u>171,627</u>
Net Position - End of Year	<u>\$ 1,672</u>	<u>\$ 195,039</u>	<u>\$ 196,711</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013**

EXHIBIT G-3

	Enterprise Funds		
	Food Program	After Care Program	Total Enterprise
Cash Flows from Operating Activities			
Receipts from customers and other funds	\$ -	\$ 87,079	\$ 87,079
Cost of sales	-	-	-
Other purchased service	-	(32,412)	(32,412)
Other costs	-	(29,583)	(29,583)
Miscellaneous	-	54,858	54,858
Net cash provided by operating activities	<u>-</u>	<u>79,942</u>	<u>79,942</u>
Cash Flows from Non-capital Financing Activities			
State sources	892	-	892
Federal sources	50,976	-	50,976
Operating subsidies and transfers from other funds	<u>(51,868)</u>	<u>-</u>	<u>(51,868)</u>
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	79,942	79,942
Balances - Beginning of Year	-	54,177	54,177
Balances - End of Year	<u>\$ -</u>	<u>\$ 134,119</u>	<u>\$ 134,119</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ 25,084	\$ 25,084
Adjustments to reconcile operating income to net cash provided by operating activities			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	51,868	-	51,868
(Increase) decrease in interfund receivables	(48,456)	50,581	2,125
(Increase) decrease in prepaid expense	(1,672)	(897)	(2,569)
Increase (decrease) in accounts payable	(1,740)	-	(1,740)
Increase (decrease) in interfund payable	<u>-</u>	<u>5,174</u>	<u>5,174</u>
Total Adjustments	<u>-</u>	<u>54,858</u>	<u>54,858</u>
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 79,942</u>	<u>\$ 79,942</u>

**FIDUCIARY FUNDS
DETAIL STATEMENTS**

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

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

At June 30, 2013 there were no non-expandable trust funds, utilized by the Charter School.

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

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

Student Activity Fund - this agency fund is used to account for the financial transactions of various student and parent initiatives.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AS OF JUNE 30, 2013**

EXHIBIT H-1

	Agency Funds		
	Student Activity	Payroll	Total
Assets			
Cash and cash equivalents	\$ 43,001	\$ 92,508	\$ 135,509
Other receivable	370	3,207	3,577
Interfund receivables	(388)	5,562	5,174
Total Assets	<u>42,983</u>	<u>101,277</u>	<u>144,260</u>
Liabilities			
Interfund payables	13,576	66,172	79,748
Withholding payables	-	35,105	35,105
Due to student groups	29,407	-	29,407
Total Liabilities	<u>42,983</u>	<u>101,277</u>	<u>144,260</u>
Net Position			
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2013**

EXHIBIT H-3

	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
Assets				
Student Activity Fund	\$ 13,633	\$ 62,736	\$ 33,368	\$ 43,001
Other Receivables	-	370	-	370
Total Assets	<u>\$ 13,633</u>	<u>\$ 63,106</u>	<u>\$ 33,368</u>	<u>\$ 43,371</u>
Liabilities				
Interfund payables	\$ -	\$ 13,964	\$ -	\$ 13,964
Due to student groups	13,633	49,142	33,368	29,407
Total Liabilities	<u>\$ 13,633</u>	<u>\$ 63,106</u>	<u>\$ 33,368</u>	<u>\$ 43,371</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 PAYROLL AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2013**

EXHIBIT H-4

	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
Assets				
Cash and cash equivalents	\$ 188,899	\$ 4,910,281	\$ 5,006,672	\$ 92,508
Other Receivable	-	3,207	-	3,207
Interfund receivable	13,702	35,105	43,245	5,562
Total Assets	<u>\$ 202,601</u>	<u>\$ 4,948,593</u>	<u>\$ 5,049,917</u>	<u>\$ 101,277</u>
Liabilities				
Accounts payable, payroll deductions and withholdings	\$ -	\$ 102,494	\$ 67,389	\$ 35,105
Interfund payables	202,601	4,846,099	4,982,528	66,172
Total Liabilities	<u>\$ 202,601</u>	<u>\$ 4,948,593</u>	<u>\$ 5,049,917</u>	<u>\$ 101,277</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the Charter School. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS
YEAR ENDED JUNE 30, 2013**

EXHIBIT I-2

<u>Mortgage</u>	<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>
The Reinvestment Fund - Senior Loan						
Interest Only						
Old Loan Refinance and Renovation/ Construction of Premises - 128 Danforth Avenue - School Building	LIBOR plus 230 basis points	<u>\$ 5,740,000</u>	\$ 5,740,000	\$ -	\$ -	\$ 5,740,000
The Reinvestment Fund - Subordinate Loan						
Interest Only						
Old Loan Refinance and Renovation/ Construction of Premises - 128 Danforth Avenue - School Building	3.39%	<u>\$ 1,260,000</u>	1,260,000	-	-	1,260,000
Community Loan Fund of New Jersey Loan						
First Lien on New Middle School Building 16 Bentley Avenue, Jersey City	7.25%	<u>\$ 2,855,000</u>	<u>2,783,114</u>	<u>-</u>	<u>46,014</u>	<u>2,737,100</u>
			<u>\$ 9,783,114</u>	<u>\$ -</u>	<u>\$ 46,014</u>	<u>\$ 9,737,100</u>

STATISTICAL SECTION

The Charter School has been in operation for fifteen years. GASB requires that 10 years of statistical data be presented. State law usually grants charters for less than 10 years. Therefore, only statistical data for five years is available and has been presented. Each year thereafter, an additional year's data will be included up to 10 years.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

Revenue Capacity

These schedules are not applicable to Charter Schools. Had they been applicable, they contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

Charter School Performance Framework Financial Indicators

The schedule contains summary information for the past three (3) years that seek to present the Charter School's financial and sustainability indicators.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT J-1

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

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Invested in capital assets, net of related debt	\$ (1,256,461)	\$ (557,323)	\$ 43,786	\$ 307,927	\$ 560,949	\$ 2,163,087	\$ 638,110	\$ 623,962	\$ 524,963	\$ 525,641
Unrestricted	(20,898)	(117,694)	(399,795)	(438,802)	(328,816)	(276,384)	1,286,043	1,083,010	690,100	372,563
Total governmental activities net assets	<u>\$ (1,277,359)</u>	<u>\$ (675,017)</u>	<u>\$ (356,009)</u>	<u>\$ (130,875)</u>	<u>\$ 232,133</u>	<u>\$ 1,886,703</u>	<u>\$ 1,924,153</u>	<u>\$ 1,706,972</u>	<u>\$ 1,215,063</u>	<u>\$ 898,204</u>
Business-type activities										
Unrestricted	\$ 196,711	\$ 171,627	\$ 154,293	\$ 122,124	\$ 40,946	\$ 17,748	\$ 29,657	\$ 49,384	\$ 76,785	\$ 76,350
Total business-type activities net assets	<u>\$ 196,711</u>	<u>\$ 171,627</u>	<u>\$ 154,293</u>	<u>\$ 122,124</u>	<u>\$ 40,946</u>	<u>\$ 17,748</u>	<u>\$ 29,657</u>	<u>\$ 49,384</u>	<u>\$ 76,785</u>	<u>\$ 76,350</u>
School-wide										
Invested in capital assets, net of related debt	\$ (1,256,461)	\$ (557,323)	\$ 43,786	\$ 307,927	\$ 560,949	\$ 2,163,087	\$ 638,110	\$ 623,962	\$ 524,963	\$ 525,641
Unrestricted	175,813	53,933	(245,502)	(316,678)	(287,870)	(258,636)	1,315,700	1,132,394	766,885	448,913
Total charter school net assets (deficit)	<u>\$ (1,080,648)</u>	<u>\$ (503,390)</u>	<u>\$ (201,716)</u>	<u>\$ (8,751)</u>	<u>\$ 273,079</u>	<u>\$ 1,904,451</u>	<u>\$ 1,953,810</u>	<u>\$ 1,756,356</u>	<u>\$ 1,291,848</u>	<u>\$ 974,554</u>

Notes

The Exhibit J-1 should contain information for the last 10 years. The Charter School is not required by GASB to report years prior to the implementation date of Statement 34.

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

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities										
Instruction										
Regular	\$ 3,348,940	\$ 3,259,704	\$ 3,324,980	\$ 3,599,317	\$ 4,325,367	\$ 3,392,605	\$ 2,670,253	\$ 2,475,798	\$ 2,327,328	\$ 2,009,528
Support Services:										
General administration	2,466,486	1,874,220	2,009,564	2,225,742	2,819,512	1,726,335	1,701,977	1,270,128	1,357,024	1,069,799
Other support services	1,357,540	1,357,540	1,380,294	1,380,294	697,856	1,267,699	1,022,591	819,864	613,053	724,852
Interest on long-term debt	789,594	767,599	620,140	543,321	511,993	507,743	163,968	70,549	77,753	-
Unallocated depreciation	779,357	792,955	782,099	572,673	575,159	130,151	134,085	133,812	136,390	130,591
Total governmental activities expenses	8,741,917	8,052,018	8,117,077	8,321,347	8,929,887	7,024,533	5,692,874	4,770,151	4,511,548	3,934,770
Business-type activities:										
Food service and After Care	61,995	322,434	321,327	278,182	324,040	302,699	319,439	322,754	272,058	262,893
Total business-type activities expense	61,995	321,327	321,327	278,182	324,040	302,699	319,439	322,754	272,058	262,893
Total district expenses	8,803,912	8,373,345	8,438,404	8,599,529	9,253,927	7,327,232	6,012,313	5,092,905	4,783,606	4,197,663
Program Revenues										
Governmental activities:										
Operating grants and contributions	1,199,676	701,082	1,089,711	929,805	40,472	647,207	803,575	548,459	573,586	500,104
Total governmental activities program revenues	1,199,676	701,082	1,089,711	929,805	40,472	647,207	803,575	548,459	573,586	500,104
Business-type activities:										
Charges for services										
Food service	87,079	66,224	76,952	83,373	76,092	49,151	77,984	67,414	79,996	80,611
Operating grants and contributions	-	273,544	276,544	275,987	271,146	241,639	221,728	227,939	192,497	180,245
Total business type activities program revenues	87,079	339,768	353,496	359,360	347,238	290,790	299,712	295,353	272,493	260,856
Total district program revenues	1,286,755	1,040,850	1,443,207	1,289,165	387,710	937,997	1,103,287	843,812	846,079	760,960
Net (Expense)/Revenue										
Governmental activities	(7,542,241)	(7,350,936)	(7,027,366)	(7,391,542)	(8,889,415)	(6,377,326)	(4,889,299)	(4,221,692)	(3,937,962)	(3,434,666)
Business-type activities	25,084	17,334	32,169	81,178	23,198	(11,909)	(19,727)	(27,401)	435	(2,037)
Total district-wide net expense	(7,517,157)	(7,333,602)	(6,995,197)	(7,310,364)	(8,866,217)	(6,389,235)	(4,909,026)	(4,249,093)	(3,937,527)	(3,436,703)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	1,703,479	1,645,889	1,502,543	1,426,209	1,262,595	1,616,213	1,092,558	1,037,269	929,762	967,433
Grants and contributions	5,529,002	5,380,813	5,226,579	5,449,539	5,718,432	4,470,194	3,774,115	3,664,137	3,260,324	2,689,477
Miscellaneous income	193,577	5,226	73,110	152,783	253,820	363,570	129,706	12,195	64,735	16,196
Total governmental activities	7,426,058	7,031,928	6,802,232	7,028,531	7,234,847	6,449,977	4,996,379	4,713,601	4,254,821	3,673,106
Business-type activities:										
Total business-type activities	-	-	-	-	-	-	-	-	-	-
Total district-wide	7,426,058	7,031,928	6,802,232	7,028,531	7,234,847	6,449,977	4,996,379	4,713,601	4,254,821	3,673,106
Change in Net Assets										
Governmental activities	(116,183)	(319,008)	(225,134)	(363,011)	(1,654,568)	72,651	107,080	491,909	316,859	238,440
Business-type activities	25,084	17,334	32,169	81,178	23,198	(11,909)	(19,727)	(27,401)	435	(2,037)
Total district	\$ (91,099)	\$ (301,674)	\$ (192,965)	\$ (281,833)	\$ (1,631,370)	\$ 60,742	\$ 87,353	\$ 464,508	\$ 317,294	\$ 236,403

Notes

Exhibit J-2 is a ten year schedule. The Charter School is not required by GASB to report years prior to the implementation date of Statement 34.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-3

**Fund Balances, Governmental Funds,
Last Ten Fiscal Years**
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,069,829	\$ 638,110	\$ 623,962	\$ 524,963	\$ 525,641
Unreserved	991,393	792,703	584,767	545,760	493,312	1,161,855	1,286,043	1,083,010	690,100	372,563
Total general fund	<u>\$ 991,393</u>	<u>\$ 792,703</u>	<u>\$ 584,767</u>	<u>\$ 545,760</u>	<u>\$ 493,312</u>	<u>\$ 2,231,684</u>	<u>\$ 1,924,153</u>	<u>\$ 1,706,972</u>	<u>\$ 1,215,063</u>	<u>\$ 898,204</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes

Exhibit J-3 is a ten year schedule. The Charter School is not required by GASB to report years prior to the implementation date of Statement 34.
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JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT J-4

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Unaudited)

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Local tax levy	\$ 1,703,479	\$ 1,645,889	\$ 1,502,543	\$ 1,426,209	\$ 1,262,595	\$ 1,616,213	\$ 1,092,558	\$ 1,037,269	\$ 929,762	\$ 977,433
Miscellaneous	193,577	5,226	73,110	152,786	77,538	363,570	129,706	12,195	64,735	16,196
State sources	5,529,002	5,380,813	5,226,579	5,449,539	5,115,406	4,470,194	3,774,115	3,668,137	3,260,324	2,689,477
Federal sources	713,517	701,082	1,089,711	929,805	819,780	647,207	803,575	544,459	573,647	490,104
Total revenue	8,139,575	7,733,010	7,891,943	7,958,339	7,275,319	7,097,184	5,799,954	5,262,060	4,828,468	4,173,210
Expenditures										
Instruction:										
Salaries	\$ 3,159,739	\$ 3,034,684	\$ 2,856,517	\$ 3,323,568	\$ 3,240,363	\$ 3,005,088	\$ 2,419,447	\$ 2,271,315	\$ 2,113,580	\$ 1,734,463
Professional /Technical service	36,106	88,500	219,045	149,026	194,201	143,301	104,196	61,375	62,218	66,055
Other purchased services	776	6,545	38,725	23,437	19,684	26,590	32,763	15,273	21,726	12,242
General educational supplies & textbooks	146,393	119,782	184,459	84,211	205,936	201,062	102,116	94,659	114,392	185,536
Other instructional expenses	5,926	10,193	26,234	19,075	15,405	16,564	11,731	33,176	15,412	11,232
Support services:										
Salaries	972,753	838,230	912,915	906,146	868,688	801,534	671,171	570,705	551,612	496,711
Total benefit costs	1,927,105	1,363,228	1,285,704	1,384,285	1,141,456	850,645	950,310	701,971	635,344	508,814
Professional /Technical service	137,249	338,983	471,087	411,668	298,269	171,013	145,948	106,628	169,660	127,498
Other purchased services	166,605	173,495	238,375	200,424	238,946	260,494	127,992	182,398	245,437	138,558
Rent on land and buildings	-	-	13,655	285,648	283,253	327,142	268,298	176,139	145,863	222,408
Communications and telephones	17,388	17,875	17,544	13,657	13,921	15,354	11,801	9,439	12,033	8,851
Insurance-fidelity, liability property	86,352	80,725	84,050	72,446	79,758	76,682	77,022	83,097	66,917	53,471
Supplies and materials	140,513	89,106	94,196	115,689	116,887	76,721	69,243	63,872	60,471	60,134
Transportation	14,896	13,591	49,280	53,730	42,427	62,727	122,770	62,360	-	44,144
Judgment Against Charters	73,421	-	-	-	-	-	-	-	-	-
Energy costs	189,687	180,139	165,264	109,099	117,011	87,130	77,227	57,417	45,190	20,619
Interest on long-term debt	789,594	767,599	620,140	543,321	511,993	507,743	163,968	70,549	77,753	-
Miscellaneous expenses	98,057	136,388	57,788	53,244	268,674	161,865	61,536	35,730	37,611	10,906
Capital outlay	93,991	191,849	517,958	319,650	1,356,818	340,960	179,382	232,811	135,712	1,101,418
Total expenditures	8,056,551	7,450,912	7,852,936	8,068,324	9,013,690	7,132,615	5,596,921	4,828,914	4,510,931	4,803,060
Excess of expenditures over revenues	83,024	282,098	39,007	(109,985)	(1,738,371)	(35,431)	203,033	433,146	317,537	(629,850)
Other financing sources/(uses):										
Long term debt	-	-	2,905,724	-	-	-	7,000,000	-	-	1,400,000
Operating transfers in/(out)	-	-	(2,905,724)	-	-	-	(1,513,084)	-	-	-
Total other financing sources/(uses)	-	-	-	-	-	-	5,486,916	-	-	1,400,000
Net change in fund balances	\$ 83,024	\$ 282,098	\$ 39,007	\$ (109,985)	\$ (1,738,371)	\$ (35,431)	\$ 5,689,949	\$ 433,146	\$ 317,537	\$ 770,150
Debt service as a percentage of noncapital expenditures	11.01%	11.82%	9.24%	7.54%	7.17%	8.08%	3.12%	1.56%	1.81%	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-10

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities Mortgaged Loans	Total Charter School	Percentage of Personal Income	Per Capita
2004	1,400,000	1,400,000	0.02%	42
2005	1,327,200	1,327,200	0.02%	39
2006	1,256,363	1,256,363	0.01%	34
2007	7,000,000	7,000,000	0.06%	148
2008	7,000,000	7,000,000	0.15%	361
2009	7,000,000	7,000,000	0.15%	361
2010	7,000,000	7,000,000	0.15%	361
2011	9,828,639	9,828,639	0.11%	231
2012	9,783,114	9,783,114	0.11%	230
2013	9,737,100	9,737,100	0.10%	206

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-14

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

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2004	236,587	7,884,025,188	33,324	7.10%
2005	236,808	8,149,036,896	34,412	6.00%
2006	238,109	8,804,318,384	36,976	6.00%
2007	238,702	9,416,077,794	39,447	5.40%
2008	239,658	10,277,493,672	42,884	6.60%
2009	242,503	10,347,845,513	42,671	10.90%
2010	242,503	10,981,020,846	45,282	11.10%
2011	247,597	11,730,403,069	47,377	11.10%
2012	251,616	11,920,811,232	47,377	11.10%
2013	254,441	12,054,651,257	47,377	11.50%

Source:

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

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

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-15

**PRINCIPAL EMPLOYERS
Current Year**

Employer	2013		
	Employees	Rank [Optional]	Percentage of Total Municipal Employment
HealthCare Staffing and Consulting	2,000	1	1.67%
Deutsche Bank Trust Co., NJ Ltd	1,833	2	1.53%
Insurance Service Office, Inc.	1,217	3	1.01%
Fleet, NJ Company Development Corp.	1,000	4	0.83%
Equiserve, Inc.	850	5	0.71%
Provident Bank	850	6	0.71%
Bon Secours NJ Health System, Inc.	818	7	0.68%
JP Morgan Chase Bank	600	8	0.50%
Port Authority Trans-Hudson, Inc.	600	9	0.50%
Saint Francis Hospital, Inc.	600	10	0.50%
National Discount Broker Group, Inc.	568	11	0.47%
Lehman Commercial Paper, Inc.	525	12	0.44%
US News World Report, LLC	500	13	0.42%
Top Job Personnel, Inc.	500	14	0.42%
	12,461		10.39%

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

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT J-16

FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction										
Regular	59.0	59.0	59.0	59.0	56.5	51.0	51.0	51.0	49.0	42.0
Special education	2.5	2.5	2.5	2.5	2.5	2.5	2.0	1.0	1.0	1.0
Other special education	0.5	0.5	0.5	0.5	0.5	0.5				
Support Services:										
General administration	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0
Administrative Information Technology	1.0	1.0	1.0	1.0	1.0	1.0				
Plant operations and maintenance	7.0	7.0	7.0	7.0	8.0	8.0	6.0	4.0	4.0	3.0
Other support services	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.0	5.0	4.0
Food Service	-	4.0	4.0	4.0	4.0	4.0	4.0	2.0	3.0	4.0
Total	<u>81.5</u>	<u>85.5</u>	<u>85.5</u>	<u>85.5</u>	<u>84.0</u>	<u>77.5</u>	<u>73.0</u>	<u>68.0</u>	<u>67.0</u>	<u>59.0</u>

Source: Charter School Personnel Records

OPERATING STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2004	396	\$ 3,701,642	\$ 9,348	N/A	44.00	1:11	1:11	396.0	384	N/A	96.97%
2005	437	4,297,466	9,834	5.20%	51.00	1:11	1:11	437.0	419	10.35%	95.88%
2006	478	4,525,544	9,468	-3.73%	58.50	1:11	1:11	478.0	453	9.38%	94.77%
2007	487	5,253,571	10,788	13.94%	60.00	1:11	1:11	487.0	453	1.88%	93.02%
2008	554	6,283,912	11,343	5.15%	54.50	1:11	1:11	554.0	527	13.76%	95.13%
2009	576	7,144,879	12,404	9.36%	55.50	1:11	1:11	576.0	546	3.97%	94.87%
2010	594	7,205,353	12,130	-2.21%	55.50	1:11	1:11	594.0	564	3.13%	94.87%
2011	594	6,714,838	11,304	-6.81%	55.50	1:11	1:11	594.0	564	0.00%	95.00%
2012	580	6,729,220	12,710	12.43%	55.50	1:11	1:11	594.0	564	0.00%	95.00%
2013	574	7,172,966	12,496	-1.68%	55.50	1:11	1:11	594.0	572	0.00%	96.30%

Sources: District records

Note: Enrollment based on annual October district 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).

**School Building Information
Last Ten Fiscal Years**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Square Feet	42,000	42,000	42,000	42,000	42,000	33,000	24,000	24,000	24,000	24,000
Capacity (students)	594	594	594	594	594	594	500	500	450	400
Enrollment	572	580	594	576	576	553	487	478	437	396

Source: School Records

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-19

**SCHEDULE OF ALLOWABLE MAINTENANCE
BY SCHOOL FACILITY
Last Ten Fiscal Years**

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES**

2004	\$	406,790
2005		478,576
2006		563,878
2007		674,130
2008		855,920
2009		597,429
2010		587,605
2011		408,886
2012		430,362
2013		<u>396,677</u>
Total	\$	<u>5,400,253</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: District records

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-20

INSURANCE SCHEDULE

**JUNE 30, 2013
(Unaudited)**

	<u>Coverage</u>
Commercial general liability:	
Property damage - each occurrence	\$ 6,000,000
Damage to rented premises	6,000,000
Personal injury and advertising injury	6,000,000
Medical expenses (any one person)	1,000
Products	6,000,000
Property:	
Blanket real and personal property	\$ 12,361,810
Workers Compensation & Employer's Liability	
Excess Liability - each accident	\$ 2,000,000
Excess Liability - each employee	2,000,000
Excess Liability - policy limit	2,000,000
Errors & Omissions	\$ 3,000,000
Deductible per claim	5,000
Automobile:	
Combined single limit for bodily injury and property damage	\$ 6,000,000

Source: Charter School Records

JERSEY CITY COMMUNITY CHARTER SCHOOL
Charter School Performance Framework
Financial Performance
Fiscal Ratios

EXHIBIT J-21

Multi-Year Information
(Unaudited)

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	1,978,963	1,291,904	1,642,973	Audit: Exhibit A-1
Current Assets	2,499,145	2,488,224	2,187,981	Audit: Exhibit A-1
Total Assets	12,371,570	11,714,015	10,668,620	Audit: Exhibit A-1
Current Liabilities	1,803,656	1,661,771	999,877	Audit: Exhibit A-1
Total Liabilities	12,573,286	12,217,405	11,749,268	Audit: Exhibit A-1
Net Assets	(201,716)	(503,390)	(1,080,648)	Audit: Exhibit A-1
Total Revenue	6,802,232	7,031,928	7,426,058	Audit: Exhibit A-2
Total Expenses	6,995,197	7,333,602	8,003,316	Audit: Exhibit A-2
Change in Net Assets	(192,965)	(301,674)	(577,258)	Audit: Exhibit A-2
Depreciation Expense	782,099	792,955	779,357	Financial Statements/Audit Workpapers
Interest Expense	620,140	767,599	789,594	Financial Statements/Audit Workpapers
Principal Payments	77,085	45,525	46,014	Financial Statements/Audit Workpapers
Interest Payments	620,140	767,599	789,594	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	589	580	574	DOE Enrollment Reports
March 30th Budgeted Enrollment	594	594	594	Charter School Budget

RATIOS ANALYSIS...						
Near Term Indicators	2011	2012	2013	3 YR CUM	Source:	Target
1a. Current Ratio	1.39	1.50	2.19		Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	103.26	64.30	74.93		Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	99%	98%	97%		Average Daily Enrollment/Budgeted Enrollment	>95%
1d.* Default	No	No	No		Audit	not in default
Sustainability Indicators						
2a. Total Margin	-3%	-4%	-8%	-5%	Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	1.02	1.04	1.10		Total Liabilities/Total Assets	<.9
2c. ** Cash Flow	835,712	(687,059)	351,069	499,722	Net change in cash flow from prior years	3 yr cum positive
2d. Debt Service Coverage Ratio	1.73	1.55	1.19		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

** 2013 =2013 Cash - 2012 Cash; 2012 =2012 Cash-2011 Cash; 2011 =2011 Cash-2010 Cash

SINGLE AUDIT SECTION

EXHIBIT K-1

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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 the audit requirements prescribed by the New Jersey Department of Education, Division of Finance and Regulatory Compliance, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jersey City Community Charter School (the "Charter School"), 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 October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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.

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* – CONTINUED

Internal Control Over Financial Reporting – Continued

Our consideration of internal control over financial reporting 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 financial reporting that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness. However, material weakness 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 from 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 the audit requirements prescribed by the New Jersey Department of Education, Division of Finance and Regulatory Compliance.

We noted certain matters that we reported to the Board of Trustees of the Charter School in the separate *Auditor's Management report on Administrative Findings – Financial, Compliance, and Performance* dated October 22, 2013.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bennie L. Hadnott, CPA
Licensed Public School Accountant
No. 20CS00247800



BCA Watson Rice LLP
Certified Public Accountant and Advisors

Rutherford, New Jersey
October 22, 2013

EXHIBIT K-2

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04, RESPECTIVELY

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

Report on Compliance for Each Major Federal Program

We have audited Jersey City Community Charter School's (the "Charter School") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the New Jersey State Grant Compliance Supplement and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2013. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey, and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04, RESPECTIVELY – CONTINUED

Auditor's Responsibility - Continued

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

Opinion on Each Major Federal and 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 material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The 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 federal and state program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04, RESPECTIVELY – CONTINUED

Report on Internal Control Over Compliance - Continued

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01, that we consider to be a significant deficiency.

The Charter School's response to the internal control over compliance finding is identified in our audit are described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by NJ OMB Circular 04-04

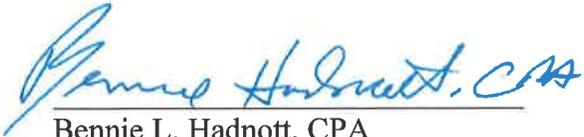
We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated October 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 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 OMB Circular A-133 and NJ OMB Circular 04-04, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04, RESPECTIVELY – CONTINUED

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by NJ OMB Circular 04-04 - Continued

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

Standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



Bennie L. Hadnott, CPA
Licensed Public School Accountant
No. 20CS00247800



BCA Watson Rice LLP
Certified Public Accountant and Advisors

Rutherford, New Jersey
October 22, 2013

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT K-3

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Program or Award Amount	Grant Period From - To	Balance at June 30, 2012	Adjustments	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013		
										Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education:												
Passed-Through State Department of Education												
Special Revenue Fund:												
Title I - FY 2012-2013	84.010	\$ 521,760	9/1/12-8/31/13	\$ -	\$ -	\$ -	\$ 194,149	\$ (521,760)	\$ -	\$(327,611)	\$ -	\$ -
Title I - FY 2011-2012	84.010	558,090	9/1/11-8/31/12	(362,787)	5,417	-	357,370	-	-	-	-	-
Title II, Part A - FY 2012-2013	84.367	26,080	9/1/12-8/31/13	-	-	-	-	(26,080)	-	(26,080)	-	-
Title II, Part A - FY 2011-2012	84.367	35,174	9/1/11-8/31/12	(19,782)	-	-	19,782	-	-	-	-	-
I.D.E.A FY 2012-2013	84.027	123,502	9/1/12-8/31/13	-	-	-	70,667	(123,502)	-	(52,835)	-	-
I.D.E.A FY 2011-2012	84.027	118,710	9/1/11-8/31/12	(118,710)	-	-	118,710	-	-	-	-	-
I.D.E.A FY 2010-2011	84.027	117,132	9/1/10-8/31/11	(4,500)	4,500	-	-	-	-	-	-	-
I.D.E.A - Part B Basic ARRA FY 2009-2011	84.391	180,002	7/1/09-8/31/11	81,780	-	-	-	-	-	-	-	81,780
I.D.E.A - Part B Pre-school FY 2009-2010	84.173	1,783	9/1/09-8/31/10	1,783	-	-	-	-	-	-	-	1,783
Race to the Top	84.413A	42,789	9/1/10-8/31/15	-	-	-	42,175	(42,175)	-	-	-	-
Total U.S. Department of Education/		<u>1,725,022</u>		<u>(422,216)</u>	<u>9,917</u>	<u>-</u>	<u>802,853</u>	<u>(713,517)</u>	<u>-</u>	<u>(406,526)</u>	<u>-</u>	<u>83,563</u>
U.S. Department of Agriculture												
Passed-through State Department of Agriculture												
Enterprise Fund:												
National School breakfast program	10.553	46,857	7/1/11-6/30/12	(8,120)	-	-	8,120	-	-	-	-	-
National School lunch program	10.555	217,139	7/1/11-6/30/12	(41,956)	-	-	41,956	-	-	-	-	-
After school snack	10.558	4,936	7/1/11-6/30/12	(900)	-	-	900	-	-	-	-	-
Total U.S. Department of Agriculture/		<u>268,932</u>		<u>(50,976)</u>	<u>-</u>	<u>-</u>	<u>50,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 1,993,954</u>		<u>\$(473,192)</u>	<u>\$ 9,917</u>	<u>\$ -</u>	<u>\$ 853,829</u>	<u>\$ -</u>	<u>\$(406,526)</u>	<u>\$ -</u>	<u>\$ 83,563</u>	
Total Expenditures of Federal Awards								<u>\$ (713,517)</u>				

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

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT K-4

State Grantor/Program Title	Grant or State Project Number	Grant Period	Program or Award Amount	Balance at June 30, 2012				Carry Over (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year's Expenditures	Balance at June 30, 2013		
				Deferred Revenue (Accts Receivable)	Due to Grantor	Adjustments	(Accounts Receivable)					Deferred Revenue	Due to Grantor	
State Department of Education														
General Fund:														
Equalization Aid	12-495-034-5120-078	7/1/12-6/30/13	\$ 4,965,900	\$ -	\$ -	\$ -	\$ -	\$ 4,703,656	\$ (4,683,026)	\$ -	\$ -	\$ -	\$ 20,630	
Equalization Aid	11-495-034-5120-078	7/1/11-6/30/12	6,329,099	-	31,086	4,051	-	-	-	-	-	-	35,137	
Special Education Aid	12-495-034-5120-089	7/1/12-6/30/13	103,037	-	-	-	-	103,037	(103,037)	-	-	-	-	
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	36,041	-	1,116	-	-	-	-	-	-	-	1,116	
TPAF-Pension (on behalf)	12-495-034-5095-001	7/1/12-6/30/13	310,748	-	-	-	-	310,748	(310,748)	-	-	-	-	
TPAF-Social Security Reimbursements	12-495-034-5095-002	7/1/12-6/30/13	175,411	-	-	-	-	136,224	(175,411)	-	(39,187)	-	-	
Security Aid	12-495-034-5120-084	7/1/12-6/30/13	256,780	-	-	-	-	256,780	(256,780)	-	-	-	-	
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	258,932	-	1,143	-	-	-	-	-	-	-	1,143	
Equipment Grant	N/A	7/1/09-6-30-11	1,079	-	1,079	(1,079)	-	-	-	-	-	-	-	
Total General Fund			<u>12,437,027</u>	<u>-</u>	<u>34,424</u>	<u>2,972</u>	<u>-</u>	<u>5,510,445</u>	<u>(5,529,002)</u>	<u>-</u>	<u>(39,187)</u>	<u>-</u>	<u>58,026</u>	
Enterprise Fund:														
State School lunch program	12-100-010-3350-023	7/1/11-6/30/12	4,610	(892)	-	-	-	892	-	-	-	-	-	
Total Enterprise Fund			<u>4,610</u>	<u>(892)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Totals				<u>\$ (892)</u>	<u>\$ 34,424</u>	<u>\$ 2,972</u>	<u>\$ -</u>	<u>\$ 5,511,337</u>		<u>\$ -</u>	<u>\$ (39,187)</u>	<u>\$ -</u>	<u>\$ 58,026</u>	
Total Expenditures of State Financial Assistance									<u>\$ (5,529,002)</u>					

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)**

EXHIBIT K-5

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Charter School. The board of trustees is defined in Note 1 to the Board's general-purpose financial statements. All federal awards received directly from the federal funding agency or otherwise passed through from state agencies, as well as state financial assistance passed through other government agencies is included on the schedules 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 using the modified accrual basis of accounting with the exception of those recorded in the special revenue, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's general-purpose financial statements.

3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

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

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's general-purpose financial statements. The general-purpose financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See the financial section for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Federal awards and state financial assistance revenues are reported in the Charter School's general-purposes financial statements on a GAAP basis as follows:

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)**

EXHIBIT K-5

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

3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS – CONTINUED

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 5,529,002	\$ 5,529,002
Special Revenue Fund	713,517	-	713,517
Total	<u>\$ 713,517</u>	<u>\$ 5,529,002</u>	<u>\$ 6,242,519</u>

4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

5. ON-BEHALF PAYMENTS

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

EXHIBIT K-6

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to basic financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with (Section 510(a)) of OMB Circular A-133 Yes No

Identification of Major Federal Award Programs

<u>CFDA Number(s).</u>	<u>Name of Federal Program or Cluster</u>
84.010	<i>U.S. Department of Education, Title I, Part A Cluster Title I Grants to Local Educational Agencies</i>

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

Auditee qualified as low-risk auditee? Yes No

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

EXHIBIT K-6

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

State Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes No

Significant deficiency(ies) identified? _____ Yes None reported

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

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

Identification of Major Federal Award Programs

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

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

Auditee qualified as low-risk auditee? Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Internal Control Over Financial Reporting

None noted.

Compliance and Other Matters

None noted.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

EXHIBIT K-6

**SECTION III – FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS
AND QUESTIONED COSTS**

Federal Awards Findings

**Finding 2013-01 – Required documentation and verification activities to support eligibility
to receive and spend Title I funds**

Information on the Federal Program:

<u>CFDA Number(s).</u>	<u>Name of Federal Program or Cluster</u>
84.010	<i>U.S. Department of Education, Title I, Part A Cluster Title I Grants to Local Educational Agencies</i>

Criteria or Specific Requirement:

When determining eligibility, an LEA must select a poverty measure from among acceptable data sources and the LEA must use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty.

Condition:

We noted during the fiscal year ended June 30, 2013, the Charter School did not maintain sufficient documents to establish and monitor its Title I eligibility. While we agree that the Charter School is eligible for the Title I funds it received, the Charter School was unable to perform procedures or control activities required by its funding agency to ensure that it continues to be eligible for Title I funds. The low-income applications that are used for accountability and verification of income were not performed.

Questioned Costs:

None.

Context:

The condition is a direct result of the Charter School's decision to enter into an Agreement for Local Education Agencies' Consolidating School Meal program (the "Agreement") with the Jersey City Public School (the "School District") for the full operation of the Charter School's Food Services. Under the said Agreement, the School District absorbs, the legal, fiscal and reporting responsibility over the food services rendered for the Charter School's registered students.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

EXHIBIT K-6

**SECTION III – FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS
AND QUESTIONED COSTS - CONTINUED**

Federal Awards Findings – Continued

**Finding 2013-01 – Required documentation and verification activities to support eligibility
to receive and spend Title I funds – Continued**

Effect:

The Charter School did not keep and maintain proof or documentation of low-income determination of its registered students.

Cause:

The Charter School did not have adequate internal controls to ensure that it was compliant with the required procedures and activities in supporting its eligibility to receive and spend Title I funds.

Recommendation:

We recommend that the Charter School thoroughly review the requirements of its funding agencies. This will ensure that the Charter School performs the necessary activities and procedures to demonstrate that controls are in place and are carried out to comply with the requirements of its various funding agencies.

Management's Response:

The Charter School has consistently reviewed the requirements of the funding agencies. For the FY 2012-2013, the Charter School relied on the controls and verification procedures performed by Jersey City Public Schools on the low-income applicants. Performing the same verification procedures for purposes of Title 1 only duplicates the efforts of Jersey City Public Schools. At the Charter School Level, reports from CHE were reviewed in October 2012 and at year-end for any unusual fluctuations in enrollment and students classifications for purposes of Title 1 and State Aid. For FY 2013-14, the Charter School has taken back the full operation of its food services. Therefore, all lunch applications are maintained reviewed and verified by designated personnel of the Charter School as required beginning FY 2013-2014.

State Financial Assistance Findings

None noted.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

EXHIBIT K-7

Financial Statement Findings

None noted.

Federal Awards Finding

None noted.

State Financial Assistance Findings

None noted.