

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
NEW HORIZONS COMMUNITY CHARTER SCHOOL
OF NEWARK, NEW JERSEY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

NEW HORIZON COMMUNITY CHARTER SCHOOL
JUNE 30, 2013
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October 31, 2013

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the New Horizons Community Charter School for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

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

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

The New Horizons Community Charter School currently serves 460 students from the cities of Newark, East Orange, Elizabeth, and Irvington. The main facility, a three story newly constructed brick building, houses main academic classes, including Computers, Spanish, and Basic Skills. The second facility, NCC Recreational Center is located directly across the street from the school and is used to conduct classes in Art, Music and Physical Education. The third property houses the Business Office.

New Horizons Community Charter School is a community-based school focusing on the overall growth and development of each child and the school community. The school is affiliated with the New Community Corporation of Newark, UMDNJ, Liberty Science Center, Franklin Institute, Girl Scouts of New Jersey, Kids Camp, North Fork Bank, Scholastic Books, Newark Police Department, Newark Fire Department, Newark Service Bureau and Loyola University.

- 2) **ENROLLMENT OUTLOOK:** The school’s charter authorized a maximum enrollment of 504 students in grades kindergarten through five. At the beginning of the 2012-2013 school year, the enrollment was 446 students. At the end of the year the enrollment was 450 students. Class size is approximately 21 students per class.

Fiscal Year – June 30, 2013	
Grade	Student Enrollment (June2013)
K	84
1	84
2	83
3	84
4	81
5	34

MAJOR ACCOMPLISHMENTS – The New Horizons Community Charter School provided a challenging core curriculum for all students that is well aligned to the New Jersey Common Core standards.

Under the NHCCS administration the school continues to improve student performance, character development and life skills. The following are some of the accomplishments.

Academic Progress and Achievement - Comparative Measures:

- On statewide assessments, compared with schools in the district of residence, New Horizons Community Charter School is 50% proficient in Language Arts, while Newark City schools are 35.4% proficient, placing us 15% percentage points above our district of residence.
- On statewide assessments, compared with schools in the district of residence, New Horizons Community Charter School is 65% proficient in Math, while Newark City schools are 54% proficient, placing us 11 percentage points above our district of residence.
- On statewide assessments in Language Arts, compared with their peer group, students in New Horizons outperformed 77% of their peer schools. New Horizons Community Charter School ranked above the 75th percentile when compared with Peer Schools.

- On statewide assessments in Math, compared with their peer group, students in New Horizons outperformed 58% of their peer schools. New Horizons Community Charter School ranked between the 50-74th percentile when compared with Peer Schools.

Additional Accomplishments include:

- Continued implementation of the parent/student Handbook & Code of Civility
- Continued Use of data to drive instruction from both TerraNova and NJASK
- Continued implementation of Reading Recovery program for struggling first grade readers
- Evening workshops for Everyday Mathematics and mathematics were provided for students and families

Special Board Accomplishments:

- Purchase of student chairs for the entire student population
- Hiring of a Math Supervisor.

Future Expansion

The New Horizons Community Charter School at the end of June 30, 2013, had an unrestricted fund balance of \$2,708,531. The school anticipates to utilize \$2,000,000 for the expansion of its school at Hayes Street, Newark, N.J. The project is scheduled to start in the 2014 school year.

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

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

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

- 4) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and the State of New Jersey. Annual appropriated budgets are

adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2013.

- 5) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1
- 6) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2013.

Revenue	Amount	Percent of Total
Local	\$ 889,557	10%
State	6,664,721	79%
Federal	643,024	8%
Enterprise Fund	269,722	2%
Misc Revenue	<u>10,119</u>	<u>1%</u>
Total	<u>\$8,477,143</u>	<u>100%</u>

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

Expenditures	Amount	Percent of Total
Current	\$5,617,052	77%
Capital Outlay	756,913	10%
Special Revenue	643,024	9%
Food Service	<u>264,252</u>	<u>4%</u>
Total	<u>\$7,281,241</u>	<u>100%</u>

- 7) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

9) **OTHER INFORMATION:**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'a Hollis', is positioned above the printed name.

Andre Hollis
Director, New Horizons Community Charter School

NEW HORIZONS COMMUNITY CHARTER SCHOOL

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2013**

BOARD OF TRUSTEES

Mr. Arthur Wilson, President

Mr. James Anderson, Member

Mr. Edgar Nemorin, Vice President

Dr. Obiefuna Okafor, Member

Ms. Cecilia Faulks, Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

Mr. Melvin C. Randall
Love and Randall
Attorneys At Law
57 Washington Street
East Orange, NJ 07107

OFFICIAL DEPOSITORY

Chase Bank
475 Bloomfield Avenue
1st Floor
Montclair, NJ 07042

FINANCIAL SECTION

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

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the New Horizons Community Charter School, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the New Horizons Community Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my 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 New Horizons Community Charter School as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2013 on my consideration of the New Horizons Community Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Horizons Community Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J. Loeffler, CPA

October 31, 2013

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

This section of New Horizons Community Charter School annual financial report presents its discussion and analysis of the New Horizons Community Charter School's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the New Horizons Community Charter School's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year include the following:

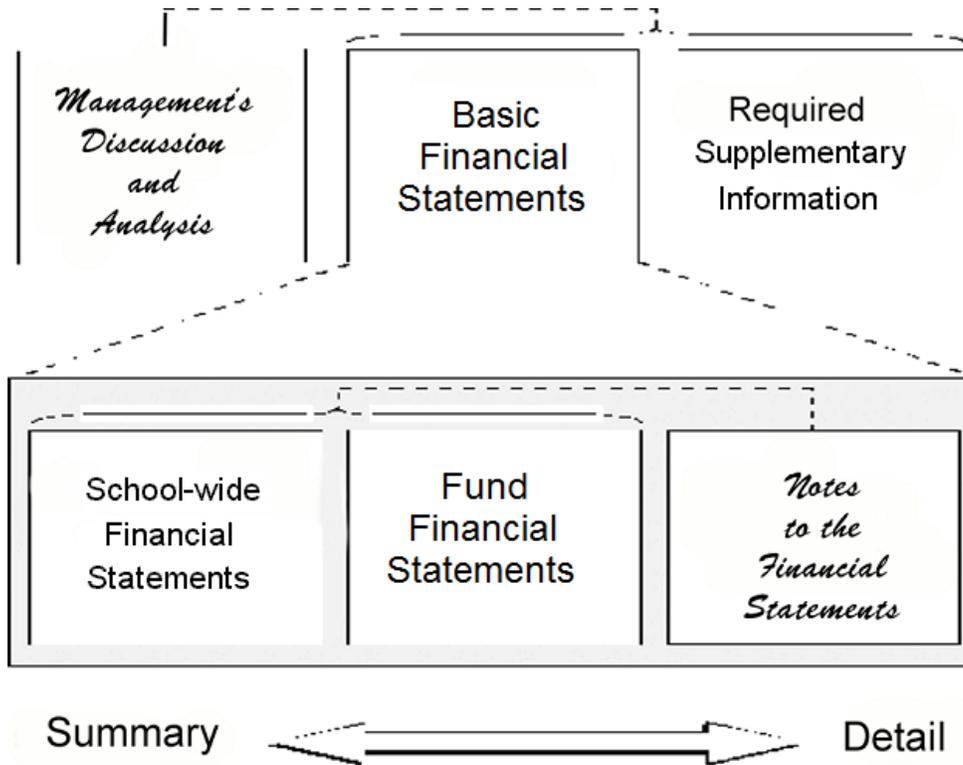
- Total Net Position was \$7,112,232.
- Total Net Position increased by \$1,617,791 from July 1, 2012 to June 30, 2013.
- The General Fund balance at June 30, 2013 is \$2,708,531, an increase of \$1,190,432 when compared with the beginning balance at July 1, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

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



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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

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

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

School-wide Statements

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

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

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

- *Governmental activities*- Most of the New Horizons Community Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The New Horizons Community Charter School's Food Service Fund is included here.

Fund Financial Statements

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

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

- Some funds are required by State law and by bond covenants.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

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

The New Horizons Community Charter School has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE NEW HORIZONS COMMUNITY CHARTER SCHOOL AS A WHOLE

Net position. The New Horizons Community Charter School's net position is \$7,112,232 on June 30, 2013. (See Table A-1).

Governmental	\$7,112,232
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The Statement of Net Position of \$6,770,600 reflects total capital assets at net of assumed depreciation from inception.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

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

- Total revenues during the 2012-13 school year were \$8,477,143.
- Total expenditures were \$7,381,241.

Table A-1
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2013

	<u>Total</u>
Current and Other Assets	\$2,928,197
Capital Assets (Including Business Activities)	6,770,600
Total Assets	<u>\$9,698,797</u>
Mortgage Payable	2,374,647
Other Liabilities	211,918
Total Liabilities	<u>2,586,565</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	4,395,953
Restricted	
Unrestricted	2,716,279
Total Net Position	<u><u>\$7,112,232</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$7,112,232 on June 30, 2013.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

Table A-2
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2013

Revenues	Total
Program revenues	
Charges for services	\$ 885
Operating grants and contributions	
General revenues	
Local Share	889,557
Federal and State Aid-Unrestricted	6,664,721
Federal Aid	643,024
Food Service	269,722
Other	10,119
Increase in Net Capital Outlay	421,889
Total revenues	<u>\$ 8,899,032</u>
Expenses	
Regular Instruction	2,566,977
General Administrative	2,162,329
School Administrative	895,512
On-behalf TPAF Social Security and Pension	635,258
Capital Outlay	756,913
Food Service	264,252
Total expenses	<u>\$ 7,281,241</u>
(Increase) in net position	1,617,791
Net Position, Beginning July 1	5,494,441
Net Position, End of Year June 30	<u><u>\$ 7,112,232</u></u>

Changes in Net Position. The New Horizons Community Charter School's total revenues were \$8,477,143, which represents 100% of revenues. Local shares of \$889,557 represented 10% of revenues. The federal and state aid of \$7,307,745 represented 86% of revenues, food service revenues \$269,722 represented 3% of revenue.

The smallest component of revenues is "Other Revenue." The "Other Revenue" for 2013 is \$10,119 represented 1% of revenues.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

Total revenues of the general fund and special revenue and enterprise fund were greater than expenditures, increasing net position \$1,034,619 from the beginning balance at July 1, 2012.

Table A-3 (See Exhibit A-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 2,566,977	\$ 2,566,977
Support Services			
General Administrative Services	B-2	2,162,329	2,162,329
School Administrative Services	B-2	895,512	895,512
On-behalf TPAF Social Security	B-2	635,258	635,258
Capital Outlay	B-2	756,913	756,913
Food Service	B-5	264,252	264,252
Total Governmental Activities		\$ 7,281,241	\$ 7,281,241

FINANCIAL ANALYSIS OF THE NEW HORIZON COMMUNITY CHARTER SCHOOL FUNDS

The financial performance of the New Horizons Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the New Horizons Community Charter School completed the year, its general funds reported a combined fund balance of \$2,716,279.

Revenues for the New Horizons Community Charter School's school-wide funds were \$8,477,143 while total expenses were \$7,281,241. (Table A-2) (Exhibit A-2)

GENERAL FUND

The General Fund includes the primary operations of the New Horizons Community Charter School in providing educational services to students from grade K through grade 5.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
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The following schedule presents a summary of Government Revenues. The summary reflects the dollar increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Years Ended June 30, 2013 and 2012

General Fund Revenues	Year Ended 06/30/2013	Year Ended 06/30/2012	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 889,557	\$ 816,052	\$ 73,505
Other Local Revenue	10,119	129,414	(119,295)
Total Local Sources	\$ 899,676	\$ 945,466	\$ (45,790)
Intergovernmental			
State Sources	6,664,721	6,191,722	472,999
Federal Sources	643,024	682,152	(39,128)
Food Service	269,722	233,439	36,283
Total Intergovernmental Sources	\$ 7,577,467	\$ 7,107,313	\$ 470,154
Total Revenue	\$ 8,477,143	\$ 8,052,779	\$ 424,364

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

Table A-5 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Years Ended June 30, 2013 and 2012

General Fund Expenditures	Year Ended 06/30/2013	Year Ended 06/30/2012	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 2,566,977	\$ 2,501,206	\$ 65,771
General Administrative Services	2,162,329	1,885,512	276,817
School Administration	895,512	1,766,777	(871,265)
On-behalf TPAF Social Security	635,258	461,198	174,060
Capital outlay	756,913	3,332,777	(2,575,864)
Food Service	264,252	233,766	30,486
Total Expenditures	\$ 7,281,241	\$ 10,181,236	\$ (2,899,995)

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
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(Unaudited)

Total expenditures decreased \$2,899,995 primarily due to purchase of building in 2012.

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

Table A-6
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2013

General Fund	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unreserved-Undesignated						
Fund Balance	2,708,531	1,520,377	3,648,320	2,998,355	2,123,511	753,629
Expenditures	7,281,241	7,116,050	7,283,967	6,445,863	6,204,235	5,224,637
Percentages	37%	22%	50%	46%	34%	14%

The New Horizons Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013, in the General Fund, the New Horizons Community Charter School had invested \$7,865,356 in a broad range of capital assets, including computer and audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expense for the year ended June 30, 2013 was \$237,498.

Table A-7
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2013

Land	\$1,302,060
Building and Improvements	5,404,402
Equipment	1,158,876
Total - General Fund	<u>\$7,865,338</u>
Less: Accumulated Depreciation	<u>(1,094,738)</u>
Total - Net Capital Assets General Fund	<u><u>\$6,770,600</u></u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2013
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

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

CONTACTING THE NEW HORIZON COMMUNITY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the New Horizons Community Charter School's finances and to demonstrate the New Horizons Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, New Horizons Community Charter School, 45-59A Hayes Street, Newark, New Jersey 07103.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the New Horizons Community Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2013.

SCHOOL-WIDE FINANCIAL STATEMENTS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,775,780	\$ 8,121	\$ 2,783,901
Investments			-
Receivables, net	123,092	21,204	144,296
Rental Deposit	-		-
Restricted assets:			-
Cash and cash equivalents			
Capital reserve account - cash			
Capital assets, net (Note 4):	<u>6,770,600</u>		<u>6,770,600</u>
Total Assets	<u>9,669,472</u>	<u>29,325</u>	<u>9,698,797</u>
LIABILITIES			
Cash Overdraft		-	-
Accounts payable	161,554	21,577	183,131
Due to Districts	28,787		28,787
Deposits payable			
Payable to federal government	-		-
Payable to state government	-		-
Deferred revenue	-		-
Mortgage Payable (Note 8):			
Due within one year	575,424		575,424
Due beyond one year	1,799,223		1,799,223
Total liabilities	<u>2,564,988</u>	<u>21,577</u>	<u>2,586,565</u>
NET POSITION			
Invested in capital assets, net of related debt	4,395,953		4,395,953
Restricted for:			
Debt service			
Capital Reserve	-		-
Other purposes			
Unrestricted	2,708,531	7,748	2,716,279
Total net position	<u>\$ 7,104,484</u>	<u>\$ 7,748</u>	<u>\$ 7,112,232</u>

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Year Ended June 30, 2013

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (2,566,977)		\$ (426,494)		\$ (2,140,483)		\$ (2,140,483)
Support services:							
General administration	2,162,329		(216,530)		(1,945,799)		(1,945,799)
School administrative services/ operations plant serv.	(895,512)				(895,512)		(895,512)
On - behalf TPAF Social Security	(635,258)				(635,258)		(635,258)
Capital Outlay	(756,913)				(756,913)		(756,913)
Total governmental activities	<u>(2,692,331)</u>		<u>(643,024)</u>		<u>(6,373,965)</u>		<u>(6,373,965)</u>
Business-type activities:							
Food Service		(264,252)				(264,252)	-
Total business-type activities						<u>(264,252)</u>	<u>-</u>
Total primary government	<u>(2,692,331)</u>	<u>\$ (264,252)</u>	<u>\$ (643,024)</u>		<u>\$ (6,373,965)</u>	<u>\$ (264,252)</u>	<u>\$ (6,638,217)</u>
General revenues:							
Local Share					889,557		889,557
State Share					6,664,721	3,978	6,668,699
Federal aid						264,859	264,859
Miscellaneous Income					10,119	885	11,004
Increase in net Capital Outlay					421,889		421,889
Total general revenues, special items, extraordinary					<u>7,986,286</u>	<u>269,722</u>	<u>8,256,008</u>
Change in Net Position					1,612,321	5,470	1,617,791
Net Position - beginning					5,492,163	2,278	5,494,441
Net Position - ending					<u>\$ 7,104,484</u>	<u>\$ 7,748</u>	<u>\$ 7,112,232</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>enterprise Projects Fund</u>	<u>payroll Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,849,665	\$ (73,885)	\$ 7,921		\$ 2,783,701
Investments					
Receivables, net	23,479	99,613	21,404		144,496
Rental Deposit	-				-
Total assets	<u>\$ 2,873,144</u>	<u>\$ 25,728</u>	<u>\$ 29,325</u>	<u>\$ -</u>	<u>\$ 2,928,197</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft					
Accounts payable	135,826	25,728	21,577		183,131
Due to Districts	28,787				28,787
Payable to federal government		-			0
Payable to state government	-	-			0
Deferred revenue		-			0
Total liabilities	<u>164,613</u>	<u>25,728</u>	<u>21,577</u>	<u>-</u>	<u>211,918</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	2,708,531		7,748		2,716,279
Capital projects fund	-		-		
Permanent fund					
Total Fund balances	<u>2,708,531</u>		<u>7,748</u>		
Total liabilities and fund balances	<u>\$ 2,873,144</u>	<u>\$ 25,728</u>	<u>\$ 29,325</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,831,304 and the accumulated depreciation is (\$857,240)

3,974,064

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2)

0

Net position of governmental activities

\$ 6,690,343

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local share	\$ 889,557				\$ 889,557
State Share	5,666,982				5,666,982
Other Restricted Miscellaneous Revenues					
Miscellaneous	10,119				10,119
Total - Local Sources	6,566,658				6,566,658
State sources	997,739	-			997,739
Federal sources		643,024			643,024
Total revenues	<u>7,564,397</u>	<u>643,024</u>			<u>8,207,421</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 2,140,483	\$ 426,494			\$ 2,566,977
Support services- General Administrative	1,945,799	216,530			2,162,329
Support Services- School Admin/ operations plant se	895,512				895,512
On-behalf TPAF Social Security	635,258				635,258
Capital outlay	756,913				756,913
Total expenditures	<u>6,373,965</u>	<u>643,024</u>			<u>7,016,989</u>
Excess (Deficiency) of revenues over expenditures	<u>1,190,432</u>				<u>1,190,432</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					-
Transfers out					-
Total other financing sources and uses					<u>-</u>
Net change in fund balances	1,190,432				1,190,432
Fund balance—July 1	1,518,099				1,518,099
Fund balance—June 30	<u>\$ 2,708,531</u>				<u>\$ 2,708,531</u>

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

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2013**

	General Fund	Enterprise Fund	Total
Total net change in fund balances - governmental funds (from B-2)	\$ 1,190,432	\$ 5,470	\$ 1,195,902
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>			
	Depreciation expense \$ (237,498)		
	Capital outlays <u>76,215</u>		
	\$ (161,283)	\$ -	\$ (161,283)
Decrease of Mortgage principal is an reduction in the Net asset value but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	583,172	0	583,172
Change in net position of governmental activities	<u>\$ 1,612,321</u>	<u>\$ 5,470</u>	<u>\$ 1,617,791</u>

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

PROPRIETARY FUNDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
June 30, 2013

			Business-type Activities
			Enterprise funds
			Food Service
<hr/>			
ASSETS			
Current assets:			
Cash and cash equivalents	\$	8,121	
Investments			
Accounts receivable		21,204	
Other receivables			
Inventories			
Total current assets			<hr/> <hr/> 29,325
Noncurrent assets:			
Restricted cash and cash equivalents			
Furniture, machinery & equipment			
Less accumulated depreciation			
Total noncurrent assets			<hr/>
Total assets			<hr/> <hr/> 29,325
LIABILITIES			
Current liabilities:			
Cash overdraft			-
Accounts payable		21,577	
Compensated absences			
Total current liabilities			<hr/> 21,577
Total liabilities			<hr/> <hr/> 21,577
NET POSITION			
Invested in capital assets net of related debt			
Restricted for:			
Capital projects			
Unrestricted			7,748
Total net position	\$		<hr/> <hr/> 7,748

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

Exhibit B-5

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities Enterprise Fund Food Service
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$ 885
After School Revenue	-
Total operating revenues	885
Operating expenses:	
Cost of sales	
Salaries and Benefits	
Supplies, Materials and Other Expenses	(264,252)
Total Operating Expenses	(264,252)
Operating income (loss)	(263,367)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	3,978
Federal sources:	
National school breakfast program	63,958
National school lunch program	200,901
Total nonoperating revenues (expenses)	268,837
Income (loss) before contributions & transfers	
Capital contributions	-
Transfers in (out)	
Change in net assets	5,470
Total net position - beginning	2,278
Total net position - ending	\$ 7,748

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit B-6

		Business-type Activities Enterprise Funds
		Food Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	885
Payments to employees and benefits		
Payments to suppliers		(242,675)
Net cash provided by (used for) operating activities		<u>(241,790)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Federal Sources		316,287
Operating subsidies and transfers to other funds		0
Net cash provided by (used for) non-capital financing activities		<u>316,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase In Fixed Assets		
Proceeds from sale/maturities of investments		
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents		74,497
Cash Balances—beginning of year		(66,376)
Cash Balances—end of year	\$	<u>8,121</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	5,470
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		47,450
(Increase) decrease in inventories		
(Increase) decrease in USDA Communities		
Increase (decrease) in accounts payable		21,577
Increase (decrease) in accrued compensated absences		
Total adjustments		<u>74,497</u>
Net cash provided by (used for) operating activities	\$	<u>74,497</u>

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

FIDUCIARY FUNDS

Exhibit B-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013**

NOT APPLICABLE

Exhibit B-8

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

1. DESCRIPTION OF THE CHARTER SCHOOL DISTRICT AND REPORTING ENTITY

New Horizons Community Charter School (the “Charter School”) was incorporated in the State of New Jersey in 2002 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. The New Horizons Community Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Basis of Presentation

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

Charter School Government-wide Financial Statements

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

B Fund Accounting

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

Governmental Funds

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

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

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

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

Proprietary Funds

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

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

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

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

C Measurement Focus and Basis of Accounting

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

Measurement Focus

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting

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

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

D Budgets/Budgetary Control

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

E Cash, Cash Equivalent and Investments

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

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

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

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

F Short-Term Interfund Receivables/Payables

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G Inventories and Prepaid Expenses

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

H Capital Assets

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

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Building and Leasehold improvements	40
Equipment	10

I Compensated Absences

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

J Accrued Liabilities and Long-Term Obligations

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

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

K Deferred Revenue

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

There is no deferred revenue in the general fund and special revenue fund.

L Fund Balance and Equity

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

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

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

M Management Estimates

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

N On-Behalf Payments

Revenues and expenditures of the General Fund include payments 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.

O Net Position

The New Horizons Community Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the New Horizons Community Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the New Horizons Community Charter School that is applicable to a future reporting period. The New Horizons Community Charter School did not have any deferred inflows or outflows of resources at June 30, 2013.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

3 DEPOSITS AND INVESTMENTS

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

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

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

3 DEPOSITS AND INVESTMENTS (continued)

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Operating A/C	\$2,849,615	(\$73,885)	(\$8,121)	\$14,052	\$2,797,953

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2013, the Charter School's bank balance was \$2,797,953.

Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2013 were secured by federal deposit insurance and \$2,797,953 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

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

Category 1

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

Category 2

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

Category 3

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

3 DEPOSITS AND INVESTMENTS (continued)

Investments

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

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

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

4 CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2013:

	Beginning Balance	Net Additions (Deletions)	Ending Balance
Governmental Activities			
Capital assets, being depreciated:			
Land	\$1,302,060	---	\$1,302,060
Building and Leasehold improvements	5,365,784	38,618	5,404,402
Equipment	1,121,279	37,597	1,158,876
Total capital assets being depreciated	<u>\$7,789,123</u>	<u>\$76,215</u>	<u>\$7,865,338</u>
Less accumulated depreciation for:			
Building and Leasehold improvements	\$684,597	\$ 98,513	\$783,110
Equipment	172,643	138,985	311,628
Total accumulated depreciation	<u>\$857,240</u>	<u>\$237,498</u>	<u>\$1,094,738</u>
Total capital assets net	<u><u>\$6,931,883</u></u>	<u><u>(\$161,283)</u></u>	<u><u>\$6,770,606</u></u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

5. LONG-TERM LEASES

The school leases certain of its offices under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2013 amounted to \$32,000.

6 PENSION PLANS

Description of Plans

Substantially all of the employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans).

Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate.

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

6 PENSION PLANS (continued)

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.

Defined Contribution Retirement Program (DCRP)

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

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally 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.

Significant Legislation

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

6 PENSION PLANS (continued)

Pension Plan Design Changes

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

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars.

Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

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

Contribution Requirements

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

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

6 PENSION PLANS (continued)

Annual Pension Costs (APC)

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

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

The Charter School's contribution to PERS for the year ended June 30, 2013 was \$92,724.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$241,993 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

7 POST RETIREMENT BENEFITS

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

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

8 **COMPENSATED ABSENCES**

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years.

Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days.

The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

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

9 **DEFERRED COMPENSATION**

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan permits participants to defer a portion of their salaries until future years.

10 **ECONOMIC DEPENDENCY**

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

11 **CONTINGENT LIABILITIES**

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

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

11 CONTINGENT LIABILITIES (continued)

As of June 30, 2013, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

The school was put on academic probation by the NJ Department of Education on February 28, 2013 for failing to meet certain academic standards. The school was required to submit and implement a remedial plan to address these issues. If the plan is unsuccessful and the causes of the probationary status are not corrected, the charter may be revoked.

12 RECEIVABLES

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

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$23,479</u>	<u>\$99,613</u>	<u>\$21,204</u>	<u>\$144,296</u>
Gross Receivables	<u>\$23,479</u>	<u>\$99,613</u>	<u>\$21,204</u>	<u>\$144,296</u>

13. PURCHASE OF BUILDING AND NOTES PAYABLE

In March 2012, the school purchased land and building located at 45-49 Hayes Street, Newark, New Jersey for use as its school location commencing for the 2011-2012 school year. The purchase price amounted to \$6,100,000, plus closing costs. The terms of the note are summarized below. The proceeds of the note were used to purchase the land and building, along with providing for improvements to be made to the property. The collateral for the note are a first priority mortgage on the property and a first security interest in all assets of the school.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
Year Ended June 30, 2013

14. LONG TERM DEBT

The amount and terms of the note are as follows:

Note payable - J.P. Morgan Chase Bank NA for \$3,100,000 at a fixed rate of 3.4% per annum payable over 5 years. Monthly payment \$56,333. The balance due on the loan at June 30, 2013 is \$2,374,647

During the 2012-2013 school year, \$583,172 in principal payments were made and interest expense of \$92,825 was incurred.

The future principal payments are as follows:

2014	\$ 575,424
2015	604,546
2016	625,424
2017	569,253
	<u>\$2,374,647</u>

15. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of October 31, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2013
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 889,557	\$ -	\$ 889,557	\$ 889,557	\$ -
State Share	5,666,982	0	5,666,982	5,666,982	\$ -
Other Restricted Miscellaneous Revenues Miscellaneous	10,119	-	10,119	10,119	\$ -
Total - Local Sources	<u>6,566,658</u>	<u>-</u>	<u>6,566,658</u>	<u>6,566,658</u>	<u>-</u>
Early Childhood Program Aid	-	-	0	-	-
Security Aid	220,792	-	220,792	220,792	-
Technology Aid	-	-	0	-	-
Demonstrably Effective	-	-	0	-	-
Bilingual Education	-	-	0	-	-
Special Education	141,689	13,804	155,493	141,689	\$ 13,804
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	393,265	\$ (393,265)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	241,993	\$ (241,993)
Total State Sources	<u>362,481</u>	<u>13,804</u>	<u>376,285</u>	<u>997,739</u>	<u>(621,454)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>6,929,139</u>	<u>13,804</u>	<u>6,942,943</u>	<u>7,564,397</u>	<u>(621,454)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 2,281,240	-	2,281,240	1,750,540	\$ 530,700
Other Salaries	184,180	-	184,180	177,733	6,447
Prof/Tech Services	102,444	-	102,444	32,580	69,864
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	77,293	-	77,293	48,715	28,578
Textbooks	110,000	-	110,000	109,921	79
Other Objects	22,048	338	22,386	20,994	1,392
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>2,777,205</u>	<u>338</u>	<u>2,777,543</u>	<u>2,140,483</u>	<u>637,060</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	768,770	-	768,770	609,183	159,587
Salaries of Secretarial and Clerical Assistants	310,306	-	310,306	302,926	7,380
Cost of Benefits	813,720	934	814,654	800,598	14,056
Purchased Professional and Technical Services	118,771	-	118,771	118,771	-
Other Purchased Services (400-500 series)	52,467	12,532	64,999	64,773	226
Communications/Telephone	30,000	-	30,000	8,366	21,634
Tuition	-	-	-	-	-
Supplies and Materials	34,713	-	34,713	15,851	18,862
Other Objects	26,500	-	26,500	25,331	1,169
	<u>2,155,247</u>	<u>13,466</u>	<u>2,168,713</u>	<u>1,945,799</u>	<u>222,914</u>
Support Services - School Admin/Operation Plant Services					
Salaries	419,584	-	419,584	214,168	205,416
Purchased Professional and Technical Services	272,031	-	272,031	266,906	5,125
Other Purchased Services	151,200	-	151,200	117,891	33,309
Rental of Land and Building- other than Lease Purchase Agreements	32,000	-	32,000	32,000	-
Insurance	83,238	-	83,238	62,640	20,598
General Supplies	159,466	-	159,466	88,761	70,705
Transportation- Trips	22,000	-	22,000	3,586	18,414
Energy (Energy and Electricity)	144,107	-	144,107	95,767	48,340
Other Objects	29,775	-	29,775	13,793	15,982
	<u>1,313,401</u>	<u>-</u>	<u>1,313,401</u>	<u>895,512</u>	<u>417,889</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant					
Food Service					
Other Purchased Services		-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Food Services					
On-behalf TPAF pension Contributions (non-budgeted)				393,265	(240,208)
Reimbursed TPAF Social Security Contributions (non-budgeted)				241,993	(220,990)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>635,258</u>	<u>(461,198)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>3,468,648</u>	<u>13,466</u>	<u>3,482,114</u>	<u>3,476,569</u>	<u>179,605</u>
TOTAL GENERAL CURRENT EXPENSE	<u>6,245,853</u>	<u>13,804</u>	<u>6,259,657</u>	<u>5,617,052</u>	<u>816,665</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2013
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	125,000	-	125,000	16,381	108,619
Mortgage Principal	583,173	-	583,173	583,172	1
Mortgage Interest	92,825	-	92,825	92,824	1
Purchase Land Improvements	65,561	-	65,561	38,618	26,943
Non-Instructional Equipment	60,000	-	60,000	21,216	38,784
Miscellaneous	5,000	-	5,000	4,702	298
Total Equipment	<u>931,559</u>	<u>-</u>	<u>931,559</u>	<u>756,913</u>	<u>174,646</u>
TOTAL EXPENDITURES- GENERAL FUND	7,177,412	13,804	7,191,216	6,373,965	991,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(248,273)</u>	<u>-</u>	<u>(248,273)</u>	<u>1,190,432</u>	<u>(1,612,765)</u>
Other Financing Sources:					
Operating Transfer In:	248,273	-	248,273		-
Total Other Financing Sources:	<u>248,273</u>	<u>-</u>	<u>248,273</u>		<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	1,190,432	(1,612,765)
Fund Balance, July 1	-	-	1,518,099	1,518,099	
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,099</u>	<u>\$ 2,708,531</u>	<u>\$ (1,612,765)</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Exhibit C-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources					
State Sources					
Federal Sources	643,024		643,024	643,024	
Total Revenues	<u>643,024</u>		<u>643,024</u>	<u>643,024</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	281,162		281,162	281,162	
Other Salaries for Instruction					
Other Purchased Services	59,780		59,780	59,780	
Purchased Professional and Technical Services	2,809		2,809	2,809	
Travel					
Other Purchased Services (400-500 series)					
General Supplies	26,511		26,511	26,511	
Personal Services- Employee Benefits	56,232		56,232	56,232	
Textbooks	0		0	0	
Other Objects	0		0	0	
Total Instruction	<u>426,494</u>		<u>426,494</u>	<u>426,494</u>	
Support Services					
Salaries of Supervisor of Instruction	216,530		216,530	216,530	
Salaries of Nurse					
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits					
Purchased Professional - Educational Services					
Trips and Teachers Development					
Purchased Technical Services					
Supplies and Materials					
Internet Wiring					
Electrical wiring					
Travel					
Other purchased Services (400-500 series)					
Supplies & Materials					
Total Support Services	<u>216,530</u>		<u>216,530</u>	<u>216,530</u>	

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	643,024		643,024	643,024	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2013
(Unaudited)

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

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

SPECIAL REVENUE FUND

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Year Ended June 30, 2013

	IDEA PART			
	TOTAL	B-Basic	<u>TITLE</u>	
			<u>Reg. Prog.</u>	<u>I</u>
REVENUES				
Intergovernmental				
DEFERRED				
Federal	643,024	123,691	456,744	62,589
Other Sources				
Miscellaneous				
Total Revenues	<u>643,024</u>	<u>123,691</u>	<u>456,744</u>	<u>62,589</u>
EXPENDITURES				
Instruction				
Salaries	281,162	103,076	178,086	
Salaries Teachers Assts				
Transportation				
Other Purchased Services	59,780			59,780
Purchased Prof. and Tech. Services	2,809			2,809
General Supplies	26,511		26,511	
Textbooks	0			
Personal Services - Employee Benefits	56,232	20,615	35,617	
Other Objects				
Equipment Instructional				
Total Instruction	<u>426,494</u>	<u>123,691</u>	<u>240,214</u>	<u>62,589</u>
Support Services				
Salaries of Supervisors of Instruction	0			
Salaries of Program Directors	216,530		216,530	
Salaries of Other Prof. Staff				
Salaries of Secretarial and Clerical Ass't				
Personal Services - Employee Benefits				
Supplies and Materials				
Other Purchased Services				
Purchased Professional/Educational Services				
Class- room Improvements				
Building Improvements				
Other Objects				
Total Support Services	<u>216,530</u>		<u>216,530</u>	<u>0</u>
TOTAL EXPENDITURES	<u>643,024</u>	<u>123,691</u>	<u>456,744</u>	<u>62,589</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

NEW HORIZONS COMMUNITY CHARTER SCHOOL
 Statement of Net Position
 JUNE 30, 2013

	Business-Type Activities
	Enterprise Fund Food Services
ASSETS	
Current Assets	
Cash	\$8,121
Accounts Receivable Federal	20,889
Accounts Receivable State	315
Total Current Assets	<u>29,325</u>
Total Assets	<u><u>29,325</u></u>
LIABILITIES	
Cash Overdraft	0
Accounts Payable	21,577
Total Current Liabilities	<u>21,577</u>
Net Position	
Unrestricted	7,748
Invested in capital assets net of related debt	0
Total Net Position	<u><u>\$7,748</u></u>

Exhibit G-2

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2013

	<u>Business-Type Activities</u>
	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	
Special Lunch and Breakfast Program	\$885
Special Functions	
Total Operating Revenues	<u>885</u>
OPERATING EXPENSES	
Salaries, wages and employee benefits	(6,137)
Supplies, Materials & Other	(258,115)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	<u>(264,252)</u>
Income (Loss) From Operations	<u>(263,367)</u>
Nonoperating Revenues	
State Sources	
State Sources	3,978
Federal Sources	
School Breakfast Program	63,958
National School Lunch Program	200,901
U.S. D.A. Commodities	
Board Subsidy	
Total Nonoperating Revenues	<u>268,837</u>
Net Income (Loss)	5,470
Total Net Position - Beginning of Year	<u>2,278</u>
Total Net Position - End of Year	<u>\$7,748</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statements of Cash Flows
For the Year Ended June 30, 2013

	<u>2013</u>
Cash flows from operating activities	\$885
Cash Received from Customers	
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(242,675)
Net Cash (Used) by Operating Activities	<u>(\$241,790)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	316,287
Net Cash Provided by Noncapital Financing Activities	<u>316,287</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	74,497
Cash and Cash Equivalents, Beginning of Year	(66,376)
Cash and Cash Equivalents, End of Year	<u><u>\$8,121</u></u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	\$5,470
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	47,450
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	21,577
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>74,497</u>
 Net Cash Used by Operating Activities	<u><u>\$74,497</u></u>

FIDUCIARY FUNDS

Exhibit H-1

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2013**

NOT APPLICABLE

Exhibit H-2

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2013**

NOT APPLICABLE

Exhibit H-3

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2013**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and Cash Equivalents		\$4,222,874	\$4,222,874	
Total Liabilities		4,222,874	4,222,874	
LIABILITIES				
Payroll Deductions and Withholdings		1,622,430	1,622,430	
Accrued Salaries and Wages		2,600,444	2,600,444	
Total Liabilities		\$4,222,874	\$4,222,874	

Exhibit H-5

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2013

NOT APPLICABLE

FINANCIAL TRENDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE YEARS ENDED JUNE 30
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 3,905,605	\$ 3,974,064	\$ 787,393	\$ 848,140	\$ 829,473	\$ 850,293
Restricted						
Unrestricted	<u>2,708,531</u>	<u>1,518,099</u>	<u>3,648,320</u>	<u>2,998,355</u>	<u>2,123,511</u>	<u>753,629</u>
Total governmental activities net position	<u>\$ 6,614,136</u>	<u>\$ 5,492,163</u>	<u>\$ 4,435,713</u>	<u>\$ 3,846,495</u>	<u>\$ 2,952,984</u>	<u>\$ 1,603,922</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted	<u>5,470</u>	<u>2,278</u>	<u>514</u>	<u>34,362</u>	<u>22,647</u>	<u>72,646</u>
Unrestricted	<u>\$ 5,470</u>	<u>\$ 2,278</u>	<u>\$ 514</u>	<u>\$ 34,362</u>	<u>\$ 22,647</u>	<u>\$ 72,646</u>
Total business-type activities net position						
School-wide						
Invested in capital assets, net of related debt	3,905,605	3,974,064	787,393	848,140	829,473	850,293
Restricted						
Unrestricted	<u>2,714,001</u>	<u>1,520,377</u>	<u>3,648,834</u>	<u>3,032,717</u>	<u>2,146,158</u>	<u>826,275</u>
Total school net position	<u>\$ 6,619,606</u>	<u>\$ 5,494,441</u>	<u>\$ 4,436,227</u>	<u>\$ 3,880,857</u>	<u>\$ 2,975,631</u>	<u>\$ 1,676,568</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses						
Governmental activities						
Instruction						
Regular	2,566,977	2,501,206	2,960,798	2,643,929	2,705,280	2,286,437
Support Services:						
General administration	2,162,329	1,885,512	1,527,562	1,033,265	1,182,092	1,095,248
School Administrative Services	895,512	1,766,777	2,031,501	2,114,148	1,729,439	1,591,924
On-behalf TPAF Social Security	635,258	461,198	362,790	185,481	179,945	164,431
Capital outlay	756,913	3,332,777	137,118	167,116	76,718	86,597
Unallocated depreciation	237,498	145,031	100,040	98,075	97,538	104,425
Total governmental activities expenses	<u>7,254,487</u>	<u>10,092,501</u>	<u>7,119,809</u>	<u>6,242,014</u>	<u>5,971,012</u>	<u>5,329,062</u>
Business-type activities:						
Food service	(264,252)	(233,766)	(264,198)	(313,659)	(280,762)	(236,464)
Child Care						
Total business-type activities expense	<u>(264,252)</u>	<u>(233,766)</u>	<u>(264,198)</u>	<u>(313,659)</u>	<u>(280,762)</u>	<u>(236,464)</u>
Total school expenses	<u>6,990,235</u>	<u>9,858,735</u>	<u>6,855,611</u>	<u>6,555,673</u>	<u>5,690,250</u>	<u>5,092,598</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Daily Sales - National Lunch Program	0	0	0	0	0	0
Pupil transportation	0	0	0	0	0	0
Central and other support services						
Operating grants and contributions	269,722	235,530	230,350	313,659	330,761	267,749
Capital grants and contributions	643,024	682,152	0			
Total governmental activities program revenues	<u>912,746</u>	<u>917,682</u>	<u>230,350</u>	<u>313,659</u>	<u>330,761</u>	<u>267,749</u>
Business-type activities:						
Charges for services						
Food service	0	0	0	0	0	0
Child care						
Operating grants and contributions						
Capital grants and contributions						
Total business type activities program revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>912,746</u>	<u>917,682</u>	<u>230,350</u>	<u>313,659</u>	<u>330,761</u>	<u>267,749</u>
Net (Expense)/Revenue						
Governmental activities	(6,611,463)	(9,410,349)	(7,119,809)	(6,242,014)	(6,021,011)	(5,297,777)
Business-type activities	5,470	1,764	(33,848)	0	0	0
Total school-wide net expense	<u>(6,611,463)</u>	<u>(9,410,349)</u>	<u>(7,119,809)</u>	<u>(6,242,014)</u>	<u>(6,021,011)</u>	<u>(5,297,777)</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30
(Unaudited)

General Revenues and Other Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities:						
Local share	889,557	816,052	787,241	754,005	821,119	1,039,241
State Share	5,666,982	5,444,845	5,813,180	4,940,076	5,084,715	2,543,117
State and Federal aid	997,739	746,877	1,052,791	1,275,398	1,321,420	2,159,592
Miscellaneous income	10,119	127,323	16,522	49,304	16,102	24,842
Increase in Net Capital Outlay	76,215	3,331,702	39,293	116,742	76,718	7,371
Transfers						
Total governmental activities	<u>7,640,612</u>	<u>10,466,799</u>	<u>7,709,027</u>	<u>7,135,525</u>	<u>7,320,074</u>	<u>5,774,163</u>
Business-type activities:						
Investment earnings						
Transfers						
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>---</u>	<u>---</u>
Total district-wide	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,299,063</u>	<u>476,386</u>
Change in Net Position						
Governmental activities	1,029,149	1,056,450	589,218	893,511	1,349,062	445,101
Business-type activities	5,470	1,764	(33,848)	11,715	(49,999)	31,285
Total school	<u>1,034,619</u>	<u>1,058,214</u>	<u>555,370</u>	<u>905,226</u>	<u>1,299,063</u>	<u>476,386</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund						
Reserved						
Unreserved	\$ 2,708,531	\$ 1,518,099	\$ 3,648,320	\$ 2,998,355	\$ 2,123,511	\$ 753,629
Total general fund	<u>\$ 2,708,531</u>	<u>\$ 1,518,099</u>	<u>\$ 3,648,320</u>	<u>\$ 2,998,355</u>	<u>\$ 2,123,511</u>	<u>\$ 753,629</u>
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>\$ -</u>	<u>\$ -</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues						
Local tax Levy	\$889,557	\$816,052	\$787,241	\$754,005	\$822,475	\$1,039,241
Other local revenue	11,004	129,414	20,522	49,304	16,102	24,842
State sources	6,668,699	6,195,692	5,816,903	5,352,777	5,510,627	4,134,004
Federal sources	907,883	911,621	1,275,418	862,697	894,153	568,705
Total revenue	<u>8,477,143</u>	<u>8,052,779</u>	<u>7,900,084</u>	<u>7,018,783</u>	<u>7,243,357</u>	<u>5,766,792</u>
Expenditures						
Instruction	2,140,483	1,900,054	2,064,404	1,781,232	1,864,591	1,752,619
Regular Instruction						
Support Services:						
General administration	1,945,799	1,804,512	1,371,165	1,033,265	1,128,629	1,060,361
School administrative services/Plant	895,512	1,766,777	2,031,501	2,114,148	1,729,439	1,591,924
TPAF Social Security	635,258	461,198	362,790	185,481	179,945	164,431
Food Service	264,252	233,766	264,198			
Capital outlay	756,913	3,332,777	137,118	167,116	76,718	86,597
Debt service:						
Principal						
Interest and other charges						
Special Revenue	643,024	682,152	1,052,791	862,697	894,152	568,705
Total expenditures	<u>7,281,241</u>	<u>10,181,236</u>	<u>7,283,967</u>	<u>6,143,939</u>	<u>5,873,474</u>	<u>5,224,637</u>
Excess (Deficiency) of revenues over (under) expenditures						
Other Financing sources (uses)						
Proceeds from borrowing						
Capital leases (non-budgeted)						
Proceeds from refunding						
Payments to escrow agent						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$1,195,902</u>	<u>(\$2,128,457)</u>	<u>\$616,117</u>	<u>\$874,844</u>	<u>\$1,369,883</u>	<u>\$542,155</u>

Source: School records

REVENUE CAPACITY

EXHIBIT J-5

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)**

NOT APPLICABLE

Exhibit J-6

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Property Taxpayers
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Property Tax Levies and Collections
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Legal Debt Margin Information
For the Year Ended June 30, 2013
(Unaudited)

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
For the Years Ended June 30
(Unaudited)

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2009	272,434	3,544,093,906	13,009	14.10%
2010	277,140	3,605,314,260	13,009	15.00%
2011	277,140	3,605,314,260	13,009	15.00%
2012	277,140	3,605,314,260	13,009	15.00%

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

^c Personal capital income by municipality estimated based upon the 2000 Cesus

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

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Employers
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction						
Regular	32	32	32	32	32	31
Special education	6	7	7	6	6	5
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	10	9	11	14	14	12
General administration	3	4	5	5	4	4
School administrative services	5	3	3	2	2	2
Other administrative services	4	4	4	4	4	3
Central services						
Administrative Information Technology	1	1	1	1	1	1
Plant operations and maintenance						
Pupil transportation						
Other support services						
Special Schools	8	9	9	11	9	9
Food Service	1					
Child Care						
Total	<u>70</u>	<u>69</u>	<u>72</u>	<u>75</u>	<u>72</u>	<u>67</u>

Source: School Personnel Records

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Years Ended June 30
(Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	466	4,936,989	10,594	-1.08%	36	14	N/A	N/A			N/A	98.00%
2009	464	6,286,088	13,548	27.88%	36	14	N/A	N/A			N/A	98.00%
2010	453	6,143,939	13,563	0.11%	38	14	N/A	N/A			N/A	98.00%
2011	459	6,294,903	13,714	1.12%	40	14	N/A	N/A			N/A	98.00%
2012	458	6,200,132	13,537	1.30%	39	14	N/A	N/A			N/A	98.00%
2013	450	6,693,055	14,873	9.87%	39	14	N/A	N/A			N/A	98.00%

Sources: School records

NEW HORIZONS COMMUNITY CHARTER SCHOOL
School Building Information
For the Years Ended June 30
(Unaudited)

<u>School Building</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Building						
Square Feet	37,743	37,743	37,743	37,743	37,743	37,743
Capacity (students)	504	504	500	500	500	500
Enrollment	450	458	459	453	464	464
Number of Students at June 30						
Elementary = 459						
Middle School = 0						
Senior High School = 0						

Source: School Business Office

Exhibit J-19

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Year Ended June 30, 2013
(Unaudited)**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Insurance Schedule
For the Year Ended June 30, 2013
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 1,280,000	1,000 - 7,500
Boiler and Machinery	1,000,000	1000
General Automobile Liability	1,000,000	N/A
School Board Legal Liability	1,000,000	1000
Umbrella	5,000,000	N/A
Workers' Compensation	2,000,000	N/A
 Surety Bonds		
School Board Legal Liability	1,000,000	N/A
Public Official Bond	200,000	N/A

Source: Charter School Records

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

NEW HORIZONS COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
JUNE 30, 2013
Unaudited

Charter School Performance Framework Financial Indicators
Sustainability Indicators

	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Cash	3,766,414	1,630,287	2,783,901	
CURRENT ASSETS	<u>4,209,032</u>	<u>1,837,302</u>	<u>2,928,197</u>	
Capital Assets-Net	787,393	6,931,883	6,770,600	
Total Assets	<u>4,996,425</u>	<u>8,769,185</u>	<u>9,698,797</u>	
Current Liabilities	560,198	316,925	211,918	
Long Term Liabilities	0	2,957,819	2,374,647	
Total Liabilities	<u>560,198</u>	<u>3,274,744</u>	<u>2,586,565</u>	
Net Position	<u>4,436,227</u>	<u>8,452,260</u>	<u>9,486,879</u>	
Total Revenue	7,900,084	8,052,779	8,477,143	
Total Expenses	<u>(7,283,967)</u>	<u>(10,181,236)</u>	<u>(7,281,241)</u>	
Change in Net Position	<u>616,117</u>	<u>(2,128,457)</u>	<u>1,195,902</u>	
Depreciation	100,040	145,031	237,498	
Principal Payments	0	145,181	583,172	
Interest payments	0	26,818	92,824	
Final average daily enrollment	459	458	450	
March 30th budgeted Enrollment	450	450	450	
Near term indicators	<u>2011</u>	<u>2012</u>	<u>2013</u>	Three Year Accumulative
CURRENT RATIO	7.51	5.8	13.82	27.13
Unrestricted days cash	188.74	58.45	139.55	386.74
Enrollment variance	100%	100%	100%	100%
Default	N/A	No	No	

NEW HORIZONS COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
JUNE 30, 2013
Unaudited

Charter School Performance Framework Financial Indicators
Sustainability Indicators

	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Cash	3,766,414	1,630,287	2,783,901	
CURRENT ASSETS	<u>4,209,032</u>	<u>1,837,302</u>	<u>2,928,197</u>	
Capital Assets-Net	787,393	6,931,883	6,770,600	
Total Assets	<u>4,996,425</u>	<u>8,769,185</u>	<u>9,698,797</u>	
Current Liabilities	560,198	316,925	211,918	
Long Term Liabilities	<u>0</u>	<u>2,957,819</u>	<u>2,374,647</u>	
Total Liabilities	<u>560,198</u>	<u>3,274,744</u>	<u>2,586,565</u>	
Net Position	<u>4,436,227</u>	<u>5,494,441</u>	<u>7,112,232</u>	
Total Revenue	7,900,084	8,052,779	8,477,143	
Total Expenses	<u>(7,283,967)</u>	<u>(10,181,236)</u>	<u>(7,281,241)</u>	
Change in Net Position	<u>616,117</u>	<u>(2,128,457)</u>	<u>1,195,902</u>	
Depreciation	100,040	145,031	237,498	
Principal Payments	0	142,181	583,172	
Interest payments	0	26,818	92,824	
Final average daily enrollment	459	458	450	
March 30th budgeted Enrollment	450	450	450	
Sustainability Indicators	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Three Year Indicators</u>
Total margin	8%	-26%	14%	-4%
Debt to Asset cash flow	N/A	2.68	3.75	6.43
Debt Service Coverage ratio	873,678	(2,136,127)	1,153,614	(108,835)
	N/A	N/A	2.62	2.62%

SINGLE AUDIT SECTION K

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EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Horizons Community Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated October 31, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

I also noted certain matters that I reported to management of the New Horizons Community Charter School in a separate report entitled, "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" dated October 31, 2013.

Purpose of this Report

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

Licensed Public School Accountant No. 870

A handwritten signature in cursive script that reads "Scott J Loeffler".

Scott J Loeffler, CPA
October 31, 2013

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EXHIBIT K-2

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR NJOMB 04-04**

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

Compliance

I have audited the New Horizons Community Charter School, in the County of Essex, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of 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 state programs.

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and State of New Jersey Department of Treasury Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, OMB Circular A-133 and State of New Jersey Department of Treasury Circular 04-04-OMB require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I 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 to determine the auditing 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 State of New Jersey Department of Treasury Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Department of Treasury Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J. Loeffler, CPA
October 31, 2013

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

EXHIBIT A

<u>Federal/Grantor Program Title</u>	<u>CFDA/GRANT Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2012</u>	<u>Prior Carry over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustment</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2013</u>	<u>Due to Grantor at June 30, 2013</u>
Food Subsidy											
Federal School Lunch	10.555	07/01/12-06/30/13	200,901	(54,876)		239,781	\$200,901			(15,996)	
Federal Breakfast	10.553	07/01/12-06/30/13	63,958	(12,651)		71,716	63,958			(4,893)	
Total Food Subsidy				<u>(67,527)</u>		<u>311,497</u>	<u>264,859</u>			<u>(20,889)</u>	
NCLB											
Title I	84.010	09/01/12-08/31/13	456,744	(68,525)		477,805	456,744			(47,464)	
Title IIA	84.367	09/01/12-08/31/13	62,589	(5,256)		32,244	62,589			(35,601)	
IDEA	84.027	09/01/12-08/31/13	123,691	(30,859)		138,002	123,691			(16,548)	
Total Special Revenue				<u>(104,640)</u>		<u>648,051</u>	<u>643,024</u>			<u>(99,613)</u>	
GRAND TOTAL				<u>(172,167)</u>		<u>959,548</u>	<u>907,883</u>			<u>(\$120,502)</u>	

The notes to the Schedule of Federal Financial and State Assistance are an integral part of this schedule.

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2013

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2012</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjustments</u>	<u>(Accts Rec) June 30, 2013</u>
GENERAL FUND									
TPAF Social Security	13-495-034-5095-007	7/1/12-06/30/13	241,993		241,993	241,993			
On Behalf Pension	13-495-034-5095-002	7/1/12-06/30/13	393,265		393,265	393,265			
Equalization Aid - Local	13-495-034-5120-078	7/1/12-06/30/13	889,557		889,557	889,557			
Equalization Aid - State	13-495-034-5120-078	7/1/12-06/30/13	5,666,982		5,666,982	5,666,982			
Special Education	13-495-034-5120-089	7/1/12-06/30/13	141,689		141,689	141,689			
Security Aid	13-495-034-5120-084	7/1/12-06/30/13	220,792		220,792	220,792			
Total General Fund				--	7,554,278	7,554,278			
SPECIAL REVENUE FUND									
Total Special Revenue Fund				--	--	--			
ENTERPRISE FUND									
National School Lunch	12-100-010-3350-023	7/1/12-06/30/13	3,977	(1,127)	4,789	3,977			(315)
GRAND TOTAL				(1,127)	\$7,559,067	\$7,558,255			(315)

The notes to the Schedule of Federal Financial and State Assistance are an integral part of this schedule.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the New Horizons Community Charter School of Newark. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the school's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and NJOMB Circular 04-04. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013**

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

	Federal	State	Total
General Fund	\$ ---	\$7,554,278	\$7,554,278
Special Revenue Fund	643,024		643,024
Food Service Fund	<u>264,859</u>	<u>4,789</u>	<u>269,648</u>
Total Awards and Financial Assistance	<u>\$907,883</u>	<u>\$7,559,067</u>	<u>\$8,466,950</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount reported as TPAF Pension Contributions, \$240,208 represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2013. TPAF Social Security Contributions of \$220,990 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.

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

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

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

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

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	
Type of auditor’s report on compliance for major programs:	Unmodified	None Reported
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X	
Identification of major programs:		
<u>C DFA Number(s)</u>	<u>Name of Federal Program</u>	
84.010	No Child Left Behind – Title I	
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000	
Auditee qualified as low risk auditee:	X	

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000	
Auditee qualified as low risk auditee:		X
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?		X
Type of auditor’s report on compliance for major programs:	Unmodified	None Reported
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?		X
Identification of major programs:		
<u>C DFA Number(s)</u>	<u>Name of State Program</u>	
13-495-034-5120-078	Equalization Aid Local and State - Cluster	
13-495-034-5120-089	Special Education - Cluster	
13-495-034-5120-084	Security Aid - Cluster	

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

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

There were no recommendations.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Status of Prior Year Findings

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. The school implemented the corrective action plan prepared.