

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2014

**Academy for Urban Leadership
Charter School**

**PREPARED BY
Academy for Urban Leadership Charter School**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

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The Academy for Urban Leadership

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Gil Berrios
Business Administrator

November 25, 2014

Honorable President and
Members of the Board of Trustees
Academy for Urban Leadership Charter School
Perth Amboy, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Academy for Urban Leadership Charter School (Charter School) for the fiscal year ended June 30, 2014. This CAFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of the Academy for Urban Leadership with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*", and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

The Board of Trustees is comprised of eleven members: seven are voting members and are elected to oversee that the charter school operates in compliance with statute and administrative code. Voting members of the Board serve as the official governing body of the school charged with policy making, fiscal oversight, and accountability for student academic achievement results of the charter school. Voting members adopt the annual budget and directly approve all expenditures which serve as the basis for control for the authorization of all expenditures of charter school tax money which in turn support the school's business to promote academic achievement. Non-voting members include the school's Principal and Vice-Principal, School Business Administrator/Board Secretary, and Board Attorney.

The Principal of the charter school and is responsible to the board for the implementation and administration of all educational and support operations. The School Business Administrator/Board Secretary is the chief financial officer of the charter school and is responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the charter school, acting as custodian of all charter school funds, and investing idle funds as permitted by New Jersey Law.

1. **REPORTING ENTITY AND ITS SERVICES:** The Academy for Urban Leadership Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. The Charter School's Board of Trustees, constitutes the Charter School's reporting entity.

The Academy for Urban Leadership (AUL) provides a full range of educational services appropriate to Grades 9, 10, 11 and 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2013-2014 school year with an enrollment of 394 students. Next year we will reach our maximum capacity. By every indicator, AUL is a successful young charter school with great promise for the future. With a focus on leadership, civics, community service and academics, The Academy maintains a large waiting list for entrance and is armed with a strong Board, experienced staff, significant seed funding, a well-developed mission and accompanying core values.

2. **MAJOR INITIATIVES:** Major initiatives for the 2013-2014 school year centered on activities associated with the continued implementation of the charter school's program and the challenges of the school's growth expansion for year three of operation. Specifically, the following were areas of focus for operational activity:

- Continue fiscal controls/compliance and financial stability
- Continue increasing student enrollment
- Continue expanding staff to accommodate program growth and student needs
- Continue building competency in staff to perform required deliverables
- Continue providing systemic professional development for staff for the Common Core
- Continue facility and infrastructure enhancements
- Continue the school's discipline and academic culture
- Continue promoting student achievement outcomes/improving program design.
- Continue preparing for our first graduating class and college preparation

- **Summary of HSPA – March 2014 results**

LAL:

- Total Population 98% = 100% Proficient or Above (Proficient 86%; 14% Advanced Proficient)

Math:

- Total Population 98% = 63% Proficient or Above (55% Proficient; 8% Advanced Proficient)

- Leadership

AUL's primary objective is to develop pupils into lifelong learners, equipped with a skill set to successfully transition into the global economy; having established that as the overarching objective, an emphasis is placed on developing strong leaders. One of AUL's goals is to provide students with the skills to become successful leaders. 100% of 11th graders take leadership classes. Specifically, AUL designed a Leadership project which also has an exercise in volunteerism component. The Leadership Projects completed were: Gardening and Story Time for a local day care, Bottle Cap Recycling and Waste Reduction (an environmental awareness program), The Golden Kids: a Health Fair for the community, Cleaning up the Waterfront (a community restoration project), and Middle School Future Leaders – "Be Somebody and Make it Known"(a leadership/self-awareness program). A description of each of these Leadership Projects is included in Appendix E. Included are the Group Members for each Project who created and coordinated each of these events with their 11th grade class members.

- Community Service School

AUL has provided opportunities for students to give back to the community to offer support, services and enrichment in local nursing homes, elementary schools, neighborhood clean-ups, cancer walks, city events, and Boys and Girls Club events. Through these initiatives, AUL had been developed into a staple in the community in a very short time and continues to make community partnerships.

- Internships

AUL has begun setting the groundwork for implementing an Internship program. Our initial program included internal internships where juniors have the opportunity to work as AUL interns in the Main Office, Nurse's Office, Guidance Office, Business Office and YMCA. Throughout this initial program, external partnerships were developed. The program expanded offering students Internship opportunities with Middlesex County College, Raritan Bay Hospital, Perth Amboy Police and Fire Departments, Perth Amboy City office and local business.

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

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

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

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2014.

5. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Basic Financial Statement” Note 2. The Charter School had adopted a cash management plan which requires it to deposit 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 Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
6. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen’s compensation.

7. **OTHER INFORMATION:**

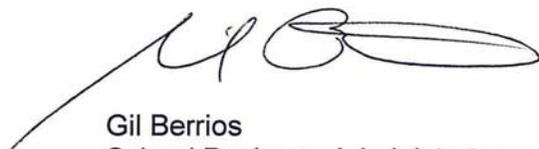
Independent Audit

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

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

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

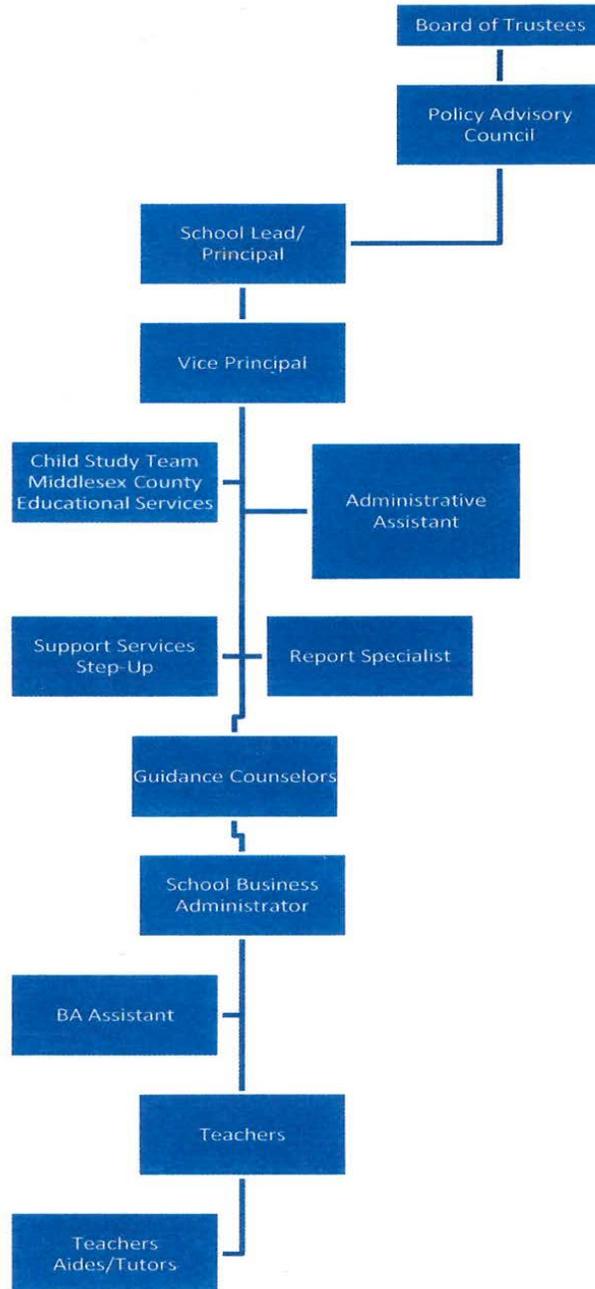
Respectfully submitted,



Gil Berrios
School Business Administrator

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

ORGANIZATIONAL CHART



**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2014

Board of Trustees

MEMBERS OF THE BOARD OF TRUSTEES	TERM
Luis Vargas, President	6/30/2014
Jorge Cruz, Vice President	6/30/2014
Lisette Bayas, Secretary	6/30/2015
Robert Fink, Member	6/30/2014
Eloisa Hernandez, Member	6/30/2015
Hector Bonilla, Member	6/30/2014
Felix Flores, Member	6/30/2014

OTHER OFFICIALS

Dr. Deborah Egan, Principal
Christine Lopac, Vice-Principal
Gil Berrios, Board Secretary/Business Administrator
Patricia Bombelyn, Esq., Board Attorney

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Koh LLP
71 W. Main Street, Suite 302
Freehold, NJ 07728

Attorneys

Perez & Bombelyn, P.C.
Attorneys at Law
402 Livingston Avenue
New Brunswick, New Jersey 08901

Official Depositories

Investors Bank
101 JFK Parkway
Short Hills, New Jersey 07078

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Trustees
Academy for Urban Leadership Charter School
County of Middlesex
Perth Amboy, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Academy for Urban Leadership Charter School (the Charter School), in the County of Middlesex, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Academy for Urban Leadership Charter School, in the County of Middlesex, State of New Jersey as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 17 and Budgetary Comparison Information on pages 48 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying combining and individual fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT - CONTINUED

The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and New Jersey OMB's Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400

November 25, 2014

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL (COUNTY OF MIDDLESEX, NEW JERSEY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Introduction

This section of the Academy for Urban Leadership Charter School's (the "Charter School") annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

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

Financial Highlights

Key Financial highlights for the fiscal year 2014 are as follows:

- General revenues accounted for \$ 5,859,004 or 90.2% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$637,578 or 9.8% of total revenues of \$6,496,582.
- The Charter School had \$5,016,883 in expenses; only \$611,358 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$ 5,859,004 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$6,145,323 in revenues and \$4,846,799 in expenditures. The General Fund's fund balance increased by \$1,298,524 over 2013.

Basic Financial Statements

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

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

Fund Financial Statements

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

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

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

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

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

Statement of Net Position and Statements of Activities

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, “how did we do financially during fiscal year 2014?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School’s assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting takes into account all of the current year’s revenues and expenses regardless of when cash was received or paid.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

These two statements report the Charter School’s net assets and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2014. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School Charter School’s Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Charter School’s activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to

The governmental fund statement provides a detailed short-term view of the Charter School’s general government operations and the basic services it provides.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Governmental fund information helps determine whether there are sufficient financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School’s net assets at June 30, 2014.

The total net position of the Charter School have increased by \$1,479,699 during the current fiscal year. The increase is due to increase in state revenues and cost savings.

The table that follows reflects the change in net position for fiscal year 2014.

	Governmental Activities	Business Type Acvtivities	Total
Assets			
Current Assets	\$ 2,771,945	\$ 52,177	\$ 2,824,122
Capital Assets, net	542,238	3,501	545,739
Total Assets	<u>3,314,183</u>	<u>55,678</u>	<u>3,369,861</u>
Liabilities			
Current Liabilities	<u>384,790</u>	<u>39,013</u>	<u>423,803</u>
Net Assets			
Invested in Capital Assets (net of related debt)	542,238	3,501	545,739
Unrestricted	<u>2,387,155</u>	<u>13,164</u>	<u>2,400,319</u>
Total Net Assets	<u>\$ 2,929,393</u>	<u>\$ 16,665</u>	<u>\$ 2,946,058</u>

In 2014, total revenues increased by \$2.02 million about 45% compared to total revenues in . This was due to about 32% increase in enrollment. Total expenses increased by \$1.3 million, about 35%.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 26,220	\$ 29,610	\$ 26,220	\$ 29,610
Operating grants and Contributions	498,171	26,675	113,187	74,089	611,358	100,764
Total Program Revenues	498,171	26,675	139,407	103,699	637,578	130,374
General Revenues:						
Local Aid	767,001	535,045	-	-	767,001	535,045
Federal and State Aid	5,092,003	3,784,925	-	-	5,092,003	3,784,925
Miscellaneous	-	19,868	-	3,553	-	23,421
Total General Revenues	5,859,004	4,339,838	-	3,553	5,859,004	4,343,391
Total Revenues	6,357,175	4,366,513	139,407	107,252	6,496,582	4,473,765
Expenses:						
Instructions	2,659,103	2,203,746	-	-	2,659,103	2,203,746
Administrative	881,210	1,133,563	-	-	881,210	1,133,563
Support services Unallocated	1,269,078	256,707	-	-	1,269,078	256,707
Capital outlay	59,474	36,826	-	-	59,474	36,826
Depreciation	13,760	-	-	-	13,760	-
Food Service	-	-	134,258	101,921	134,258	101,921
Total Expenses	4,882,625	3,630,842	134,258	101,921	5,016,883	3,732,763
Change in Net Assets	\$ 1,474,550	\$ 735,671	\$ 5,149	\$ 5,331	\$ 1,479,699	\$ 741,002

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2014.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$139,407 and operating expenses of \$134,203 for fiscal year 2014.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$6.36 million and expenditures of \$4.88 million.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue -based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues were \$5.9 million which included a local tax levy of \$0.066 million. Expenditures were budgeted at \$6.7 million. The Charter School anticipated a decrease in fund balance of \$834,307. In its 2013-2014, actual revenues were \$6.15 million and expenditures were \$4.84 million.

The State of New Jersey reimbursed the Charter School \$162,558 during the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members while on-behalf TPAF payments for post-retirement medical benefits were \$123,761. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2014, the Charter School had \$545,739 invested in capital assets.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2013-2014. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Academy for Urban Leadership Charter School, Business Office, 612 Amboy Avenue, Perth Amboy, New Jersey 08861.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

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

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,433,666	\$ 41,640	\$ 2,475,306
Accounts receivable	223,094	10,537	233,631
Other receivables	5,833	-	5,833
Security deposit	110,614	-	110,614
Total current assets	<u>2,773,207</u>	<u>52,177</u>	<u>2,825,384</u>
Capital assets:			
Machinery and equipment	96,783	3,540	100,323
Construction in-progress	<u>477,057</u>	<u>-</u>	<u>477,057</u>
	573,840	3,540	577,380
Less: Accumulated depreciation	<u>(31,602)</u>	<u>(39)</u>	<u>(31,641)</u>
Net capital assets	<u>542,238</u>	<u>3,501</u>	<u>545,739</u>
Total assets	<u>\$ 3,315,445</u>	<u>\$ 55,678</u>	<u>\$ 3,371,123</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 235,626	\$ 38,944	\$ 274,570
Intergovernmental payable:			
State	126,571	69	126,640
Deferred revenues	<u>23,855</u>	<u>-</u>	<u>23,855</u>
Total current liabilities	<u>386,052</u>	<u>39,013</u>	<u>425,065</u>
Total liabilities	<u>386,052</u>	<u>39,013</u>	<u>425,065</u>
Net assets			
Invested in capital assets, net of related debt	542,238	3,501	545,739
Unrestricted	<u>2,387,155</u>	<u>13,164</u>	<u>2,400,319</u>
Total net assets	<u>2,929,393</u>	<u>16,665</u>	<u>2,946,058</u>
Total liabilities and net assets	<u>\$ 3,315,445</u>	<u>\$ 55,678</u>	<u>\$ 3,371,123</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:						
Instruction	\$ 2,659,103	\$ -	\$ 398,567	\$ (2,260,536)	\$ -	\$ (2,260,536)
Administrative cost	881,210		59,567	(821,643)	-	(821,643)
Support services	1,269,078		40,037	(1,229,041)	-	(1,229,041)
Unallocated:						
Capital outlay	59,474	-	-	(59,474)	-	(59,474)
Depreciation	13,760	-	-	(13,760)	-	(13,760)
Total governmental activities	4,882,625	-	498,171	(4,384,454)	-	(4,384,454)
Business-type activities:						
Food Service	134,258	26,220	113,187	-	5,149	5,149
Total primary government	\$ 5,016,883	\$ 26,220	\$ 611,358	(4,384,454)	5,149	(4,379,305)
General revenues, transfers and special items:						
Local sources				\$ 767,001	-	\$ 767,001
State sources				5,092,003	-	5,092,003
Total general revenues, transfers and special items				5,859,004	-	5,859,004
Changes in net assets				1,474,550	5,149	1,479,699
Net assets - beginning				1,454,843	11,461	1,466,304
Net assets - ending (A-1)				\$ 2,929,393	\$ 16,610	\$ 2,946,003

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,433,666	\$ -	\$ 2,433,666
Accounts receivable:			
Local	-	-	-
State	89,887	-	89,887
Federal	-	133,207	133,207
Interfund receivables	89,924	-	89,924
Other receivables	5,833	-	5,833
Other current assets	<u>110,614</u>	<u>-</u>	<u>110,614</u>
Total assets	<u>\$ 2,729,924</u>	<u>\$ 133,207</u>	<u>\$ 2,863,131</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 216,198	\$ 19,428	\$ 235,626
Intergovernmental payables:			
State	126,571	-	126,571
Federal	-	-	-
Interfund payables	-	89,924	89,924
Deferred revenue	<u>-</u>	<u>23,855</u>	<u>23,855</u>
Total liabilities	<u>342,769</u>	<u>133,207</u>	<u>475,976</u>
Fund balances:			
Assigned	1,579,040		1,579,040
Unassigned	<u>808,115</u>	<u>-</u>	<u>808,115</u>
Total fund balances	<u>2,387,155</u>	<u>-</u>	<u>2,387,155</u>
Total liabilities and fund balances	<u>\$ 2,729,924</u>	<u>\$ 133,207</u>	

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

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

Cost of capital assets	\$ 573,840
Accumulated depreciation	<u>(31,602)</u>
	<u>542,238</u>

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

Compensated absences payable	<u>-</u>
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Net assets of governmental activities - A-1

\$ 2,929,393

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Total
Revenues			
Local Sources:			
Local tax levy	\$ 767,001	\$ -	\$ 767,001
Grant and contributions	-	78,645	78,645
Total revenues -local sources	<u>767,001</u>	<u>78,645</u>	<u>845,646</u>
State sources	5,092,003		5,092,003
Federal sources	-	133,207	133,207
Reimbursed TPAF - Social Security (non-budgeted)	162,558	-	162,558
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>123,761</u>	<u>-</u>	<u>123,761</u>
Total revenues	<u>6,145,323</u>	<u>211,852</u>	<u>6,357,175</u>
Expenditures			
Current expense:			
Instruction	2,039,320	211,852	2,251,172
Administrative cost	1,090,293	-	1,090,293
Support services	1,181,607	-	1,181,607
Capital outlay:	249,260	-	249,260
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	162,558	-	162,558
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>123,761</u>	<u>-</u>	<u>123,761</u>
Total expenditures	<u>4,846,799</u>	<u>211,852</u>	<u>5,058,651</u>
Excess revenues over expenditures	1,298,524	-	1,298,524
Fund balances at beginning of the year	<u>1,088,631</u>	<u>-</u>	<u>1,088,631</u>
Fund balances at end of year	<u>\$ 2,387,155</u>	<u>\$ -</u>	<u>\$ 2,387,155</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Total net change in fund balances - governmental funds (B-2) \$ 1,298,524

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

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

Capital outlay	189,786	
Depreciation expense	<u>(13,760)</u>	176,026

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

-

Change in net position of governmental activities (A-2) \$ 1,474,550

PROPRIETARY FUNDS

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2014

Assets

Current assets:

Cash and cash equivalents	\$ 41,640
Accounts receivable:	
Federal	10,365
State	<u>172</u>
	<u>10,537</u>

Capital assets

Machinery and equipment	3,540
Less: Accumulated depreciation	<u>(39)</u>
Net capital assets	<u>3,501</u>

Total assets	<u><u>\$ 55,678</u></u>
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Liabilities

Current liabilities

Accounts Payable	\$ 38,944
Intergovernmental payable - State	69

Net assets

Unrestricted	<u>16,665</u>
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Total liabilities and net position	<u><u>\$ 55,678</u></u>
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See accompanying notes
to financial statements.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2014

Operating revenues:		
Charges for services:		
Daily sales - nonreimbursable programs	\$	26,198
Miscellaneous revenue		<u>22</u>
Total Operating revenues		<u>26,220</u>
Operating expenses:		
Cost of sales		134,203
Miscellaneous		<u>55</u>
Total operating expenses		<u>134,258</u>
Operating income (loss)		<u>(108,038)</u>
Nonoperating revenues:		
State sources:		
State School Lunch Program		1,969
Federal sources:		
National School Lunch Program		97,304
National School Breakfast Program		<u>13,914</u>
Total nonoperating revenues		<u>113,187</u>
Change in net position		5,149
Total net position at beginning of year		<u>11,461</u>
Total net position at end of year	\$	<u>16,610</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

Cash flows from operating activities

Operating loss	\$ (107,983)
Adjustment to reconcile operating loss to net cash from operating activities	
Changes in assets and liabilities:	
Accounts receivable	3,746
Accounts payable	20,147
Intergovernmental payable	<u>69</u>
Net cash from operating activities	(84,021)

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	113,187
-----------------------------------------------------	---------

Cash flows from investing activities

	<u>-</u>
Net decrease in cash and cash equivalents	29,166
Cash and cash equivalents at beginning of the year	<u>12,474</u>
Cash and cash equivalents at end of year	<u>\$ 41,640</u>

FIDUCIARY FUNDS

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

Assets

Cash and cash equivalents	\$ 89,639
Accounts receivables	-
Interfund receivables	-
	<hr/>
Total assets	<u>\$ 89,639</u>

Liabilities and Net Position

Liabilities:

Accounts payable	\$ 7,606
Interfund payables	-
	<hr/>
Total liabilities	7,606

Net Assets

Restricted

Unemployment compensation	-
	<hr/>
Total liabilities and net position	<u>\$ 7,606</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

Revenues:	
General fund appropriation	\$ 33,072
Employees' contributions	<u>9,260</u>
Total revenues	<u>42,332</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>42,332</u>
Total expenditures	<u>42,332</u>
Excess of revenues over expenditures	-
Fund balance at beginning of the year	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

B. Component Units

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation

The financial statements of the Charter School have been prepared in conformity with 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:

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management's Discussion and Analysis (MD&A) section providing an analysis of the Charter School's overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School's activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

D. Basic Financial Statements

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

E. Governmental Funds

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

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

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, 2014 there was no Capital Projects Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2014 there was no debt service fund.

F. Proprietary Funds

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

Enterprise Funds:

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

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

Internal Service (Self-Insurance) Fund:

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

G. Fiduciary Funds

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

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

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Fiduciary Funds - Continued

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

H. Measurement Focus and Basis of Accounting

Measurement Focus - Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating 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 spend able financial resources at the end of the period.

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

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting - Continued

Basis of Accounting - continued

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

I. Budgets/Budgetary Control

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

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

The accounting records of 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure

Cash and equivalents include petty cash, funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

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. These investments are to be recorded at fair value and will be subject to risk categorization.

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.

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Charter School's name. The Charter School's aggregate bank balances were not exposed to custodial credit risk at June 30, 2014.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Prepaid Expenses

Prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

L. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Position.

M. Fixed Assets

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

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. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

Asset Class	Estimated Useful Lives
School Building if owned	50 years
Building Improvement	20 years
Electrical/Plumbing	30 years
Office and Computer Equipment	5-10 years

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

In the charter school-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2014, there are no liabilities for compensated absences in the Food Service Fund.

O. Deferred Revenue

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

P. Accrued Liabilities and Long-Term Obligations

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law. Committed fund balance will be reported for amounts that can only be used for

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Fund Balance and Equity - continued

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

R. Net Position

Net Position on the *Statement of Net Position* include the following:

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

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

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

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

S. Contributed Capital

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

T. Interfund Transactions

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

U. Use of Estimates

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

V. Accounting for Uncertainty in Income Taxes

The Charter High School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter High School had no uncertain tax positions that would require financial statement recognition. The Charter High School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2011.

W. On-Behalf Payments

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

X. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 25, 2014.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 APPLICATION OF ACCOUNTING STANDARDS

The Charter School implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2014. In accordance with GASB Statement 63, the Statement of Net Position has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

During fiscal year 2014, the Charter School adopted the following GASB statements:

- GASB 66, Technical Corrections - 2012, an Amendment of GASB Statements 10 and 62 The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Another accounting standard that the Charter School is currently reviewing for applicability and potential impact on the financial statements includes:

- GASB 68, Accounting and financial Reporting for Pensions, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The Charter School does not expect this Statement to impact its financial statements.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS

As of June 30, 2014, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 2,433,666	\$ 41,640	89,639	\$ 2,564,945
Interest-bearing Account	-	-	-	-
Total	<u>\$ 2,433,666</u>	<u>\$ 41,640</u>	<u>\$ 89,639</u>	<u>\$ 2,564,945</u>

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>			
Machinery and equipment	\$ 96,783	\$ -	\$ 96,783
Leasehold improvements	287,271	189,786	477,057
Total	384,054	189,786	573,840
Less Accumulated depreciation	(17,842)	(13,760)	(31,602)
Capital assets net	<u>\$ 366,212</u>	<u>\$ 176,026</u>	<u>\$ 542,238</u>
<u>Business-Type Activities</u>			
Machinery and equipment	\$ 3,540	\$ -	\$ 3,540
Less Accumulated depreciation	(39)	-	(39)
Capital assets net	<u>\$ 3,501</u>	<u>\$ -</u>	<u>\$ 3,501</u>

NOTE 5 LONG-TERM DEBTS

During the fiscal year ended June 30, 2014, no long term liabilities are reported in the *Statement of Net Position*.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NET POSITION

As of June 30, 2014, governmental activities net position consisted of the following components:

**INVESTMENT IN CAPITAL ASSETS,
NET OF RELATED DEBT**

Capital assets, net	\$ 542,238
Less: Long-Term obligations	-
(All long-term debt relates to capital assets)	<u>542,238</u>

UNRESTRICTED

Net position not restricted above	<u>2,387,155</u>
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NET POSITION	<u>\$ 2,929,393</u>
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Business-type activities net position did not have any capital assets or restrictions.

NOTE 7 PENSIONS PLANS

A. Description of Plans

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

A. Description of Plans - continued

i. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement 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.

ii. Public Employees' Retirement System (PERS)

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

B. Vesting and Benefit Provisions

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

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

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

C. Significant Legislation

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

Chapter 4, P.L 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service.

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(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

C. Significant Legislation - Continued

The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

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

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 4.5 % and 3%, respectively of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. The Charter School's contribution to PERS for the year ended June 30, 2014 was \$43,412.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$162,558 during the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the basic financial statements.

NOTE 8 POST- RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. 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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST- RETIREMENT BENEFITS - CONTINUED

medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding 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 employer paid 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

NOTE 9 DEFERRED COMPENSATION

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

NOTE 10 RISK MANAGEMENT

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

A. Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Comprehensive Annual Financial Report (Schedule J-20).

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 RISK MANAGEMENT - CONTINUED

B. New Jersey Unemployment Compensation

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

The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the State.

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

At June 30, 2014, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>			
	General Fund	Special Revenue Fund	Enterprise Fund	Fiduciary Fund
General fund	\$ 89,924	\$ (89,924)	\$ -	\$ -
GASB No 34 mandated eliminations within governmental activities	<u>(89,924)</u>	<u>89,924</u>	<u>-</u>	<u>-</u>
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
External (Due from Trust and Agency Funds)				<u>\$ -</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 12 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2014, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2014.

NOTE 13 RENTAL LEASE

The Charter School is currently leasing its facilities at 612 Amboy Avenue, Perth Amboy, New Jersey for a period of four (4) years from St. Michael's Byzantine Catholic Church commencing July 1, 2010 and expiring on June 30, 2014. On June 5, 2013, the fourth year (July 1, 2013 to June 30, 2014) lease was amended to an annual rent of \$173,556 payable at \$14,463 per month. The lease can be extended for five (5) periods of five (5) years each. On August 14, 2013, the school rented additional space from the Simpson United Methodist Church for the period September 1, 2013 and expiring at June 30, 2014 at a monthly rental of \$5,000 per month. Rent for the year ended June 30, 2014 amounted to \$275,927.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 674,549	\$ (11,188)	\$ 663,361	\$ 767,001	\$ 103,640
State sources	4,538,020	664,741	5,202,761	5,092,003	(110,758)
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	162,558	162,558
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	-	-	-	123,761	123,761
Total revenues	<u>5,212,569</u>	<u>653,553</u>	<u>5,866,122</u>	<u>6,145,323</u>	<u>279,201</u>
Expenditures					
Current expense:					
Instruction					
Salaries	1,627,265	33,750	1,661,015	1,559,086	101,929
Other instructional expenses	240,390	19,000	259,390	184,570	74,820
Professional/technical service	45,000	1,800	46,800	41,803	4,997
Other purchased services	35,000	199	35,199	26,545	8,654
General supplies	150,000	(1,958)	148,042	127,446	20,596
Textbooks	100,000	10,000	110,000	86,662	23,338
Miscellaneous	5,000	8,208	13,208	13,208	-
Total current expense	<u>2,202,655</u>	<u>70,999</u>	<u>2,273,654</u>	<u>2,039,320</u>	<u>234,334</u>
Administrative cost:					
Salaries	420,026	136,250	556,276	556,276	-
Total benefit costs	325,000	100,000	425,000	339,225	85,775
Professional/technical service	125,000	67,673	192,673	113,387	79,286
Other purchased services	20,000	252	20,252	20,000	252
Communications and telephones	30,000	(8,829)	21,171	16,946	4,225
Supplies and materials	20,000	(252)	19,748	19,788	(40)
Interest on current loans	25,000	(25,000)	-	-	-
Miscellaneous	5,000	20,000	25,000	24,671	329
Total administrative cost	<u>970,026</u>	<u>290,094</u>	<u>1,260,120</u>	<u>1,090,293</u>	<u>169,827</u>
Support services:					
Salaries	373,888	-	373,888	373,888	-
Purchased professional/technical service	110,000	30,467	140,467	134,000	6,467
Other purchased services	75,000	19,000	94,000	91,454	2,546
Rent on land and buildings	216,000	67,427	283,427	275,927	7,500
Insurance-fidelity, liability, property	110,000	-	110,000	77,216	32,784
Supplies and materials	25,000	25,000	50,000	47,114	2,886
Transportation-other than to/from school	70,000	62,882	132,882	122,469	10,413
Utilities	60,000	11,000	71,000	54,546	16,454
Miscellaneous	5,000	1,564	6,564	4,993	1,571
Total support services	<u>1,044,888</u>	<u>217,340</u>	<u>1,262,228</u>	<u>1,181,607</u>	<u>80,621</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Instructional equipment	25,000	131,894	156,894	19,373	137,521
Non-instructional equipment	75,000	107,458	182,458	40,101	142,357
Construction services	875,000	670,075	1,545,075	189,786	1,355,289
Miscellaneous	20,000	-	20,000	-	20,000
Total capital outlay	<u>995,000</u>	<u>909,427</u>	<u>1,904,427</u>	<u>249,260</u>	<u>1,655,167</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	162,558	(162,558)
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,761</u>	<u>(123,761)</u>
Total expenditures before other financing uses	<u>5,212,569</u>	<u>1,487,860</u>	<u>6,700,429</u>	<u>4,846,799</u>	<u>1,853,630</u>
Excess revenues over expenditures	-	(834,307)	(834,307)	1,298,524	2,132,831
Fund balances at beginning of the year	<u>-</u>	<u>834,307</u>	<u>834,307</u>	<u>1,088,631</u>	<u>-</u>
Fund balances at ending of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,387,155</u>	<u>\$ 2,132,831</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenues					
Local	\$ 102,500	\$ -	\$ 102,500	\$ 78,645	\$ 23,855
Federal	<u>161,259</u>	<u>-</u>	<u>161,259</u>	<u>133,207</u>	<u>28,052</u>
Total revenues - all sources	<u>263,759</u>	<u>-</u>	<u>263,759</u>	<u>211,852</u>	<u>51,907</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	101,929	-	101,929	101,929	-
Employee benefits	23,555	-	23,555	23,555	-
Purchased professional and technical services	6,292	-	6,292	6,292	-
Supplies and materials	<u>103,931</u>	<u>-</u>	<u>103,931</u>	<u>80,076</u>	<u>23,855</u>
Total instruction	<u>235,707</u>	<u>-</u>	<u>235,707</u>	<u>211,852</u>	<u>23,855</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 6,145,323	[C-2] 211,852
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>6,145,323</u>	[B-2] <u>211,852</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 4,846,799	[C-2] 211,852
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 4,846,799</u>	[B-2] <u>\$ 211,852</u>

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2014

	Title I	IDEA	S. Smojak Grant	Total
Revenues				
Local	\$ -	\$ -	\$ 78,645	\$ 78,645
Federal	<u>88,939</u>	<u>44,268</u>	<u>-</u>	<u>133,207</u>
Total revenues - all sources	<u>88,939</u>	<u>44,268</u>	<u>78,645</u>	<u>211,852</u>
Expenditures				
Current Expenditures:				
Instruction:				
Salaries of teachers	66,029	35,900	-	101,929
Employee benefits	15,187	8,368	-	23,555
Other salaries for instruction	-	-	-	-
Purchased professional and technical services	6,292	-	-	6,292
Other purchased services	-	-	-	-
Supplies and materials	1,431	-	78,645	80,076
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total instruction	<u>88,939</u>	<u>44,268</u>	<u>78,645</u>	<u>211,852</u>
Total expenditures	<u>\$ 88,939</u>	<u>\$ 44,268</u>	<u>\$ 78,645</u>	<u>\$ 211,852</u>

CAPITAL PROJECTS FUND

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

At June 30, 2014, there was no capital project fund.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

ENTERPRISE FUND

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2014

	FOOD SERVICE
	<u> </u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 41,640
Accounts receivable:	
Federal	10,365
State	<u>172</u>
	<u>10,537</u>
 Capital assets	
Machinery and equipment	3,540
Less: Accumulated depreciation	<u>(39)</u>
Net capital assets	<u>3,501</u>
 Total Assets	 <u>\$ 55,678</u>
 Liabilities	
Current liabilities	
Accounts Payable	\$ 38,944
Intergovernmental payable - State	<u>69</u>
Total current liabilities	39,013
 Net assets	
Unrestricted	<u>16,665</u>
 Total Liabilities and Net Position	 <u>\$ 55,678</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

ENTERPRISE FUND

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION**

YEAR ENDED JUNE 30, 2014

	<u>TOTAL</u>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ 26,198
Miscellaneous revenue	<u>22</u>
Total Operating revenues	<u>26,220</u>
Operating expenses:	
Supplies and materials	134,148
Miscellaneous	<u>55</u>
Total operating expenses	<u>134,203</u>
Operating loss	<u>(107,983)</u>
Nonoperating revenues:	
State sources:	
State School Lunch	1,969
Federal sources:	
National School Lunch	97,304
National School Breakfast	<u>13,914</u>
Total nonoperating revenues	<u>113,187</u>
Changes in net position	5,204
Total net position at beginning of year	<u>11,461</u>
Total net position at end of year	<u>\$ 16,665</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	FOOD SERVICE
	<u> </u>
Cash flows from operating activities	
Operating loss	\$ (107,983)
Adjustment to reconcile operating loss to net cash from operating activities	
Changes in assets and liabilities:	
Accounts receivable	3,746
Accounts payable	20,147
Intergovernmental payable	<u>69</u>
Net cash from operating activities	(84,021)
 Cash flows from noncapital financing activities	
Cash received from state and federal reimbursements	113,187
 Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	29,166
Cash and cash equivalents at beginning of the year	<u>12,474</u>
 Cash and cash equivalents at end of year	<u><u>\$ 41,640</u></u>

FIDUCIARY FUNDS

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

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

At June 30, 2014 there was no non-expandable trust fund utilized by the Charter School.

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

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

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2014

	New Jersey Unemployment Benefits	Agency		Total	
		Student Activities	Net Payroll		Payroll Agency
Assets					
Cash and cash equivalents	\$ -	\$ 7,606	\$ -	\$ 82,033	\$ 89,639
Interfund receivable	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 7,606</u>	<u>\$ -</u>	<u>\$ 82,033</u>	<u>\$ 89,639</u>
Liabilities and fund balances					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	7,606	-	-	7,606
Interfund payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>7,606</u>	<u>-</u>	<u>-</u>	<u>7,606</u>
Net Position					
Restricted					
Unemployment compensation	-	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ 7,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,606</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

FIDUCIARY FUNDS

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
(TRUST FUND)**

YEAR ENDED JUNE 30, 2014

	New Jersey Unemployment Benefits
	<u> </u>
Revenues:	
General fund appropriation	\$ 33,072
Employees' contributions	<u> 9,260</u>
Total revenues	<u> 42,332</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u> 42,332</u>
Total expenditures	<u> 42,332</u>
Excess(deficiency) of revenue over expenditures	-
Net position at beginning of the year	<u> -</u>
Net position at end of year	<u><u> -</u></u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Cash Receipts	Cash Disbursements	Balance June 30, 2014
Assets				
Cash and cash equivalents	\$ <u>8,893</u>	\$ <u>27,675</u>	\$ <u>28,962</u>	\$ <u>7,606</u>
Liabilities				
Accounts Payable	\$ <u>8,893</u>	\$ <u>27,675</u>	\$ <u>28,962</u>	\$ <u>7,606</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2014

	<u>Balance June 30, 2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 18,276	\$ 169,932	\$ 106,175	\$ 82,033
Interfund receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 18,276</u>	<u>\$ 169,932</u>	<u>\$ 106,175</u>	<u>\$ 82,033</u>
Liabilities				
Payroll deductions and withholdings	\$ 15,164	\$ 83,159	\$ 15,164	\$ -
Interfund payable	<u>3,112</u>	<u>-</u>	<u>3,112</u>	<u>-</u>
Total Liabilities	<u>\$ 18,276</u>	<u>\$ 83,159</u>	<u>\$ 18,276</u>	<u>\$ -</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

STATISTICAL SECTION

Unless otherwise noted, the information in these Schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year. The Charter School implemented GASB 34 in the fiscal year ended June 30, 2004. Schedules of Statistical information are presented beginning in that year.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

INTRODUCTION TO THE STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	60
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	N/A
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	72

Sources: *Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year. Fiscal year ended June 30, 2011 is the first operating year of the Charter High School; schedules presenting charter-wide information include information beginning in that year.*

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NET POSITION BY COMPONENT
Last Four Fiscal Years**

(Accrual basis of accounting)

	Fiscal Year Ending June 30,			
	2014	2013	2012	2011
Governmental activities				
Invested in capital assets, net of related debt	\$ 542,238	\$ 366,212	\$ 36,737	\$ -
Restricted	-	-	300,000	-
Unrestricted	<u>2,387,155</u>	<u>1,088,631</u>	<u>382,435</u>	<u>128,593</u>
Total governmental activities net position	<u>\$ 2,929,393</u>	<u>\$ 1,454,843</u>	<u>\$ 419,172</u>	<u>\$ 128,593</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	<u>13,164</u>	<u>11,461</u>	<u>6,130</u>	<u>-</u>
Total business-type activities net position	<u>\$ 13,164</u>	<u>\$ 11,461</u>	<u>\$ 6,130</u>	<u>\$ -</u>
School-wide				
Invested in capital assets, net of related debt	\$ 542,238	\$ 366,212	\$ 36,737	\$ -
Restricted	-	-	300,000	-
Unrestricted	<u>2,400,319</u>	<u>1,100,092</u>	<u>388,565</u>	<u>128,593</u>
Total charter school net position	<u>\$ 2,942,557</u>	<u>\$ 1,466,304</u>	<u>\$ 725,302</u>	<u>\$ 128,593</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

CHANGES IN NET POSITION

Last Four Fiscal Years

(Accrual basis of accounting)

	Fiscal Year Ending June 30,			
	2014	2013	2012	2011
Expenses				
Governmental activities				
Instruction	\$ 2,659,103	2,203,746	1,167,939	502,726
Administrative	881,210	1,133,563	721,742	522,563
Support Services	1,269,078	256,707	392,143	384,634
Unallocated				
Capital Outlay	59,474	36,826	338,820	5,000
Depreciation	13,760	-	-	-
Total governmental activities expenses	<u>4,882,625</u>	<u>3,630,842</u>	<u>2,620,644</u>	<u>1,414,923</u>
Business-type activities:				
Food service	134,258	101,921	71,130	44,446
Total business-type activities expense	<u>134,258</u>	<u>101,921</u>	<u>71,130</u>	<u>44,446</u>
Total district expenses	<u>5,016,883</u>	<u>3,732,763</u>	<u>2,691,774</u>	<u>1,459,369</u>
Program Revenues				
Governmental activities:				
Charges for services:	-	-	-	-
Operating grants and contributions	498,171	26,675	29,884	11,445
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>498,171</u>	<u>26,675</u>	<u>29,884</u>	<u>11,445</u>
Business-type activities:				
Charges for services				
Food service	26,220	29,610	27,319	-
Operating grants and contributions	113,187	74,089	49,932	3,355
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>139,407</u>	<u>103,699</u>	<u>77,251</u>	<u>3,355</u>
Total district program revenues	<u>637,578</u>	<u>130,374</u>	<u>107,135</u>	<u>14,800</u>
Net (Expense)/Revenue				
Governmental activities	(4,384,454)	(3,604,167)	(2,590,760)	(1,403,478)
Business-type activities	5,149	1,778	6,121	(41,091)
Total district-wide net expense	<u>(4,379,305)</u>	<u>(3,602,389)</u>	<u>(2,584,639)</u>	<u>(1,444,569)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes levied for general purposes, net	767,001	535,045	356,492	167,711
Taxes levied for debt service	-	-	-	-
Grants and contributions	5,092,003	3,784,925	2,803,515	1,347,960
Payments in lieu of taxes	-	-	-	-

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

CHANGES IN NET POSITION

Last Four Fiscal Years

(Accrual basis of accounting)

	Fiscal Year Ending June 30,			
	2014	2013	2012	2011
Tuition Received	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous income	-	19,868	21,332	16,400
Transfers	-	-	-	-
Total governmental activities	<u>5,859,004</u>	<u>4,339,838</u>	<u>3,181,339</u>	<u>1,532,071</u>
Business-type activities:				
Investment earnings	-	13	9	-
Miscellaneous Income	-	3,540	-	41,091
Total business-type activities	<u>-</u>	<u>3,553</u>	<u>9</u>	<u>41,091</u>
Total district-wide	<u>5,859,004</u>	<u>4,343,391</u>	<u>3,181,348</u>	<u>1,573,162</u>
Changes in Net Position				
Governmental activities	1,474,550	735,671	590,579	128,593
Business-type activities	<u>5,149</u>	<u>5,331</u>	<u>6,130</u>	<u>-</u>
Total district	<u>\$ 1,479,699</u>	<u>\$ 741,002</u>	<u>\$ 596,709</u>	<u>\$ 128,593</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUNDS

Last Four Fiscal Years

(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund				
Assigned	\$ 1,579,040		\$ 300,000	\$ -
Unassigned	808,115	1,088,631	382,435	128,593
Total general fund	<u>2,387,155</u>	<u>1,088,631</u>	<u>682,435</u>	<u>128,593</u>
All Other Governmental Funds				
Assigned	-	-	-	-
Unassigned, reported in:				
Special revenue fund	-	-	-	-
Capital projects fund	-	-	-	-
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total all other governmental funds	<u>\$ 2,387,155</u>	<u>\$ 1,088,631</u>	<u>\$ 682,435</u>	<u>\$ 128,593</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Four Fiscal Years
(Unaudited)**

Function	2014	2013	2012	2011
Revenues				
Local Sources:				
Local tax levy	\$ 767,001	\$ 535,045	\$ 356,492	\$ 167,711
Miscellaneous	78,645	19,868	21,332	16,400
State sources	5,254,561	3,675,532	2,561,510	1,132,073
Federal sources	<u>133,207</u>	<u>136,068</u>	<u>271,889</u>	<u>227,332</u>
Total Revenues	<u>6,233,414</u>	<u>4,366,513</u>	<u>3,211,223</u>	<u>1,543,516</u>
Current expense				
Instruction	2,251,172	1,870,764	1,053,199	445,137
Administrative cost	1,090,293	1,454,469	833,242	580,152
Support services	1,181,607	255,023	391,301	384,634
Capital outlay	249,260	380,061	-	5,000
TPAF - FICA Reimbursement	162,558	-	-	-
TPAF - On-behalf payments	<u>123,761</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>5,058,651</u>	<u>3,960,317</u>	<u>2,277,742</u>	<u>1,414,923</u>
Excess (Deficiency) of Revenues Over Expenditures	1,174,763	406,196	933,481	128,593
Net change in fund balances	<u>\$ 1,174,763</u>	<u>\$ 406,196</u>	<u>\$ 933,481</u>	<u>\$ 128,593</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM

Last Four Fiscal Years

(Unaudited)

<u>Function/Program</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Instruction	33	32	17	9
Administrative	4	3	4	4
Support Services	10	6	5	2
Food Service	-	-	-	-
Total	<u>47</u>	<u>41</u>	<u>26</u>	<u>15</u>

Source: Charter School's personnel records

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

OPERATING STATISTICS

Last Four Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						High School					
2014	392	5,058,651	12,905	7.05%	-	11:1		392.0	384.16	24.24%	98.00%
2013	297	3,580,256	12,055	5.32%	32.00	11:1		297.0	257.00	33.00%	86.53%
2012	199	2,277,742	11,446	-18.82%	9.00	11:1		199.0	170.00	49.75%	85.43%
2011	100	1,409,923	14,099	0.0%	9.00	11:1		100.0	100.00	0.00%	100.00%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Four Fiscal Years**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Charter School Building</u>				
612 Amboy Avenue				
Square Feet	25,000	25,000	25,000	60,000
Capacity (students)	N/A	N/A	N/A	600
Enrollment	392	297	199	100

Source: Charter School's Records

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SCHEDULE OF REQUIRED MAINTENANCE
EXPENDITURES BY SCHOOL FACILITY
Last Four Fiscal Years**

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

2012	\$	660,101
2013		925,490
2014		<u>-</u>
Total	\$	<u>1,585,591</u>

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

Source: Charter School's Records

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2014
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
Property:		
Business Personal Property - All Risk	\$ 250,000	\$ 1,000
Electronic Data Processing	50,000	1,000
General Liability		
Aggregate	3,000,000	
Each occurrence	1,000,000	
Products/Completed Operations Aggregate	3,000,000	
Sexual Abuse per Occurrence	1,000,000	
Sexual Abuse per Aggregate	2,000,000	
Personal Injury/Advertising Injury	1,000,000	
Premise Medical Payments (Any One Person)	5,000	
Fire Legal Liability (Any One Fire)	100,000	
Educators Legal Liability:		
Each Wrongful Act	1,000,000	5,000
Aggregate	2,000,000	
Crime Coverage:		
Blanket Employee Theft	129,000	
Umbrella:		
Each Occurrence	1,000,000	
Aggregate	1,000,000	
Retained Limit	10,000	
Student Accident	25,000	
Workers' Compensation:		
Each Accident	1,000,000	
Each Employee	1,000,000	
Policy Limit	1,000,000	
Based on School - Professional \$1,815,000		
School - Non-Professional \$44,550		
D&O/EPLI		
D&O Aggregate	1,000,000	5,000
D&O Each Occurrence	1,000,000	
EPLI Aggregate	1,000,000	5,000
EPLI Each Occurrence	1,000,000	

Source: Charter School's Records

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2012 Audit	2013 Audit	2014 Audit	Source
Cash	\$ 611,456	\$ 1,018,899	\$ 2,475,306	Audit: Exhibit A-1
Current Assets	725,527	1,436,414	2,825,384	Audit: Exhibit A-1
Total Assets	762,264	1,806,127	3,371,123	Audit: Exhibit A-1
Current Liabilities	36,962	339,823	425,065	Audit: Exhibit A-1
Total Liabilities	36,962	339,823	425,065	Audit: Exhibit A-1
Net Assets	725,302	1,466,304	2,946,058	Audit: Exhibit A-1
Total Revenue	3,288,483	4,473,765	6,496,582	Audit: Exhibit A-2
Total Expenses	2,691,774	3,732,763	5,016,883	Audit: Exhibit A-2
Change in Net Assets	596,709	741,002	1,479,699	Audit: Exhibit A-2
Depreciation Expense	4,082	13,760	13,760	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	199	297	392	DOE Enrollment Reports
March 30th Budgeted Enrollment	197	300	399	Charter School Budget

		RATIOS ANALYSIS					
Near Term Indicators		2012	2013	2014	3 YR CUM	Source:	Target
1a.	Current Ratio	20.62	5.31	7.93	11.29	Current Assets/Current Liabilities	> 1.1
1b.	Unrestricted Days Cash	82.91	99.63	180.09	120.88	Cash/(Total Expenses/365)	30-60
1c.	Enrollment Variance	101%	99%	98%	0.99	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.*	Default	No	No	No	No	Audit	not in default
Sustainability Indicators							
2a.	Total Margin	18%	17%	23%	8%	Change in Net Assets/Total Revenue	positive
2b.	Debt to Asset	0.05	0.19	0.13	0.12	Total Liabilities/Total Assets	<.9
2c. **	Cash Flow	-	-	-	204,019	Net change in cash flow from prior years	3 yr cum positive
2d.	Debt Service Coverage Ratio	-	-	-	-	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

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

** 2014 =2014 Cash - 2013 Cash; 2013 =2013 Cash-2012 Cash; 2012 =2012 Cash-2011 Cash

SINGLE AUDIT SECTION

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

The Honorable President and
Members of the Board of Trustees
Academy for Urban Leadership Charter School
Middlesex County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Academy for Urban Leadership Charter School (the Charter School), in the County of Middlesex, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

However, we noted certain matters that we have reported to the Board of Trustees of the Academy for Urban Leadership Charter School in the County of Middlesex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated November 25, 2014.

Purpose of this Report

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



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400

November 25, 2014

**REPORT ON COMPLIANCE FOR MAJOR FEDERAL AND STATE PROGRAMS
AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY
OMB CIRCULAR A-133 AND NEW JERSEY OMB LETTER CIRCULAR 04-04**

The Honorable President and
Members of the Board of Trustees
Academy for Urban Leadership Charter School
Middlesex County, New Jersey

Report on Compliance for Each Major Federal and State Programs

We have audited the Academy for Urban Leadership Charter School's (the Charter School) in the County of Middlesex, State of New Jersey compliance 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 fiscal year ended June 30, 2014. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Letter Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 we considered necessary in the circumstances.

REPORT ON COMPLIANCE FOR MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB LETTER CIRCULAR 04-04

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

Opinions on Each Major Federal and State Programs

In our opinion, the Academy for Urban Leadership Charter School Board of Trustees, in the County of Middlesex, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2014.

Others

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and NJ OMB Letter Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items 2014-01. Our opinion on each major federal program and state financial assistance is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

**REPORT ON COMPLIANCE FOR MAJOR FEDERAL AND STATE PROGRAMS AND ON
INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133
AND NEW JERSEY OMB LETTER CIRCULAR 04-04**

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

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

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



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400

November 25, 2014

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

EXHIBIT K-3
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Grant No.	Grant Period	Award Amount	Balance at June 30, 2013	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2014	Deferred Revenue at June 30, 2014	Due to Grantor at June 30, 2014
U.S. Department of Education:												
Passed-through New Jersey State Department Education												
No Child Left Behind:												
Title I, Part A - Grants to Local Educationa Agencies	84.010		9/1/13-8/31/14	\$ 88,939	\$ -	\$ -	\$ -	\$ (88,939)	\$ -	\$ (88,939)	\$ -	\$ -
Title I, Part A - Grants to Local Educationa Agencies	84.010		9/1/12-8/31/13	239,407	(98,400)	-	98,400	-	-	-	-	-
Title I, Part A - Grants to Local Educationa Agencies	84.010		9/1/11-8/31/12	60,143	(1,260)	-	1,260	-	-	-	-	-
IDEA - Basic	84.027		9/1/13-8/31/14	44,268	-	-	-	(44,268)	-	(44,268)	-	-
IDEA - Basic	84.027		9/1/12-8/31/13	36,408	(36,408)	-	36,408	-	-	-	-	-
Total U.S. Department of Education					(136,068)	-	136,068	(133,207)	-	(133,207)	-	-
U.S. Department of Agriculture												
Passed-through New Jersey State Department of Agriculture												
National School Lunch Program	10.555		7/1/13-6/30/14	97,304	-	-	89,423	(97,304)	-	(7,881)	-	-
National School Lunch Program	10.555		7/1/12-6/30/13	65,911	(12,389)	-	12,389	-	-	-	-	-
National School Breakfast Program	10.553		7/1/13-6/30/14	13,914	-	-	11,430	(13,914)	-	(2,484)	-	-
National School Breakfast Program	10.553		7/1/12-6/30/13	6,871	(1,655)	-	1,655	-	-	-	-	-
Total U.S. Department of Agriculture					(14,044)	-	114,897	(111,218)	-	(10,365)	-	-
Total Expenditures of Federal Awards					\$ (150,112)	\$ -	\$ 250,965	\$ (244,425)	\$ -	\$ (143,572)	\$ -	\$ -

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)

EXHIBIT K-4
SCHEDULE B

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2013	Adjustments	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2014	Deferred Revenue at June 30, 2014	Due to Grantor at June 30, 2014
New Jersey State Department of Education												
General Fund:												
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	\$ 4,916,233	\$ -	\$ -	\$ -	\$ 5,042,804	\$ (4,916,233)	\$ -	\$ -	\$ -	\$ 126,571
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	3,391,384	(38,016)	-	-	28,895	-	-	(9,121)	-	-
Special Education Categorical Aid	14-495-034-5120-089	7/1/13-6/30/14	16,808	-	-	-	16,808	(16,808)	-	-	-	-
TPAF-Social Security	14-495-034-5095-006	7/1/13-6/30/14	162,558	-	-	-	81,792	(162,558)	-	(80,766)	-	-
TPAF-Social Security	13-495-034-5095-006	7/1/12-6/30/13	131,123	(11,605)	-	-	11,605	-	-	-	-	-
TPAF-Post Retirement - Medical Security Aid	14-495-034-5095-001	7/1/13-6/30/14	123,761	-	-	-	123,761	(123,761)	-	-	-	-
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	158,962	-	-	-	158,962	(158,962)	-	-	-	-
Total General Fund				<u>(49,621)</u>	<u>-</u>	<u>-</u>	<u>5,464,627</u>	<u>(5,378,322)</u>	<u>-</u>	<u>(89,887)</u>	<u>-</u>	<u>126,571</u>
Enterprise Fund:												
State School Lunch Program	14-100-010-3350-023	7/1/13-6/30/14	1,969	\$ -	\$ -	\$ -	1,797	(1,969)	\$ -	(172)	\$ -	\$ -
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	1,307	(239)	-	-	308	-	-	-	-	69
Total Enterprise Fund				<u>(239)</u>	<u>-</u>	<u>-</u>	<u>2,105</u>	<u>(1,969)</u>	<u>-</u>	<u>(172)</u>	<u>-</u>	<u>69</u>
Total Expenditures of State Financial Assistance				<u>\$ (49,860)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,466,732</u>	<u>\$ (5,380,291)</u>	<u>\$ -</u>	<u>\$ (90,059)</u>	<u>\$ -</u>	<u>\$ 126,640</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

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

FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees of the Charter School. The Board of Trustees is defined in Note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of those 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 Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. 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

Amounts reported in the accompanying schedules agree with the amounts reported in the Board's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See Exhibit C-3 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 Board's basic financial statements on a GAAP basis as follows:

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	5,254,561	\$ 5,254,561
Special Revenue Fund	133,207	-	133,207
Enterprise Fund	111,218	1,969	113,187
Total	<u>\$ 244,425</u>	<u>\$ 5,256,530</u>	<u>\$ 5,500,955</u>

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents reimbursements in the amount of \$162,558 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014. The State had also made on-behalf TPAF payments for post-retirement medical benefits in the amount of \$123,761.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statement Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes ✓ None reported

Significant deficiency(ies) identified not considered to be material weaknesses? Yes ✓ No

Noncompliance material to financial statements noted? Yes ✓ No

State Financial Assistance

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

Auditee qualified as low-risk auditee? Yes ✓ No

Type of auditors' report on compliance for major programs: Unmodified

Internal control over compliance:
 Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes ✓ No

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

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
State Aid Public Cluster:	
14-495-034-5120-078	Equalization Aid
14-495-034-5120-084	Security Aid
14-495-034-5120-089	Special Education Aid

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

None

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION III STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Finding 2014-01 Enrollment Information

Program: State Aid Public Cluster

Criteria:

“Pursuant to N.J.A.C. 6A:23A-15 charter schools are required to conduct enrollment counts on October 15 and the last day of the school year... Accurate maintenance of the enrollment system is vital so that the resident districts can rely on the accuracy of the payment schedules. ... Charter schools are required to prepare written internal procedures, which should provide a description of the count process for the two required enrollment counts... and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count.”

Condition:

In our review of records and reports related to the Food Service Program, we noted that entries in the Charter School Enrollment (CHE) System of the New Jersey Department of Education did not agree to information on verified applications and supporting documents as follows:

- a. There were 3 students classified as "free" category should have been classified under "reduced" category based on the completed application and income information on file.
- b. There were 8 students classified as "free" should have been classified under "denied" because there was no lunch applications on file.

In our review of enrollment information as reported in State's system and as per school records, we noted the following:

- a. There were 31 students with incorrect names and/or birthdates in CHE.
- b. There were 34 students with missing proof of addresses and/or birth certificates on file.
- c. Eight students were not reported in CHE System as special education students but the Charter School has IEP for the eight students.

Questioned cost

Cannot be determined

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION III STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Finding 2014-01 Enrollment Information

Recommendation

We recommend that entries in the CHE system should be reviewed against information on verified lunch applications by designated Charter School personnel to ensure proper reporting and accurate claims of meals served under the three categories: free, reduced, or paid meals. All completed applications should be maintained and be made available for review.

Views of Responsible Official and Planned Corrective Actions

The enrollment procedures of the Charter School include review of entries in the CHE system against information in student files and school records. These procedures would have to be consistently implemented to prevent similar findings during 2014-2015 as cited.

Corrective Action: On December 1, 2014, we have discussed the recommendation along with existing enrollment procedures with the school staff responsible for the information entry and maintenance of enrollment information. CHE information will be periodically reviewed against school records to ensure accurate reporting of enrollment data.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS
PREPARED BY MANAGEMENT**

FISCAL YEAR ENDED JUNE 30, 2014

There was no prior year finding.