

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
BELOVED COMMUNITY CHARTER SCHOOL  
NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**JUNE 30, 2014**  
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November 10, 2014

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the Beloved Community Charter School for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

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

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

BelovED is a public charter school operating in Jersey City, NJ, that is approved to offer grades K-5. In SY14, its second operating year, BelovED was approved to offer grades K-3 and to enroll up to 480 students. The School operates with 5 sections at each grade level, with approximately 24 students per homeroom. It is approved to offer an additional grade level and to increase its enrollment by a corresponding 120 students, in SY15.

BelovED offers an extended school day running from 8:00 am to 4:15 pm, free afterschool programs, and free summer programs. Its education program combines the Sabis Education System (which BelovED licenses), *Teach Like a Champion* instructional techniques, and a values and character education program inspired by Martin Luther King, Jr.'s conception of the "beloved community."

- 2) **ENROLLMENT OUTLOOK:** BelovED Community Charter School operated in SY14 with just under 480 students, its approved maximum enrollment. In SY15, it is approved to enroll up to 600 students, and it has begun the year with every seat full and with additional students on its waiting lists. BelovED enjoyed a high level of student retention in its first two operating years. It anticipates that some students will leave over the course of this school year, principally as a function of their families moving out of Jersey City, but BelovED anticipates filling the seats that open up from its waiting list and finishing SY15 with enrollment still close to its 600-student approved maximum enrollment for the year.
- 3) **MAJOR ACCOMPLISHMENTS** – In SY13, BelovED Community Charter School received final New Jersey Department of Education approval and initiated operations fully staffed and near fully enrolled. Nationally normed Terra Nova assessments of student academic proficiencies were administered in October to establish a baseline and again in May to provide a measure of student learning growth. The assessments indicated that in these seven months-time, BelovED's students advanced by more than a full-grade level in English Language Arts and Math, and by more than two full grade-levels in Science and Social Studies (learning growth which is consistent with that of America's top-achieving charter schools). Meanwhile, BelovED operated efficiently, as well as effectively, during the year.

Major accomplishments in SY14 include: 1) achieving very high levels of staff, student, and parental satisfaction, as demonstrated in year-end surveys of each group and by correspondingly high levels of staff and student retention; 2) constructing an addition that was necessary for BelovED to accommodate the student enrollment growth for which it is approved; and 3) fulfilling the diverse student-learning, good-practice, and institutional-support goals and objectives identified in its charter application.

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

should not exceed the benefits like to be derived: and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2014.

In SY14, BelovED's expenditures were in line with the total budgeted with one caveat: it was determined that under Generally Accepted Accounting Principles (GAAP), certain construction loan interest must be counted as SY14 expense even though the interest was not due for payment in SY14. Under GAAP, expenses are recorded when incurred, not when ultimately paid.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools' accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.
- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** Two material factors caused BelovED to report a (Deficit) General Fund balance at year-end. First, a reduction in its count of Limited English Proficient students resulted in an unexpectedly large charge against year-end revenues. This eliminated BelovED's budgeted surplus. Second, it was determined that under Generally Accepted Accounting Principles (GAAP), certain construction loan interest must be accounted as a SY14 expense even though the interest was not due for payment in SY14. This accounting determination had no impact on the School's cash operations, but did impact SY14 General Fund Balance (Deficit). To avoid (Deficit) General Fund balances in the future, BelovED's leadership is taking steps that will produce

budgeted surpluses in SY15 and beyond that are large enough to offset unforeseen developments and still provide for a positive Fund Balance at year-end. (A number of these steps are addressed in the Note 8 below entitled “Subsequent Events.”)

Property values in Jersey City are appreciating sharply and the market value of BelovED’s school facility is up. But GAAP requirements that property be depreciated for accounting purposes has decreased the facility’s value on BelovED’s balance sheet and pushed the school’s net position into negative territory. BelovED has prepared a sale-lease back of its facility that will move its balance sheet back into solidly positive territory in SY15.

- 8) **SUBSEQUENT EVENTS AND ACTIONS TO ADDRESS (DEFICIT):** To avoid having unforeseen developments cause a negative General Fund balance in the future, BelovED is taking steps that will produce budgeted surpluses in SY15 and beyond that are large enough to offset such developments and still provide for a healthy, positive Fund Balance at year-end. Some examples of steps that are being implemented for SY15 include the termination of two filled positions; the elimination of five budgeted but unfilled positions; the raising of our presently nominal charge for the provision of afterschool childcare; the establishment of a shared services arrangement with another charter school that will enable both schools to save on the cost of business administration and registrar services; and a money-saving, taking in-house of some bus transportation services. Examples of steps being taken for SY16 include a re-design of our summer program that will produce significant savings and a plethora of school year schedule and class coverage changes that will produce a more efficient deployment of instructional personnel and reduce the number of teachers we need.

To move its balance sheet back into positive territory, BelovED has prepared a sale-leaseback of its facility, to be executed in mid-SY15. Lease payments are to remain similar to BelovED’s current mortgage payments, so the cost to BelovED of facility occupancy will remain similar. Meanwhile, the minimum purchase price of the facility has been set at a level that will enable repayment of all of BelovED’s mortgage debt. This will move BelovED’s balance sheet back into positive territory and will immediately eliminate the negative impact of property depreciation on BelovED’s balance sheet.

- 9) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 3. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 10) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

**11) OTHER INFORMATION:**

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

Respectfully submitted,



Gregory Corrado  
Board President

**BELOVED COMMUNITY CHARTER SCHOOL**

**ROSTER OF TRUSTEES**

**JUNE 30, 2014**

| <b><u>BOARD OF TRUSTEES</u></b> | <b><u>TERM EXPIRES</u></b> |
|---------------------------------|----------------------------|
| Greg Corrado, President         | 11/15                      |
| Rev. Ronnie Calvin-Clark        | 11/15                      |
| Nicole Jackson                  | 11/14                      |
| Terri Keller                    | 11/15                      |
| Jessica Lisboa                  | 11/15                      |
| Salvatore Risalvato             | 11/14                      |
| David Robinson                  | 11/14                      |
| Richard Valdes                  | 11/14                      |

**CONSULTANTS AND ADVISORS**  
**June 30, 2014**

**AUDIT FIRM**

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

**ATTORNEYS**

Adams, Gutierrez & Lattiboudere  
The Legal Center  
1037 Raymond Blvd.  
Suite 900  
Newark, NJ 07102

Porzio, Bromberg and Newman, LLC  
100 South Gate Parkway  
Morristown, NJ 07962

Bathgate, Wegener & Wolf  
One Airport Road  
PO Box 2043  
Lakewood, NJ 08701

**OFFICIAL DEPOSITORY**

**Bank of America**

## **FINANCIAL SECTION**

**SCOTT J. LOEFFLER**  
CERTIFIED PUBLIC ACCOUNTANT  
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## **Independent Auditor's Report**

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

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Beloved Community Charter School, County of Hudson, State of New Jersey, as of and for the fiscal year and ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Beloved Community Charter School's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beloved Community Charter School as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

generally accepted in the United States of America. In my opinion, the information is fairly presented, in all material respects, in relation to the basis financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2014 on my consideration of the Beloved Community Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Beloved Community Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA  
November 10, 2014

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

This section of Beloved Community Charter School annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2013-14 fiscal year include the following:

- Total Net (Deficit) Position was (\$408,235).
- The unrestricted General Fund (Deficit) balance at June 30, 2014 is (\$88,221).

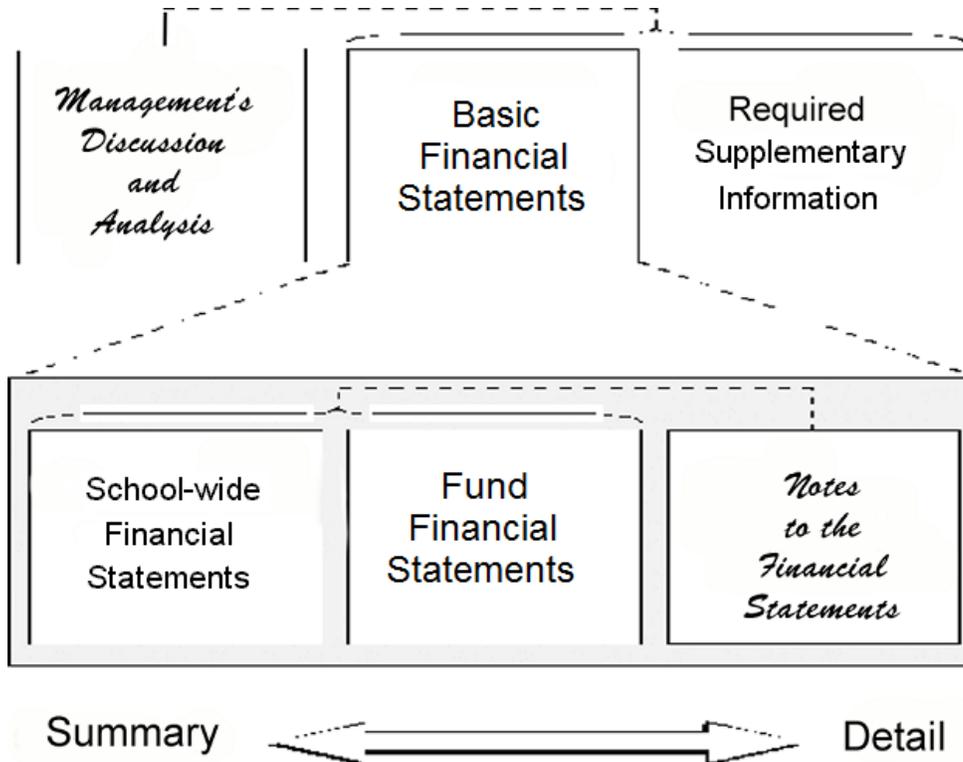
See Management's Discussion and Analysis introduction letter notes 5, 7 and 8 for management's discussion and actions for addressing of the Net (Deficit) Position and General Fund Deficit. (See note 16 (Subsequent Event) to the basic financial statements)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

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



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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

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

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

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

**School-wide Statements**

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

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

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

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

**Fund Financial Statements**

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

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

- Some funds are required by State law.

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

The Beloved Community Charter School has three kinds of funds:

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

**FINANCIAL ANALYSIS OF THE BELOVED COMMUNITY CHARTER SCHOOL AS A WHOLE**

**Net position.** The Beloved Community Charter School's net (deficit) position is (\$408,235) as of June 30, 2014. (See Table A-1).

|              |                    |
|--------------|--------------------|
| Governmental | <u>(\$408,235)</u> |
|--------------|--------------------|

See Management's Discussion and Analysis introduction letter notes 5, 7 and 8 for management's discussion and actions for addressing of the Net (Deficit) Position and General Fund Deficit. (See note 16 (Subsequent Event) to the basic financial statements)

The Statement of Net Position of \$11,114,049 and loan payable of \$11,433,363 reflects total capital assets at June 30, 2014 net of assumed depreciation from inception.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

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

- Special Revenues for Federal Activities were \$447,186.
- General Fund Revenues were \$5,563,195.
- General Fund Expenditures were \$5,929,972.

See Management's Discussion and Analysis introduction letter notes 5, 7 and 8 for management's discussion and actions for addressing of the Net (Deficit) Position and General Fund Deficit. (See note 16 (Subsequent Event) to the basic financial statements)

**Table A-1**  
**BELOVED COMMUNITY CHARTER SCHOOL**  
**Statement of Net Position (Deficit)**  
**As of June 30, 2014**

|   | <u><b>Total</b></u>              |
|---|----------------------------------|
| Current and Other Assets                        | \$692,526                        |
| Capital Assets (Including Business Activities)  | 11,114,049                       |
| <b>Total Assets</b>                             | <u><b>\$11,806,575</b></u>       |
| Long-Term Liabilities                           | 11,433,363                       |
| Other Liabilities                               | 781,447                          |
| <b>Total Liabilities</b>                        | <u><b>12,214,810</b></u>         |
| Net Assets:                                     |                                  |
| Invested In Capital Assets, Net of Related Debt | (319,314)                        |
| Restricted                                      | 0                                |
| Unrestricted Fund Balance (Deficit)             | (88,921)                         |
| <b>Total Net Position (Deficit)</b>             | <u><u><b>(\$408,235)</b></u></u> |

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net (deficit) position of (\$408,235) as of June 30, 2014.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

**Table A-2**  
**BELOVED COMMUNITY CHARTER SCHOOL**  
**Changes in Net Position - School Wide**  
**For the Fiscal Year Ended June 30, 2014**

| <b>Revenues</b>                             | <b>Total</b>        |
|---|---------------------|
| Program revenues                            |                     |
| Charges for services                        | 0                   |
| Operating grants and contributions          |                     |
| General revenues                            |                     |
| Local Share                                 | \$ 3,561,950        |
| Federal and State Aid-Unrestricted          | 1,312,149           |
| Federal and State Aid-Restricted            | 916,406             |
| Other                                       | 219,876             |
| Decrease in Capital Outlay                  | (201,358)           |
| <b>Total revenues</b>                       | <b>\$ 5,809,023</b> |
| <b>Expenses</b>                             |                     |
| Regular Instruction                         | 3,405,861           |
| General Administrative                      | 1,103,986           |
| School Administrative                       | 1,016,026           |
| On-behalf TPAF Social Security              | 126,274             |
| Capital Outlay                              | 725,010             |
| <b>Total expenses</b>                       | <b>\$ 6,377,157</b> |
| (Decrease) in net position (deficit)        | (568,134)           |
| Net Position (deficit), Beginning July 1    | 159,899             |
| Net Position (deficit), End of Year June 30 | <b>\$ (408,235)</b> |

See Management's Discussion and Analysis introduction letter notes 5, 7 and 8 for management's discussion and actions for addressing of the Net (Deficit) Position and General Fund Deficit. (See note 16 (Subsequent Event) to the basic financial statements)

**BELOVED COMMUNITY CHARTER SCHOOL  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**Table A-3 (See Exhibit A-2)  
BELOVED COMMUNITY CHARTER SCHOOL  
Changes in Net Position - School Wide  
For the Fiscal Year Ended June 30, 2014**

| <u>Functions/Programs</u>            | <u>Source</u> | <u>Total Cost of<br/>Services</u> | <u>Net Cost of<br/>Services</u> |
|--------------------------------------|---------------|-----------------------------------|---------------------------------|
| <b>Governmental Activities</b>       |               |                                   |                                 |
| Instruction                          |               |                                   |                                 |
| Regular                              | B-2           | \$ 3,405,861                      | \$ 3,405,861                    |
| <b>Support Services</b>              |               |                                   |                                 |
| General Administrative Services      | B-2           | 1,103,986                         | 1,103,986                       |
| School Administrative Services       | B-2           | 1,016,026                         | 1,016,026                       |
| On-behalf TPAF Social Security       | B-2           | 126,274                           | 126,274                         |
| Capital Outlay                       | B-2           | 725,010                           | 725,010                         |
| <b>Total Governmental Activities</b> |               | <u>\$ 6,377,157</u>               | <u>\$ 6,377,157</u>             |

**FINANCIAL ANALYSIS OF THE BELOVED COMMUNITY CHARTER SCHOOL FUNDS**

The financial performance of the Beloved Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Beloved Community Charter School completed the year, its general funds reported a combined fund deficit of (\$88,921).

Revenues for the Beloved Community Charter School's governmental funds were \$6,010,381 while total expenses were \$6,377,157. (Table A-4) (Exhibit B-2)

See Management's Discussion and Analysis introduction letter notes 5 and 7 for management's discussion and actions for addressing of the Net (Deficit) Position and General Fund Deficit. (See note 16 (Subsequent Event) to the basic financial statements)

**GENERAL FUND**

The General Fund includes the primary operations of the Beloved Community Charter School in providing educational services to students from grade K through grade 2.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

The following schedule presents a summary of Government Revenues.

**Table A-4 (See Exhibit B-2)**  
**BELOVED COMMUNITY CHARTER SCHOOL**  
**Changes in Net Position - School Wide**  
**For the Fiscal Years Ended June 30**

| <b>General Fund Revenues</b>           | <b>Year Ended<br/>06/30/2014</b> | <b>Year Ended<br/>06/30/2013</b> | <b>Amount of<br/>Increase<br/>(Decrease)</b> |
|--|----------------------------------|----------------------------------|--|
| <b>Local Sources:</b>                  |                                  |                                  |  |
| Local Share                            | \$ 4,874,099                     | \$ 3,623,720                     | \$1,250,379                                  |
| Other Local Revenue                    | 219,876                          | 172,080                          | 47,796                                       |
| <b>Total Local Sources</b>             | <b>\$ 5,093,975</b>              | <b>\$ 3,795,800</b>              | <b>\$1,298,175</b>                           |
| <b>Intergovernmental</b>               |                                  |                                  |  |
| State Sources                          | 469,220                          | 395,373                          | 73,847                                       |
| Federal Sources                        | 447,186                          | 145,395                          | 301,791                                      |
| <b>Total Intergovernmental Sources</b> | <b>\$ 916,406</b>                | <b>\$ 540,768</b>                | <b>\$375,638</b>                             |
| <b>Total Revenue</b>                   | <b>\$ 6,010,381</b>              | <b>\$ 4,336,568</b>              | <b>\$1,673,813</b>                           |

The following schedule presents a summary of Governmental expenditures.

**Table A-5 (See Exhibit B-2)**  
**BELOVED COMMUNITY CHARTER SCHOOL**  
**Changes in Net Position - School Wide**  
**For the Fiscal Years Ended June 30**

| <b>General Fund Expenditures</b> | <b>Year Ended<br/>06/30/2014</b> | <b>Year Ended<br/>06/30/2013</b> | <b>Amount of<br/>Increase<br/>(Decrease)</b> |
|----------------------------------|----------------------------------|----------------------------------|--|
| <b>Current:</b>                  |                                  |                                  |  |
| Regular Instruction              | \$ 3,405,861                     | \$ 1,842,055                     | \$ 1,563,806                                 |
| General Administrative Services  | 1,103,986                        | 883,600                          | 220,386                                      |
| School Administration            | 1,016,026                        | 875,098                          | 140,928                                      |
| On-behalf TPAF Social Security   | 126,274                          | 98,723                           | 27,551                                       |
| Capital outlay                   | 725,010                          | 359,236                          | 365,774                                      |
| <b>Total Expenditures</b>        | <b>\$ 6,377,157</b>              | <b>\$ 4,058,712</b>              | <b>\$ 2,318,445</b>                          |

**BELOVED COMMUNITY CHARTER SCHOOL  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**UNRESERVED-UNDESIGNATED FUND BALANCE (DEFICIT) AS A PERCENTAGE OF EXPENDITURES**

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

**Table A-6  
BELOVED COMMUNITY CHARTER SCHOOL  
Changes in Net Position (Deficit) - School Wide  
For the Fiscal Years Ended June 30**

| <b>General Fund</b>     | <b><u>2014</u></b> | <b><u>2013</u></b> |
|-------------------------|--------------------|--------------------|
| Unreserved-Undesignated |                    |                    |
| Fund Balance (Deficit)  | (88,921)           | 277,856            |
| Expenditures            | 6,377,157          | 4,058,712          |
| Percentages             | NA                 | 7%                 |

The Beloved Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance (deficit) designated to support the subsequent years budgets (\$88,921) for the 2014-15 school year.

See Management's Discussion and Analysis introduction letter notes 5, 7 and 8 for management's discussion and actions for addressing of the Net (Deficit) Position and General Fund Deficit. (See note 16 (Subsequent Event) to the basic financial statements)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2014, in the General Fund, the Beloved Community Charter School had invested \$11,353,607 in a broad range of capital assets, including building improvements, computer and audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements) and Total General Fund depreciation expense for the year was \$73,201.

**Table A-7  
BELOVED COMMUNITY CHARTER SCHOOL  
Changes in Net Position (Deficit) - School Wide  
For the Fiscal Year Ended June 30, 2014**

|  |                                   |
|--|-----------------------------------|
| Building, Building Improvements and Construction in Progress | \$11,353,607                      |
| <b>Total - General Fund</b>                                  | <b><u>\$11,353,607</u></b>        |
| Less: Accumulated Depreciation                               | (239,558)                         |
| <b>Total - Net Capital Assets General Fund</b>               | <b><u><u>\$11,114,049</u></u></b> |

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

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

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

**CONTACTING THE BELOVED COMMUNITY CHARTER SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Beloved Community Charter School's finances and to demonstrate the Beloved Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Beloved Community Charter School, 508 Grand Street, Jersey City, New Jersey 07302

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the Beloved Community Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2014.

**SCHOOL-WIDE FINANCIAL STATEMENTS**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Statement of Net Position (Deficit)**  
**As of June 30, 2014**

|   | <b>Governmental<br/>Activities</b> | <b>N/A<br/>Business-type<br/>Activities</b> | <b>Total</b>        |
|---|------------------------------------|---|---------------------|
| <b>ASSETS</b>                                   |                                    |   |                     |
| Cash and cash equivalents                       | \$ 397,751                         |   | \$ 397,751          |
| Investments                                     |                                    |   |                     |
| Receivables, net                                | 276,720                            |   | 276,720             |
| Due To/ From Account                            | 18,055                             |   | 18,055              |
| Restricted assets:                              |                                    |   |                     |
| Cash and cash equivalents                       |                                    |   |                     |
| Capital reserve account - cash                  |                                    |   |                     |
| Capital assets, net (Note 2):                   | 11,114,049                         | -   | 11,114,049          |
| Total Assets                                    | <u>11,806,575</u>                  | <u>-</u>                                    | <u>11,806,575</u>   |
| <b>LIABILITIES</b>                              |                                    |   |                     |
| Accounts payable                                | 585,019                            | -   | 585,019             |
| Deposits payable                                | -                                  |   |                     |
| Payable to school districts                     | 196,428                            |   | 196,428             |
| Payable to federal government                   |                                    |   | 13,264              |
| Payable to state government                     | -                                  |   |                     |
| Deferred revenue                                |                                    |   |                     |
| Noncurrent liabilities                          | -                                  |   | -                   |
| Due within one year                             |                                    |   |                     |
| Due beyond one year                             | 11,433,363                         |   | 11,433,363          |
| Total liabilities                               | <u>12,214,810</u>                  | <u>-</u>                                    | <u>12,228,074</u>   |
| <b>NET POSITION (DEFICIT)</b>                   |                                    |   |                     |
| Invested in capital assets, net of related debt | (319,314)                          | -   | (319,314)           |
| Restricted for:                                 |                                    |   |                     |
| Debt service                                    |                                    |   |                     |
| Capital reserve                                 | -                                  |   | -                   |
| Unrestricted (Deficit)                          | (88,921)                           | 0   | (88,921)            |
| Total net position (Deficit)                    | <u>\$ (408,235)</u>                | <u>\$ -</u>                                 | <u>\$ (408,235)</u> |

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Statement of Activities**  
**For the Fiscal Period Ended June 30, 2014**

Exhibit A-2

| <b>Functions/Programs</b>                              | <b>Expenses</b> | <b>Program Revenues</b>         |   |   | <b>Changes in Net Position</b>     |                                     |                |
|--|-----------------|---------------------------------|---|---|------------------------------------|-------------------------------------|----------------|
|  |                 | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>   |
| Governmental activities:                               |                 |                                 |   |   |                                    |                                     |                |
| Instruction:   |                 |                                 |   |   |                                    |                                     |                |
| Regular  | \$ (3,405,861)  |                                 | \$ (418,836)                                      |   | \$ (2,987,025)                     |                                     | \$ (2,987,025) |
| Support services:                                      |                 |                                 |   |   |                                    |                                     |                |
| General administration                                 | \$ (1,103,986)  |                                 | (28,350)  |   | \$ (1,075,636)                     |                                     | \$ (1,075,636) |
| School administrative services/ operations plant serv. | (1,016,026)     |                                 |   |   | (1,016,026)                        |                                     | (1,016,026)    |
| On - behalf TPAF Social Security                       | (126,274)       |                                 |   |   | (126,274)                          |                                     | (126,274)      |
| Capital Outlay   | (725,010)       |                                 |   |   | (725,010)                          |                                     | (725,010)      |
| Total governmental activities                          | (6,377,157)     |                                 | (447,186)   |   | (5,929,971)                        |                                     | (5,929,971)    |
| Business-type activities:                              |                 |                                 |   |   |                                    |                                     |                |
| Food Service and After School Program                  |                 | -                               |   |   |                                    | -                                   | -              |
| Total business-type activities                         |                 | -                               |   |   |                                    | -                                   | -              |
| Total primary government                               | (\$6,377,157)   | \$ 0                            | \$ (447,186)                                      |   | \$ (5,929,971)                     | \$ -                                | \$ (5,929,971) |
| General revenues:                                      |                 |                                 |   |   |                                    |                                     |                |
| Local Share  |                 |                                 |   |   | 3,561,950                          |                                     | 3,561,950      |
| State Share  |                 |                                 |   |   | 1,312,149                          |                                     | 1,312,149      |
| State and Federal Aid                                  |                 |                                 |   |   | 469,220                            |                                     | 469,220        |
| Miscellaneous Income                                   |                 |                                 |   |   | 219,876                            |                                     | 219,876        |
| Increase in net Capital Outlay                         |                 |                                 |   |   | (201,358)                          |                                     | (201,358)      |
| Total general revenues, special items, extraordinary   |                 |                                 |   |   | 5,361,837                          |                                     | 5,361,837      |
| Change in Net Position                                 |                 |                                 |   |   | (568,134)                          | 0                                   | (568,134)      |
| Net Position - January 1, 2013                         |                 |                                 |   |   | 159,899                            | 0                                   | 159,899        |
| Net Position - June 30, 2014                           |                 |                                 |   |   | \$ (408,235)                       | \$ -                                | \$ (408,235)   |

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

## **FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Funds**  
**As of June 30, 2014**

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| <b>ASSETS</b>  |                         |                                     |                                      |                                  |   |
| Cash and cash equivalents  | \$ 379,291              | \$ 18,460                           | \$ -                                 |                                  | \$ 397,751                              |
| Investments  |                         |                                     |                                      |                                  | 0                                       |
| Receivables, net   | 237,532                 | 39,188                              | -                                    |                                  | 276,720                                 |
| Security Deposit   | -                       |                                     |                                      |                                  | 0                                       |
| Due To/ From Account   | 73,043                  | (54,988)                            |                                      |                                  | 18,055                                  |
| Total assets   | <u>\$ 689,866</u>       | <u>\$ 2,660</u>                     | <u>\$ -</u>                          |                                  | <u>\$ 692,526</u>                       |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                         |                                     |                                      |                                  |   |
| Liabilities:   |                         |                                     |                                      |                                  |   |
| Cash Overdraft   |                         |                                     |                                      |                                  |   |
| Accounts payable   | 582,359                 | 2,660                               | -                                    |                                  | 585,019                                 |
| Payable to federal government  |                         | -                                   |                                      |                                  | 0                                       |
| Payable to School Districts  | 196,428                 |                                     |                                      |                                  | 196,428                                 |
| Payable to state government  | -                       |                                     |                                      |                                  | 0                                       |
| Deferred revenue   |                         |                                     |                                      |                                  | 0                                       |
| Total liabilities  | <u>778,787</u>          | <u>2,660</u>                        | <u>-</u>                             |                                  | <u>781,447</u>                          |
| Fund Balances:   |                         |                                     |                                      |                                  |   |
| Reserved for:  |                         |                                     |                                      |                                  |   |
| Encumbrances   |                         |                                     |                                      |                                  |   |
| Legally restricted -- unexpended<br>additional spending proposal       |                         |                                     |                                      |                                  |   |
| Legally restricted -- designated for<br>subsequent year's expenditures |                         |                                     |                                      |                                  |   |
| Capital reserve  | -                       |                                     |                                      |                                  |   |
| Excess surplus   | -                       |                                     |                                      |                                  |   |
| Excess surplus -- designated for<br>Subsequent year's expenditures     |                         |                                     |                                      |                                  |   |
| Unreserved, reported in:   |                         |                                     |                                      |                                  |   |
| General fund   | (88,921)                |                                     | -                                    |                                  | (88,921)                                |
| Capital projects fund  |                         |                                     |                                      |                                  |   |
| Total Fund balances  | <u>(88,921)</u>         |                                     | <u>-</u>                             |                                  | <u>(88,921)</u>                         |
| Total liabilities and fund balances                                    | <u>\$ 689,866</u>       | <u>\$ 2,660</u>                     | <u>\$ -</u>                          |                                  | <u>\$ 692,526</u>                       |

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

|   |                  |                     |
|---|------------------|---------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is                     | 11,353,607       |                     |
| and the accumulated depreciation  | <u>(239,558)</u> | 11,114,049          |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2) |                  | <u>(11,433,363)</u> |
| Net position of governmental activities   |                  | <u>\$ (408,235)</u> |

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances (Deficit)**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| <b>REVENUES</b>                                      |                         |                                     |                                      |                                  |   |
| Local Sources:                                       |                         |                                     |                                      |                                  |   |
| Local Share  | \$ 4,874,099            |                                     |                                      |                                  | \$ 4,874,099                            |
| State Share  | 107,910                 |                                     |                                      |                                  | 107,910                                 |
| Other Restricted Miscellaneous Revenues              |                         |                                     |                                      |                                  |   |
| Miscellaneous  | 219,876                 | -                                   |                                      |                                  | 219,876                                 |
| Total - Local Sources                                | <u>5,201,885</u>        |                                     |                                      |                                  | <u>5,201,885</u>                        |
| State Sources  | 361,310                 | -                                   |                                      |                                  | 361,310                                 |
| Federal Sources                                      |                         | 447,186                             |                                      |                                  | 447,186                                 |
| Total Revenues                                       | <u>5,563,195</u>        | <u>447,186</u>                      |                                      |                                  | <u>6,010,381</u>                        |
| <b>EXPENDITURES</b>                                  |                         |                                     |                                      |                                  |   |
| Current:   |                         |                                     |                                      |                                  |   |
| Regular instruction                                  | \$ 2,987,025            | \$ 418,836                          |                                      |                                  | \$ 3,405,861                            |
| Support services- General Administrative             | 1,075,636               | 28,350                              |                                      |                                  | 1,103,986                               |
| Support Services- School Admin/ operations plant se  | 1,016,026               |                                     |                                      |                                  | 1,016,026                               |
| On-behalf TPAF Social Security                       | 126,274                 |                                     |                                      |                                  | 126,274                                 |
| Capital outlay                                       | 725,011                 |                                     |                                      |                                  | 725,011                                 |
| Total expenditures                                   | <u>5,929,972</u>        | <u>447,186</u>                      |                                      |                                  | <u>6,377,158</u>                        |
| Excess (Deficiency) of revenues<br>over expenditures | <u>(366,777)</u>        |                                     |                                      |                                  | <u>(366,777)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                         |                                     |                                      |                                  |   |
| Transfers in   | -                       |                                     |                                      |                                  | -                                       |
| Transfers out  | -                       |                                     |                                      |                                  | -                                       |
| Total other financing sources and uses               | <u>* -</u>              |                                     |                                      |                                  | <u>-</u>                                |
| Net change in fund balances (Deficit)                | (366,777)               |                                     |                                      |                                  | (366,777)                               |
| Fund balance (Deficit) - July 1, 2013                | 277,856                 |                                     |                                      |                                  | 277,856                                 |
| Fund balance (Deficit) - June 30, 2014               | <u>\$ (88,921)</u>      |                                     |                                      |                                  | <u>\$ (88,921)</u>                      |

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

**BELOVED COMMUNITY CHARTER SCHOOL  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Period Ended June 30, 2014**

**Total net change in fund balances - governmental funds (from B-2)** \$ (366,776)

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

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

|                      |    |           |           |
|----------------------|----|-----------|-----------|
| Depreciation expense | \$ | (166,357) |           |
| Capital outlays      |    | 4,733,188 |           |
|                      | \$ |           | 4,566,831 |

Loan payable (4,768,189)

**Change in net position of governmental activities** \$ (568,134)

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

## **PROPRIETARY FUNDS**

**Exhibit B-4**

**BELOVED COMMUNITY CHARTER SCHOOL  
Statement of Net Position  
Proprietary Funds  
As of June 30, 2014**

**NOT APPLICABLE**

**Exhibit B-5**

**BELOVED COMMUNITY CHARTER SCHOOL  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014**

**NOT APPLICABLE**

**Exhibit B-6**

**BELOVED COMMUNITY CHARTER SCHOOL  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014**

**NOT APPLICABLE**

## **FIDUCIARY FUNDS**

**Exhibit B-7**

**BELOVED COMMUNITY CHARTER SCHOOL  
Statement of Fiduciary Net Position  
Fiduciary Funds  
As of June 30, 2014**

**NOT APPLICABLE**

**Exhibit B-8**

**BELOVED COMMUNITY CHARTER SCHOOL  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2014**

**NOT APPLICABLE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY**

Beloved Community Charter School (the “Charter School”) was incorporated in the State of New Jersey in 2011 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. Upon receiving its charter in July 2012, it became an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A principal is appointed by the Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but are not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

The mission of BelovED Community Charter School is to develop values, skills, knowledge, confidence and character in its students that will lead them to care not only about themselves, but about their peers and humankind, propel them to success at the school, in college, and in their careers, and help them realize the fulfillment of a socially contributory life. The Beloved Community Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity.

The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the school over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School is not includable in any other reporting entity on the basis of such criteria.

**A. Basis of Presentation**

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

**Charter School Government-wide Financial Statements**

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Fund Financial Statements**

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

**B Fund Accounting**

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

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

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

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

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

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

**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:

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Fiduciary Funds**

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

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

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

**C Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 year. These funds use fund balance as their measure of available spendable financial resources at the end of the year.

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

**Basis of Accounting**

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

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

**D Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

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

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

**E Cash, Cash Equivalent and Investments**

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

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

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

N.J.S.A. 17:9-41 et. seq. established the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which are federally insured.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposit of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

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

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

**G Inventories and Prepaid Expenses**

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

**H Capital Assets**

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

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

| <u>Description of Capital Cost</u> | <u>Estimated Lives (Years)</u> |
|------------------------------------|--------------------------------|
| Building and building improvements | 39.5                           |

No depreciation was computed on the construction in progress amount of \$4,768,189 as this asset was not placed in service until subsequent to June 30, 2014.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I Compensated Absences**

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

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

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

The Charter School had no compensated absences as of June 30, 2014.

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

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

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

**K Deferred Revenue**

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

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L Fund Balance and Equity**

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

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

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

**M Management Estimates**

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N On-Behalf Payments**

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

**O Net Position**

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

The Beloved Community Charter School implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the current fiscal year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

A deferred outflow of resources is a consumption of net position by the Beloved Community Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Beloved Community Charter School that is applicable to a future reporting period. The Beloved Community Charter School did not have any deferred inflows or outflows of resources at June 30, 2014.

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

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

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**3 DEPOSITS AND INVESTMENTS**

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

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

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

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. As of June 30, 2014, the Charter School’s carrying amount of deposits and investments are as follows:

|               | <b>General<br/>Fund</b> | <b>Special<br/>Revenue</b> | <b>Total</b> |
|---------------|-------------------------|----------------------------|--------------|
| Operating A/C | \$379,291               | \$18,460                   | \$397,751    |

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2014, the Charter School’s bank balance was \$397,751.

Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2014 were secured by federal deposit insurance and \$147,751 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act (“GUDPA”).

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**3 DEPOSITS AND INVESTMENTS (continued)**

*Category 1*

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

*Category 2*

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

*Category 3*

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

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

**Investments**

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

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

As of June 30, 2014, the Charter School did not hold any investments.

**4 CAPITAL ASSETS**

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2014:

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**4**     **CAPITAL ASSETS (continued)**

|   | <b>Beginning<br/>Balance<br/>July 1, 2013</b> | <b>Net Additions<br/>(Deletions)</b> | <b>Ending<br/>Balance<br/>June 30, 2014</b> |
|---|---|--------------------------------------|---|
| <b>Governmental Activities</b>                            |   |                                      |   |
| <b>Capital assets:</b>                                    |   |                                      |   |
| Building and improvements and<br>construction in progress | \$6,585,418                                   | \$4,768,189                          | \$11,353,607                                |
| Equipment   | 35,000  | (35,000)                             | 0   |
| Total capital assets                                      | \$6,620,418                                   | \$4,733,189                          | \$11,353,607                                |
| Less accumulated depreciation for:                        |   |                                      |   |
| Building and improvements                                 | \$70,701                                      | \$168,857                            | \$239,558                                   |
| Equipment   | 2,500   | (2,500)                              | 0   |
| Total accumulated depreciation                            | \$73,201                                      | \$166,357                            | \$239,558                                   |
| Total capital assets net                                  | \$6,547,217                                   | \$4,566,832                          | \$11,114,049                                |

At June 30, 2014, construction in progress amounted to \$4,768,189. Included in this amount is \$165,838 of soft costs for legal, consulting, permit fees, etc. awaiting reimbursement from the project lender. This amount is included as part of receivables - net in the general fund.

**5**     **PENSION PLANS**

**Description of Plans**

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

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**5 PENSION PLANS (continued)**

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

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

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

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

**Defined Contribution Retirement Program (DCRP)**

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

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirements 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).

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**5 PENSION PLANS (continued)**

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

**Significant Legislation**

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

**Pension Plan Design Changes**

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

**Funding Changes**

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

**COLA Suspension**

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**5**     **PENSION PLANS (continued)**

**Contribution Requirements**

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

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

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

**Annual Pension Costs (APC)**

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

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

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$126,274 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. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 27.

**6**     **POST RETIREMENT BENEFITS**

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**6 POST RETIREMENT BENEFITS (continued)**

It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

As of June 30, 2013, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2013.

**7 COMPENSATED ABSENCES**

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

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

Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2014, Charter School-wide compensated absences amounted to \$-0-.

**8 DEFERRED COMPENSATION**

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**9**      **ECONOMIC DEPENDENCY**

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

**10**     **CONTINGENT LIABILITIES**

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

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

**11**     **RISK MANAGEMENT**

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

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

**12**     **RECEIVABLES**

Receivables as of June 30, 2014 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**12 RECEIVABLES (continued)**

A summary of the principal items of intergovernmental receivables are as follows:

|                   | <u>General</u>   | <u>Special<br/>Revenue</u> | <u>Total</u>     |
|-------------------|------------------|----------------------------|------------------|
| Receivables:      |                  |                            |                  |
| Accounts          | <u>\$237,532</u> | <u>\$39,188</u>            | <u>\$276,720</u> |
| Gross Receivables | <u>\$237,532</u> | <u>\$39,188</u>            | <u>\$276,720</u> |

**13. COMMITMENTS**

**Licensing**

The school entered into an agreement effective for the school year ended June 30, 2013 with Sabis Education Systems, Inc. for the licensing of various education products and services. The terms of the agreement require that for the first academic year, the amounts due shall be:

Equal to six percent (6%) of all per-pupil tuition funds that the school receives from state and local governments in the applicable Academic Year (“State and Local Funding”), plus six percent (6%) of all federal funds that the school receives for special education in the applicable Academic Year (the “Federal Funding”) if allowed by law, or \$195,000, whichever is greater. In each subsequent Academic Year of the First Period, the Yearly Fee for each operating school shall be equal to six percent (6%) of all State and Local Funding, plus six (6%) of all Federal Funding if allowed by law or \$235,000, whichever is greater.

The term of the agreement is four years following the grant of the charter award to the school.

**Construction Contract**

The school entered into a contract in August 2013 with a construction manager for a three story addition on property adjacent to the current school location. The estimated cost of construction is approximately \$5,000,000. The project was completed during the summer of 2014.

**14. PURCHASE OF BUILDING**

In January 2014, the school purchased land and building located at 508 Grand Street, Jersey City, New Jersey for use as its school location commencing for the 2013-2014 school year. The purchase price amounted to \$6,665,174 including closing costs and 2 months of accrued interest.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**14. PURCHASE OF BUILDING (continued)**

The terms of the notes are summarized below. The proceeds of the notes were used to purchase the land and building, along with providing for improvements to be made to the property. The collateral for the notes are a mortgage on the property, a security agreement, an assignment of leases and rents, a collateral assignment of contractors and engineer agreements and school development agreement.

**15. NOTES PAYABLE**

The amounts and terms of the notes are as follows:

|  |                            |
|--|----------------------------|
| Promissory Note A payable - Balloon payment due January 31, 2033.<br>Interest only, payable monthly at rates of 9.5% to 11.0% per annum. | \$6,265,264                |
| Promissory Note B payable - Balloon payment due January 31, 2033.<br>Interest only, payable monthly at rates of 9.5% to 11.0% per annum. | <u>399,910</u>             |
| <b>Total Amounts Due - Original Promissory Notes Payable:</b>  | <u>6,665,174</u>           |
| Additional monies advanced under mortgage modification agreement -<br>Period 8/28/13 to June 30, 2014                                    | <u>4,768,189</u>           |
| <b>Total Notes Payable - June 30, 2014</b>   | <u><u>\$11,433,363</u></u> |

During 2013 - 2014 no principal payments were made.

Interest rates on the notes are as follows:

| <b>Period</b>                             | <b>Applicable<br/>Interest Rate</b> |
|---|-------------------------------------|
| January 11, 2014 through March 11, 2014   | 9.5% per annum                      |
| March 12, 2014 through December 31, 2014  | 9.5% per annum                      |
| January 1, 2014 through December 31, 2017 | 9.5% per annum                      |
| January 1, 2018 through December 31, 2022 | 10.0% per annum                     |
| January 1, 2023 through December 31, 2027 | 10.5% per annum                     |
| January 1, 2028 through January 31, 2033  | 11.0% per annum                     |

On August 28, 2013 the school entered into a mortgage modification agreement in order to increase the maximum principal amount of the original loan to \$12,354,580. Promissory Note A will increase to \$11,613,305 and Promissory Note B will increase to \$741,275. The proceeds of the modification are being utilized for an addition to the building to increase school capacity.

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**16. SUBSEQUENT EVENTS/(DEFICT) GENERAL FUND BALANCE**

The school has evaluated subsequent events occurring after the balance sheet through the date of November 10, 2014, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined the following subsequent events require disclosure in the financial statements.

The school has entered into a Line of Credit agreement with the Community Bank of Bergen County effective August 6, 2014 and maturing August 10, 2017 in the amount of \$250,000. Interest rate at prime plus 2.5%. The initial rate was interest rate of 6%. The school had drawn down the full amount of the advance subsequent to June 30, 2014.

The Charter School has a (Deficit) General Fund Balance of (\$88,921) as of June 30, 2014 as reported in the school's financial statements. The deficit appears to be the result of several material unbudgeted items -1) a reduction in the enrollment count of Limited English Proficient students which resulted in a large decrease in yearend revenues and 2) An accrual of two months of interest expense as required under United States Generally Accepted Accounting Principles (GAAP) for the construction in progress on the new school addition.

The School in consultation with the Board of Trustees is taking immediate steps to reduce both budgeted expenditures and/or raise additional revenues in order to eliminate the (deficit) fund balance. The School is implementing immediate cost reductions in order to bring the Charter School into compliance.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Period Ended June 30, 2014**  
**(Unaudited)**

|  | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| <b>REVENUES:</b>                                 |                            |                             |                         |                  |                                     |
| Local Sources:                                   |                            |                             |                         |                  |                                     |
| Local Share                                      | \$ 5,038,240               | \$ -                        | \$ 5,038,240            | \$ 3,561,950     | \$ 1,476,290                        |
| State Share                                      | 127,156                    | 0                           | 127,156                 | 1,312,149        | (1,184,993)                         |
| Other Restricted Miscellaneous Revenues          |                            |                             |                         |                  |                                     |
| Miscellaneous                                    | 185,000                    | -                           | 185,000                 | 219,876          | (34,876)                            |
| Total - Local Sources                            | <u>5,350,396</u>           | <u>-</u>                    | <u>5,350,396</u>        | <u>5,093,975</u> | <u>256,421</u>                      |
| Nonpublic Aid                                    | -                          | -                           | -                       | 107,910          | (107,910)                           |
| Special Education                                | 46,381                     | -                           | 46,381                  | 43,815           | 2,566                               |
| Security Aid                                     | 197,426                    | -                           | 197,426                 | 191,221          | 6,205                               |
| Categorical Aid                                  | -                          | -                           | -                       | -                | -                                   |
| Targeted At- Risk Aid                            | -                          | -                           | -                       | -                | -                                   |
| Bilingual Education                              | -                          | -                           | -                       | -                | -                                   |
| Demonstrably Effective                           | -                          | -                           | -                       | -                | -                                   |
| TPAF Medical (On-Behalf - Non-Budgeted)          | -                          | -                           | -                       | -                | -                                   |
| TPAF Pension (On-Behalf - Non-Budgeted)          | -                          | -                           | -                       | -                | -                                   |
| TPAF Social Security (Reimbursed - Non-Budgeted) | -                          | -                           | -                       | 126,274          | (126,274)                           |
| Total State Sources                              | <u>243,807</u>             | <u>-</u>                    | <u>243,807</u>          | <u>469,220</u>   | <u>(225,413)</u>                    |
| Federal Sources:                                 |                            |                             |                         |                  |                                     |
| Impact Aid                                       |                            |                             |                         |                  |                                     |
| Medical Assistance Program                       |                            |                             |                         |                  |                                     |
| Total - Federal Sources                          |                            |                             |                         |                  |                                     |
| <b>Total Revenues</b>                            | <u>5,594,203</u>           | <u>-</u>                    | <u>5,594,203</u>        | <u>5,563,195</u> | <u>31,008</u>                       |
| <b>EXPENDITURES:</b>                             |                            |                             |                         |                  |                                     |
| <b>Current Expense:</b>                          |                            |                             |                         |                  |                                     |
| <b>Regular Programs - Instruction</b>            |                            |                             |                         |                  |                                     |
| Teachers Salary                                  | 1,759,710                  | 66,473                      | 1,826,183               | 1,826,183        | \$ -                                |
| Other Salaries                                   | 509,945                    | (108,106)                   | 401,839                 | 401,839          | -                                   |
| Prof/Tech Services                               | 395,172                    | (48,905)                    | 346,267                 | 346,267          | -                                   |
| Other Purchased Services (400-500 series)        | 124,000                    | (8,236)                     | 115,764                 | 115,764          | -                                   |
| General Supplies                                 | 120,000                    | (40,286)                    | 79,714                  | 79,714           | -                                   |
| Textbooks  | 195,000                    | 3,784                       | 198,784                 | 198,784          | -                                   |
| Other Objects                                    | 15,000                     | 3,474                       | 18,474                  | 18,474           | -                                   |
| <b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>      | <u>3,118,827</u>           | <u>(131,802)</u>            | <u>2,987,025</u>        | <u>2,987,025</u> | <u>-</u>                            |

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Period Ended June 30, 2014**  
**(Unaudited)**

|   | <b>Original<br/>Budget</b> | <b>Budget<br/>Transfers</b> | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance<br/>Final to Actual</b> |
|---|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| <b>Support Services - General Administrative</b>                  |                            |                             |                         |                  |                                     |
| Salaries of Administrative Salaries                               | 512,175                    | (97,341)                    | 414,834                 | 414,834          | -                                   |
| Salaries of Secretarial and Clerical Assistants                   | -                          | -                           | -                       | -                | -                                   |
| Cost of Benefits  | 422,500                    | 40,694                      | 463,194                 | 463,194          | -                                   |
| Consultants   | 216,000                    | 14,456                      | 230,456                 | 96,356           | 134,100                             |
| Other Purchased Services (400-500 series)                         | -                          | 18,219                      | 18,219                  | 18,219           | -                                   |
| Communications/Telephone  | 3,000                      | 30,628                      | 33,628                  | 33,628           | -                                   |
| Supplies and Materials  | 15,000                     | 10,483                      | 25,483                  | 25,483           | -                                   |
| Other Objects   | 16,800                     | 7,122                       | 23,922                  | 23,922           | -                                   |
|   | <u>1,185,475</u>           | <u>24,261</u>               | <u>1,209,736</u>        | <u>1,075,636</u> | <u>134,100</u>                      |
| <b>Support Services - School Admin/Operation Plant Services</b>   |                            |                             |                         |                  |                                     |
| Salaries  | 278,950                    | 129,101                     | 408,051                 | 408,051          | -                                   |
| Purchased Professional and Technical Services                     | 84,060                     | (15,666)                    | 68,394                  | 68,394           | -                                   |
| Other Purchased Services  | 20,000                     | 40,919                      | 60,919                  | 60,919           | -                                   |
| Rental of Land and Building- other than Lease Purchase Agreements | -                          | -                           | -                       | -                | -                                   |
| Insurance   | 100,000                    | 32,095                      | 132,095                 | 132,095          | -                                   |
| General Supplies  | 18,000                     | 3,091                       | 21,091                  | 21,091           | -                                   |
| Transportation- Trips   | 226,256                    | 8,264                       | 234,520                 | 234,520          | -                                   |
| Energy (Energy and Electricity)                                   | 90,000                     | 128                         | 90,128                  | 90,128           | -                                   |
| Other Objects   | -                          | 828                         | 828                     | 828              | -                                   |
|   | <u>817,266</u>             | <u>198,760</u>              | <u>1,016,026</u>        | <u>1,016,026</u> | <u>-</u>                            |
| <b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>  |                            |                             |                         |                  |                                     |
| <b>Food Service and After Care Program</b>                        |                            |                             |                         |                  |                                     |
| Other Purchased Services  | -                          | -                           | -                       | -                | -                                   |
|   | <u>-</u>                   | <u>-</u>                    | <u>-</u>                | <u>-</u>         | <u>-</u>                            |
| <b>Total Food Services</b>  |                            |                             |                         |                  |                                     |
| On-behalf TPAF Medical Contributions (non-budgeted)               |                            |                             |                         |                  |                                     |
| On-behalf TPAF pension Contributions (non-budgeted)               |                            |                             |                         |                  |                                     |
| Reimbursed TPAF Social Security Contributions (non-budgeted)      |                            |                             |                         | 126,274          | (126,274)                           |
| <b>TOTAL ON-BEHALF CONTRIBUTIONS</b>                              |                            |                             |                         | <u>126,274</u>   | <u>(126,274)</u>                    |
|   |                            |                             |                         |                  |                                     |
| <b>TOTAL UNDISTRIBUTED EXPENDITURES</b>                           |                            |                             |                         |                  |                                     |
|   | 2,002,741                  | 223,021                     | 2,225,762               | 2,217,936        | 7,826                               |
| <b>TOTAL GENERAL CURRENT EXPENSE</b>                              | <u>5,121,568</u>           | <u>91,219</u>               | <u>5,212,787</u>        | <u>5,204,961</u> | <u>7,826</u>                        |

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Period Ended June 30, 2014**  
**(Unaudited)**

|   | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|--------------------|-------------------------------------|
| <b>CAPITAL OUTLAY</b>   |                            |                             |                         |                    |                                     |
| <b>Equipment</b>  |                            |                             |                         |                    |                                     |
| <b>Regular Programs - Instruction:</b>  |                            |                             |                         |                    |                                     |
| Non-Instructional Equipment   | 15,000                     | (10,810)                    | 4,190                   | 4,190              | -                                   |
| Instructional Equipment   | -                          | 29,637                      | 29,637                  | 29,637             | -                                   |
| Interest Expense- Mortgages   | 725,000                    | (93,127)                    | 631,873                 | 691,183            | (59,310)                            |
| Building Improvements   | -                          | -                           | -                       | -                  | -                                   |
| Lease paymernts   | -                          | -                           | -                       | -                  | -                                   |
| <b>Total Equipment</b>  | <u>740,000</u>             | <u>(74,300)</u>             | <u>665,700</u>          | <u>725,010</u>     | <u>(59,310)</u>                     |
| <br>  |                            |                             |                         |                    |                                     |
| <b>TOTAL EXPENDITURES- GENERAL FUND</b>   | 5,861,568                  | 16,919                      | 5,878,487               | 5,929,971          | (51,484)                            |
| <br>  |                            |                             |                         |                    |                                     |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b>  | <u>(267,365)</u>           | <u>(16,919)</u>             | <u>(284,284)</u>        | <u>(366,776)</u>   | <u>82,492</u>                       |
| <br>  |                            |                             |                         |                    |                                     |
| <b>Other Financing Sources:</b>   |                            |                             |                         |                    |                                     |
| <b>Operating Transfer In:</b>   | 267,365                    | 16,819                      | 284,284                 | -                  | 284,284                             |
| <b>Total Other Financing Sources:</b>   | <u>267,365</u>             | <u>16,819</u>               | <u>284,284</u>          | <u>-</u>           | <u>284,284</u>                      |
| <br>  |                            |                             |                         |                    |                                     |
| <b>Excess (Deficiency) of Revenues and Other Financing Sources<br/>Over (Under) Expenditures and Other Financing Sources (Uses)</b> | -                          | -                           | -                       | (366,776)          | 366,776                             |
| <br>  |                            |                             |                         |                    |                                     |
| <b>Fund Balance, July 1, 2013</b>   | -                          | -                           | -                       | 277,855            |                                     |
| <b>Fund Balance, June 30, 2014</b>  | <u>\$ -</u>                | <u>\$ -</u>                 | <u>\$ -</u>             | <u>\$ (88,921)</u> | <u>\$ 366,776</u>                   |

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

**Exhibit C-2**  
**Page 1**

|   | <u>Budget</u>  | <u>Transfers</u> | <u>Budget</u>  | <u>Actual</u>  | <u>Variance<br/>Final to Actual</u> |
|---|----------------|------------------|----------------|----------------|-------------------------------------|
| <b>REVENUES:</b>                              |                |                  |                |                |                                     |
| Local Sources                                 |                |                  |                |                |                                     |
| State Sources                                 | -              |                  | -              | -              |                                     |
| Federal Sources                               | 447,186        |                  | 447,186        | 447,186        |                                     |
| <b>Total Revenues</b>                         | <u>447,186</u> |                  | <u>447,186</u> | <u>447,186</u> |                                     |
| <b>EXPENDITURES:</b>                          |                |                  |                |                |                                     |
| <b>Instruction</b>                            |                |                  |                |                |                                     |
| Salaries of Teachers                          | 181,637        |                  | 181,637        | 181,637        |                                     |
| Other Salaries for Instruction                | 123,275        |                  | 123,275        | 123,275        |                                     |
| Purchased Professional -Educational Services  | 17,274         |                  | 17,274         | 17,274         |                                     |
| Purchased Professional and Technical Services | -              |                  | -              | -              |                                     |
| Food Service Subsidy                          | -              |                  | -              | -              |                                     |
| Other Purchased Services (400-500 series)     | -              |                  | -              | -              |                                     |
| Textbooks                                     | -              |                  | -              | -              |                                     |
| General Supplies                              | 64,358         |                  | 64,358         | 64,358         |                                     |
| Personal Services- Employee Benefits          | 30,292         |                  | 30,292         | 30,292         |                                     |
| Instructional services                        | 2,000          |                  | 2,000          | 2,000          |                                     |
| Equipment- Non instructional                  | -              |                  | -              | -              |                                     |
| Recruitment                                   | -              |                  | -              | -              |                                     |
| <b>Total Instruction</b>                      | <u>418,836</u> | <u>-</u>         | <u>418,836</u> | <u>418,836</u> |                                     |
| <b>Support Services</b>                       |                |                  |                |                |                                     |
| Salaries of Supervisor of Instruction         | 13,350         |                  | 13,350         | 13,350         |                                     |
| Salaries of Program Directors                 |                |                  |                |                |                                     |
| Salaries of Other Professional Staff          | -              |                  | -              | -              |                                     |
| Salaries of Secretaries & Clerical Assistants |                |                  |                |                |                                     |
| Other Salaries                                |                |                  |                |                |                                     |
| Personal Services - Employee Benefits         | -              |                  | -              | -              |                                     |
| Purchased Professional - Educational Services | 15,000         |                  | 15,000         | 15,000         |                                     |
| Other Purchased Professional Services         |                |                  |                |                |                                     |
| Supplies                                      |                |                  |                |                |                                     |
| Field Trips                                   |                |                  |                |                |                                     |
| Scholarships                                  |                |                  |                |                |                                     |
| Tuition                                       |                |                  |                |                |                                     |
| Travel  |                |                  |                |                |                                     |
| Other purchased Services (400-500 series)     | -              |                  | -              | -              |                                     |
| Building Improvements                         |                |                  |                |                |                                     |
| <b>Total Support Services</b>                 | <u>28,350</u>  |                  | <u>28,350</u>  | <u>28,350</u>  |                                     |

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

|   | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------|-------------------------------------|
| Buildings Improvements  |                            |                             |                         |               |                                     |
| Instructional Equipment                                       |                            |                             |                         |               |                                     |
| Noninstructional Equipment                                    |                            |                             |                         |               |                                     |
| <b>Total Facilities Acquisition and Construction Services</b> |                            |                             |                         |               |                                     |
| <b>Transfer to Charter School</b>                             |                            |                             |                         |               |                                     |
| Total Expenditures  | 447,186                    |                             | 447,186                 | 447,186       |                                     |
| <b>Other Financing Sources (Uses)</b>                         |                            |                             |                         |               |                                     |
| Transfer in from General Fund                                 |                            |                             |                         |               |                                     |
| Transfer Out to Whole School Reform (General Fund)            |                            |                             |                         |               |                                     |
| <b>Total Other Financing Sources (Uses)</b>                   |                            |                             |                         |               |                                     |
| <b>Total Outflows</b>   |                            |                             |                         |               |                                     |
| <b>Excess (Deficiency) of Revenues Over (Under)</b>           |                            |                             |                         |               |                                     |
| <b>Expenditures and Other Financing Sources (Uses)</b>        |                            |                             |                         |               |                                     |

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Note to RSI**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

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

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

## **SPECIAL REVENUE FUND**

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

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures- Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2014**

|   | <b>TOTAL</b>          | <b>NCLB<br/>Title I</b> | <b>NCLB<br/>Title IIA</b> | <b>NCLB<br/>Title III</b> | <b>IDEA<br/>PART B</b> | <b>START UP<br/>GRANT</b> |
|---|-----------------------|-------------------------|---------------------------|---------------------------|------------------------|---------------------------|
| <b>REVENUES</b>                             |                       |                         |                           |                           |                        |                           |
| Intergovernmental                           |                       |                         |                           |                           |                        |                           |
| State                                       |                       |                         |                           |                           |                        |                           |
| Federal                                     | 447,186               | 309,064                 | 2,000                     | 14,330                    | 60,240                 | 61,552                    |
| Other Sources                               |                       |                         |                           |                           |                        |                           |
| Miscellaneous                               |                       |                         |                           |                           |                        |                           |
| Total Revenues                              | <u>447,186</u>        | <u>309,064</u>          | <u>2,000</u>              | <u>14,330</u>             | <u>60,240</u>          | <u>61,552</u>             |
| <b>EXPENDITURES</b>                         |                       |                         |                           |                           |                        |                           |
| Instruction                                 |                       |                         |                           |                           |                        |                           |
| Salaries                                    | 181,637               | 132,661                 |                           |                           | 48,976                 |                           |
| Salaries -Other Instruction                 | 123,275               | 100,445                 |                           |                           |                        | 22,830                    |
| Other Purchased Services                    | 17,274                | 194                     |                           | 14,330                    |                        | 2,750                     |
| Purchased Prof. and Tech.and Edu Services   | 0                     |                         |                           |                           |                        |                           |
| General Supplies                            | 64,358                | 45,155                  |                           |                           |                        | 19,203                    |
| Recruitment                                 | 0                     |                         |                           |                           |                        |                           |
| Personal Services - Employee Benefits       | 30,292                | 17,259                  |                           |                           | 11,264                 | 1,769                     |
| Food Service Subsidy                        | 0                     |                         |                           |                           |                        |                           |
| Textbooks                                   | 0                     |                         |                           |                           |                        |                           |
| Instructional Services                      | 2,000                 |                         | 2,000                     |                           |                        |                           |
| Equipment Non- Instructional                | 0                     |                         |                           |                           |                        |                           |
| Total Instruction                           | <u>418,836</u>        | <u>295,714</u>          | <u>2,000</u>              | <u>14,330</u>             | <u>60,240</u>          | <u>46,552</u>             |
| Support Services                            |                       |                         |                           |                           |                        |                           |
| Salaries of Supervisors of Instruction      | 13,350                | 13,350                  |                           |                           |                        |                           |
| Salaries of Program Directors               |                       |                         |                           |                           |                        |                           |
| Salaries of Other Prof. Staff               |                       |                         |                           |                           |                        |                           |
| Salaries of Secretarial and Clerical Ass't  |                       |                         |                           |                           |                        |                           |
| Personal Services - Employee Benefits       |                       |                         |                           |                           |                        |                           |
| Supplies and Materials                      |                       |                         |                           |                           |                        |                           |
| Other Purchased Services                    |                       |                         |                           |                           |                        |                           |
| Purchased Professional/Educational Services | 15,000                |                         |                           |                           |                        | 15,000                    |
| Class- room Improvements                    |                       |                         |                           |                           |                        |                           |
| Building Improvements                       |                       |                         |                           |                           |                        |                           |
| Non instructional Equipment                 |                       |                         |                           |                           |                        |                           |
| Total Support Services                      | <u>28,350</u>         | <u>13,350</u>           | <u>0</u>                  | <u>0</u>                  |                        | <u>15,000</u>             |
| <b>TOTAL EXPENDITURES</b>                   | <u><u>447,186</u></u> | <u><u>309,064</u></u>   | <u><u>2,000</u></u>       | <u><u>14,330</u></u>      | <u><u>60,240</u></u>   | <u><u>61,552</u></u>      |

## **PROPRIETARY FUNDS**

## **ENTERPRISE FUND**

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

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

**Exhibit G-1**

**BELOVED COMMUNITY CHARTER SCHOOL  
Proprietary Fund  
Statement of Net Position  
As of June 30, 2014**

**NOT APPLICABLE**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2014**

**NOT APPLICABLE**

**Exhibit G-3**

**BELOVED COMMUNITY CHARTER SCHOOL  
Proprietary Fund  
Statements of Cash Flows  
For the Fiscal Year Ended June 30, 2014**

**NOT APPLICABLE**

## **FIDUCIARY FUNDS**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Fiduciary Funds**  
**Combining Statement of Agency Fund Net Position**  
**As of June 30, 2014**

|   | <b>Student<br/>Activity<br/>Fund</b> | <b>Unemployment<br/>Insurance<br/>Fund</b> | <b>Agency<br/>Fund<br/>Payroll</b> | <b>Total</b>    |
|---|--------------------------------------|--|------------------------------------|-----------------|
| <b>ASSETS</b>                           |                                      |  |                                    |                 |
| Cash and cash equivalents               | \$0                                  | \$0  | \$18,055                           | \$18,055        |
| Total Assets                            | <u>\$0</u>                           | <u>\$0</u>                                 | <u>\$18,055</u>                    | <u>\$18,055</u> |
| <b>LIABILITIES AND FUND BALANCES</b>    |                                      |  |                                    |                 |
| Liabilities                             |                                      |  |                                    |                 |
| Payroll deductions and withholdings     |                                      |  |                                    |                 |
| Interfund payables                      |                                      |  | 18,055                             | 18,055          |
| Account payable - due to students group |                                      |  |                                    |                 |
| Total Liabilities                       | <u>0</u>                             | <u>0</u>                                   | <u>18,055</u>                      | <u>18,055</u>   |
| Net Position                            |                                      |  |                                    |                 |
| Total Liabilities and Net Position      | <u>\$0</u>                           | <u>\$0</u>                                 | <u>\$18,055</u>                    | <u>\$18,055</u> |

**Exhibit H-2**

**BELOVED COMMUNITY CHARTER SCHOOL  
Nonexpendable Trust Fund  
Combining Statement of Agency Fund Net Position  
Fiduciary Funds  
As of June 30, 2014**

**NOT APPLICABLE**

**Exhibit H-3**

**BELOVED COMMUNITY CHARTER SCHOOL  
Student Activity Agency Fund  
Schedule of Receipts and Disbursements  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2014**

**NOT APPLICABLE**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

|                                     | <u>Balance</u><br><u>September 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|-------------------------------------|--|------------------|------------------|--|
| <b>ASSETS</b>                       |  |                  |                  |  |
| Cash and Cash Equivalents           | _____                                      | \$3,530,048      | \$3,530,048      | _____                                  |
| Total Liabilities                   | =====                                      | 3,530,048        | 3,530,048        | =====                                  |
| <b>LIABILITIES</b>                  |  |                  |                  |  |
| Payroll Deductions and Withholdings |  | 1,011,030        | 1,011,030        |  |
| Accrued Salaries and Wages          | _____                                      | 2,519,018        | 2,519,018        | _____                                  |
| Total Liabilities                   | =====                                      | \$3,530,048      | \$3,530,048      | =====                                  |

**Exhibit H-5**

**BELOVED COMMUNITY CHARTER SCHOOL  
Unemployment Compensation Insurance Trust Fund  
Statement of Receipts and Disbursements  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2014**

**NOT APPLICABLE**

## **FINANCIAL TRENDS**

Exhibit J-1

**BELOVED COMMUNITY CHARTER SCHOOL  
NET POSITION (DEFICIT) BY COMPONENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

|   | <u>2014</u>        | <u>2013</u>       |
|---|--------------------|-------------------|
| Governmental activities                         |                    |                   |
| Invested in capital assets, net of related debt | \$ -               | \$ -              |
| Restricted                                      |                    |                   |
| Unrestricted Fund Balance (Deficit)             | (88,921)           | 277,856           |
| Total governmental activities net position      | <u>\$ (88,921)</u> | <u>\$ 277,856</u> |
| Business-type activities                        |                    |                   |
| Invested in capital assets, net of related debt |                    |                   |
| Restricted                                      | -                  | -                 |
| Unrestricted                                    | <u>\$ -</u>        | <u>\$ -</u>       |
| Total business-type activities net position     |                    |                   |
| School-wide                                     |                    |                   |
| Invested in capital assets, net of related debt | -                  | -                 |
| Restricted                                      | -                  | -                 |
| Unrestricted Fund Balance (Deficit)             | (88,921)           | 277,856           |
| Total school net position (Deficit)             | <u>\$ (88,921)</u> | <u>\$ 277,856</u> |

**Source: School Financial Statements**

**BELOVED COMMUNITY CHARTER SCHOOL  
CHANGES IN NET POSITION (DEFICIT)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| <b>Expenses</b>                                 |                      |                      |
| Governmental activities                         |                      |                      |
| Instruction                                     |                      |                      |
| Regular   | \$3,405,861          | \$1,842,055          |
| Support Services:                               |                      |                      |
| General administration                          | 1,103,986            | 883,600              |
| School Administrative Services                  | 1,016,026            | 875,098              |
| On-behalf TPAF Social Security                  | 126,274              | 98,723               |
| Capital outlay                                  | 725,011              | 359,236              |
| Unallocated depreciation                        | 166,357              | 73,201               |
| Total governmental activities expenses          | <u>6,543,515</u>     | <u>4,131,913</u>     |
| Business-type activities:                       |                      |                      |
| Food service                                    | 0                    | 0                    |
| Total business-type activities expense          | <u>0</u>             | <u>0</u>             |
| Total school expenses                           | <u>\$6,543,515</u>   | <u>\$4,131,913</u>   |
| <b>Program Revenues</b>                         |                      |                      |
| Governmental activities:                        |                      |                      |
| Operating grants and contributions              | \$447,186            | \$145,395            |
| Capital grants and contributions                |                      |                      |
| Total governmental activities program revenues  | <u>447,186</u>       | <u>145,395</u>       |
| Business-type activities:                       |                      |                      |
| Charges for services                            |                      |                      |
| Food service                                    | 0                    | 0                    |
| Operating grants and contributions              | 0                    | 0                    |
| Capital grants and contributions                |                      |                      |
| Total business type activities program revenues | <u>0</u>             | <u>0</u>             |
| Total school program revenues                   | <u>\$447,186</u>     | <u>\$145,395</u>     |
| <b>Net (Expense)/Revenue</b>                    |                      |                      |
| Governmental activities                         | (\$6,096,329)        | (\$3,986,518)        |
| Business-type activities                        | \$0                  | \$0                  |
| Total school-wide net expense                   | <u>(\$6,096,329)</u> | <u>(\$3,986,518)</u> |
| Governmental activities:                        |                      |                      |
| Local share                                     | \$4,874,099          | \$3,623,720          |
| State Share                                     | 107,910              | 127,671              |
| State and Federal Aid aid                       | 361,310              | 267,702              |
| Miscellaneous income                            | 219,876              | 172,080              |
| Decrease in Net Capital Outlay                  | (35,000)             | (44,756)             |
| Transfers                                       |                      |                      |
| Total governmental activities                   | <u>\$5,528,195</u>   | <u>\$4,146,417</u>   |
| Business-type activities:                       |                      |                      |
| Investment earnings                             |                      |                      |
| Transfers                                       | 0                    | 0                    |
| Total business-type activities                  | <u>0</u>             | <u>0</u>             |
| Total school-wide                               | <u>\$5,528,195</u>   | <u>\$4,146,417</u>   |
| <b>Change in Net Position (Deficit)</b>         |                      |                      |
| Governmental activities                         | (\$568,134)          | \$159,899            |
| Business-type activities                        | \$0                  | \$0                  |
| Total school                                    | <u>(\$568,134)</u>   | <u>\$159,899</u>     |

**Source: School Financial Statements**

Exhibit J-3

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

|                                    | <u>2014</u>                        | <u>2013</u>                        |
|------------------------------------|------------------------------------|------------------------------------|
| General Fund                       |                                    |                                    |
| Reserved                           | \$ -                               | \$ -                               |
| Unreserved Fund Balance (Deficit)  | <u>(505,879)</u>                   | <u>277,856</u>                     |
| Total general fund                 | <u><u>\$ (505,879)</u></u>         | <u><u>\$ 277,856</u></u>           |
| <br>                               |                                    |                                    |
| All Other Governmental Funds       |                                    |                                    |
| Reserved                           |                                    |                                    |
| Unreserved, reported in:           |                                    |                                    |
| Special revenue fund               |                                    |                                    |
| Capital projects fund              |                                    |                                    |
| Debt service fund                  |                                    |                                    |
| Permanent fund                     |                                    |                                    |
| Total all other governmental funds | <u><u>                    </u></u> | <u><u>                    </u></u> |

**Source: School Financial Statements**

**BELOVED COMMUNITY CHARTER SCHOOL  
GOVERNMENTAL REVENUES AND EXPENDITURES  
FOR THE FISCAL YEARS ENDED JUNE 30  
(Unaudited)**

|  | <u>2014</u>         | <u>2013</u>       |
|--|---------------------|-------------------|
| <b>Revenues</b>  |                     |                   |
| Local tax Levy   | \$4,874,099         | \$3,623,720       |
| Other local revenue  | 219,876             | 172,080           |
| State sources  | 469,220             | 395,373           |
| Federal sources  | 447,186             | 145,395           |
| Total revenue  | <u>6,010,381</u>    | <u>4,336,568</u>  |
| <b>Expenditures</b>  |                     |                   |
| Instruction  |                     |                   |
| Regular Instruction  | 2,987,025           | 1,696,660         |
| Support Services:  |                     |                   |
| General administration                                       | 1,075,636           | 883,600           |
| School administrative services/Plant                         | 1,016,026           | 875,098           |
| TPAF Social Security   | 126,274             | 98,723            |
| Food Service   |                     |                   |
| Capital outlay   | 725,010             | 359,236           |
| Debt service:  |                     |                   |
| Principal  |                     |                   |
| Interest and other charges                                   |                     |                   |
| Special Revenue  | 447,186             | 145,395           |
| Total expenditures   | <u>6,377,157</u>    | <u>4,058,712</u>  |
| Excess (Deficiency) of revenues<br>over (under) expenditures |                     |                   |
| <b>Other Financing sources (uses)</b>                        |                     |                   |
| Proceeds from borrowing                                      |                     |                   |
| Capital leases (non-budgeted)                                |                     |                   |
| Proceeds from refunding                                      |                     |                   |
| Payments to escrow agent                                     |                     |                   |
| Transfers in   |                     |                   |
| Transfers out  |                     |                   |
| Total other financing sources (uses)                         | <u>0</u>            | <u>0</u>          |
| Net change in fund balance                                   | <u>\$ (366,776)</u> | <u>\$ 277,856</u> |

**Source: School Financial Statements**

## **REVENUE CAPACITY**

**BELOVED COMMUNITY CHARTER SCHOOL  
 General Fund - Other Local Revenue By Source  
 For the Fiscal Years Ended June 30  
 (Unaudited)**

|      | <u>Sale of Capital<br/>Assets</u> | <u>Donations</u> | <u>Rentals</u> | <u>Prior Year<br/>Refunds</u> | <u>Sale and<br/>Leaseback of<br/>Textbooks</u> | <u>Other Local</u> | <u>Totals</u> |
|------|-----------------------------------|------------------|----------------|-------------------------------|--|--------------------|---------------|
| 2013 |                                   | \$122,100        |                |                               |  | \$49,980           | \$172,080     |
| 2014 |                                   | \$22,050         |                |                               |  | \$192,724          | \$214,774     |

Source: School Financial Statements

Exhibit J-6

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Assessed Value and Actual Value of Taxable Property**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-7**

**BELOVED COMMUNITY CHARTER SCHOOL  
Direct and Overlapping Property Tax Rates  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-8**

**BELOVED COMMUNITY CHARTER SCHOOL  
Principal Property Taxpayers  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

## **DEBT CAPACITY**

**Exhibit J-9**

**BELOVED COMMUNITY CHARTER SCHOOL  
Property Tax Levies and Collections  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-10**

**BELOVED COMMUNITY CHARTER SCHOOL  
Ratios of Outstanding Debt by Type  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-11**

**BELOVED COMMUNITY CHARTER SCHOOL  
Ratios of Net General Bonded Debt Outstanding  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-12**

**BELOVED COMMUNITY CHARTER SCHOOL  
Direct and Overlapping Governmental Activities Debt  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Exhibit J-13**

**BELOVED COMMUNITY CHARTER SCHOOL  
Legal Debt Margin Information  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**BELOVED COMMUNITY CHARTER SCHOOL  
Demographic and Economic Statistics  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**OPERATING INFORMATION  
(UNAUDITED)**

**Exhibit J-15**

**BELOVED COMMUNITY CHARTER SCHOOL  
Principal Employers  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Full-time Equivalent School Employees by Function/Program**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

| <u>Function/Program</u>                | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| Instruction                            |             |             |
| Regular                                | 30          | 24          |
| Special education                      | 3           | 2           |
| Other special education                |             | 3           |
| Vocational                             |             |             |
| Other instruction                      | 14          | 12          |
| Nonpublic school programs              |             |             |
| Adult/continuing education programs    |             |             |
| Support Services:                      |             |             |
| Student & instruction related services | 4           | 2           |
| General administration                 | 7           | 7           |
| School administrative services         |             |             |
| Other administrative services          |             |             |
| Central services                       |             |             |
| Administrative Information Technology  |             |             |
| Plant operations and maintenance       | 5           | 3           |
| Pupil transportation                   | 4           |             |
| Other support services                 |             |             |
| Special Schools                        |             |             |
| Food Service                           |             |             |
| Child Care                             |             |             |
| Total                                  | <u>67</u>   | <u>53</u>   |

**Source:** School Personnel Records

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Operating Statistics**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

| Fiscal Year | Enrollment | Operating Expenditures | Cost Per Pupil | Percentage Change | Teaching Staff | Pupil/Teacher Ratio          |                    | Average Daily Enrollment (ADE) | Average Daily Attendance (ADA) | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|------------------------|----------------|-------------------|----------------|------------------------------|--------------------|--------------------------------|--------------------------------|--------------------------------------|-------------------------------|
|             |            |                        |                |                   |                | Elementary and Middle School | Senior High School |                                |                                |                                      |                               |
| 2013        | 335        | 3,913,317              | 11,682         | N/A               | 27             | 11:1                         | N/A                | 335.2                          | 316.74                         | NA                                   | 94.50%                        |
| 2014        | 470        | 5,769,872              | 12,276         | 5.09%             | 34             | 14:1                         | N/A                | 470.4                          | 439.55                         | 40%                                  | 94.70%                        |

Sources: School records

**BELOVED COMMUNITY CHARTER SCHOOL**  
**School Building Information**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

|                               | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------|-------------|
| <b><u>School Building</u></b> |             |             |
| Main Campus                   |             |             |
| Square Feet                   | 59,000      | 35,000      |
| Capacity (students)           | 720         | 360         |
| Enrollment                    | 598         | 360         |
| Second Campus                 |             |             |
| Square Feet                   |             |             |
| Capacity (students)           |             |             |
| Enrollment                    |             |             |
| Number of Schools at June 30  |             |             |
| Elementary                    | 1           | 1           |

**Source:** School Office

**BELOVED COMMUNITY CHARTER SCHOOL  
General Fund - Schedule of Required Maintenance  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**NOT APPLICABLE**

**BELOVED COMMUNITY CHARTER SCHOOL**  
**Insurance Schedule**  
**For the Fiscal Year Ended June 30, 2014**  
**(Unaudited)**

|                         | <u>Coverage</u> | <u>Deductible</u> |
|-------------------------|-----------------|-------------------|
| School Package Policy   |                 |                   |
| Commercial Property     |                 |                   |
| Each Occurrence         | \$ 1,000,000    | \$ 5,000          |
| Damages/Rented Premises | 100,000         | 0                 |
| Medical                 | 20,000          | 0                 |
| Personal & Adv Injury   | 1,000,000       | 5,000             |
| General Aggregate       | 3,000,000       | 5,000             |
| Products -Comp/OP/AGG   | 3,000,000       | 5,000             |
| Automobile              | 1,000,000       | -                 |
| Umbrella                | 10,000,000      | -                 |
| Workers' Compensation   |                 |                   |
| Each Accident           | 1,000,000       | -                 |
| Disease - Each Employee | 1,000,000       |                   |
| Disease - Policy Limiy  | 1,000,000       |                   |
| Property                | 7,500,000       | 500               |

**CHARTER SCHOOL PERFORMANCE  
FRAMEWORK FINANCIAL INDICATORS**

**BELOVED COMMUNITY CHARTER SCHOOL  
FINANCIAL PERFORMANCE - FINANCIAL RATIOS  
FOR THE FISCAL YEARS ENDED JUNE 30  
Unaudited**

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

|                                  | <u>2014</u>        | <u>2013</u>        |
|----------------------------------|--------------------|--------------------|
| Cash                             | 347,751            | 559,656            |
| Current Assets                   | 692,526            | 711,977            |
| Capital Assets-Net               | 11,114,049         | 6,547,217          |
| Total Assets                     | <u>11,806,575</u>  | <u>7,259,194</u>   |
| Current Liabilities              | 794,711            | 434,121            |
| Long Term Liabilities            | 11,433,363         | 6,665,174          |
| Total Liabilities                | <u>12,228,074</u>  | <u>7,099,295</u>   |
| Net Position (Deficit)           | <u>(408,235)</u>   | <u>159,899</u>     |
| Total Revenue                    | 6,010,381          | 4,336,568          |
| Total Expenses                   | <u>(6,377,158)</u> | <u>(4,058,712)</u> |
| Change in Net Position (Deficit) | <u>(366,777)</u>   | <u>277,856</u>     |
| Depreciation                     | 166,357            | 73,201             |
| Principal Payments               | 0                  | 0                  |
| Interest payments                | 691,184            | 303,737            |
| Final average daily enrollment   | 470.4              | 317                |
| March 30th budgeted Enrollment   | 478                | 300                |
| Near term indicators             | <u>2014</u>        | <u>2013</u>        |
| CURRENT RATIO                    | 0.87               | 1.64               |
| Unrestricted days cash           | 22.77              | 50.33              |
| Enrollment variance              | 98%                | 100%               |
| Default                          | N/A                | NO                 |

**BELOVED COMMUNITY CHARTER SCHOOL  
FINANCIAL PERFORMANCE - FINANCIAL RATIOS  
FOR THE FISCAL YEARS ENDED JUNE 30  
Unaudited**

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

|                                  | <u>2014</u>        | <u>2013</u>        |
|----------------------------------|--------------------|--------------------|
| Cash                             | 347,751            | 559,656            |
| Current Assets                   | 692,526            | 711,977            |
| Capital Assets-Net               | 11,114,049         | 6,547,217          |
| Total Assets                     | <u>11,806,575</u>  | <u>7,259,194</u>   |
| Current Liabilities              | 794,711            | 434,121            |
| Long Term Liabilities            | 11,433,363         | 6,665,174          |
| Total Liabilities                | <u>12,228,074</u>  | <u>7,099,295</u>   |
| Net Position (Deficit)           | <u>(408,235)</u>   | <u>159,899</u>     |
| Total Revenue                    | 6,010,381          | 4,336,568          |
| Total Expenses                   | <u>(6,377,158)</u> | <u>(4,058,712)</u> |
| Change in Net Position (Deficit) | <u>(366,777)</u>   | <u>277,856</u>     |
| Depreciation                     | 166,357            | 73,201             |
| Principal Payments               | 0                  | 0                  |
| Interest payments                | 691,184            | 303,737            |
| Final average daily enrollment   | 470.4              | 317                |
| March 30th budgeted Enrollment   | 478                | 300                |
| Sustainability Indicators        | <u>2014</u>        | <u>2013</u>        |
| Total Margin                     | (6%)               | 6%                 |
| Debt to Asset                    | 1.04               | 0.978              |
| Cash Flow                        | (211,905)          | 559,656            |
| Debt Service Coverage Ratio      | 0.71               | 1.77               |

**SINGLE AUDIT SECTION K**

SCOTT J. LOEFFLER  
CERTIFIED PUBLIC ACCOUNTANT  
P. O. BOX 553  
EAST HANOVER, NEW JERSEY 07936

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**EXHIBIT K-1**

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beloved Community Charter School ("the Charter School"), in the County of Hudson, State of New Jersey, as of and for the fiscal year ending June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated November 10, 2014.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any

deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

I also noted certain matters that I reported to management of the Beloved Community Charter School in a separate report entitled, "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" dated November 10, 2014.

### **Purpose of this Report**

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J Loeffler CPA". The signature is written in a cursive style with a small "CPA" at the end.

Scott J Loeffler, CPA  
November 10, 2014

SCOTT J. LOEFFLER  
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**EXHIBIT K-2**

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

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

**Compliance**

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

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

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

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

### **Opinion on Each Major Federal and State Program**

In my opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state program for the fiscal year ended June 30, 2014.

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

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

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

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

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

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA  
November 10, 2014

**BELOVED COMMUNITY CHARTER SCHOOL  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2014**

| <b>Federal/Grantor<br/>Program Title</b> | <b>FEDERAL<br/>CFDA<br/>Number</b> | <b>Grant<br/>Period</b> | <b>Award<br/>Amount</b> | <b>Balance<br/>July 1,<br/>2013</b> | <b>Prior<br/>Carry<br/>over</b> | <b>Cash<br/>Received</b> | <b>Budgetary<br/>Expenditures</b> | <b>Refund<br/>of<br/>Prior<br/>Years'<br/>Balances</b> | <b>Adjustment</b> | <b>Deferred<br/>Revenue/<br/>(Accounts<br/>Receivable)<br/>June 30,<br/>2014</b> | <b>Due to<br/>Grantor<br/>at<br/>June 30,<br/>2014</b> |
|--|------------------------------------|-------------------------|-------------------------|-------------------------------------|---------------------------------|--------------------------|-----------------------------------|--|-------------------|--|--|
| Food Subsidy                             | N/A                                | N/A                     | N/A                     |                                     |                                 |                          |                                   |  |                   |  |  |
| <b>Special Revenue</b>                   |                                    |                         |                         |                                     |                                 |                          |                                   |  |                   |  |  |
| <b>NCLB</b>                              |                                    |                         |                         |                                     |                                 |                          |                                   |  |                   |  |  |
| Title I PART A                           | 84.010 A                           | 07/01/13-06/30/14       | 309,604                 | (25,503)                            |                                 | 335,107                  | 309,604                           |  |                   | 0  |  |
| Title II PART A                          | 84.367 A                           | 07/01/13-06/30/14       | 2,000                   | 0                                   |                                 | 2,000                    | 2,000                             |  |                   | 0  |  |
| Title III PART A                         | 84.365 A                           | 07/01/13-06/30/14       | 14,330                  | 0                                   |                                 | 14,330                   | 14,330                            |  |                   | 0  |  |
| Start Up Grant                           | 84.282                             | 07/01/13-06/30/14       | 61,552                  | (3,805)                             |                                 | 53,519                   | 61,552                            |  |                   | (11,838)   |  |
| IDEA PART B                              | 84.027 A                           | 07/01/13-06/30/14       | 60,240                  | (69,957)                            |                                 | 102,847                  | 60,240                            |  |                   | (27,350)   |  |
| Total Special Revenue                    |                                    |                         |                         | <u>(\$99,265)</u>                   |                                 | <u>\$507,803</u>         | <u>\$447,726</u>                  |  |                   | <u>(\$39,188)</u>  | ---  |

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

**BELOVED COMMUNITY CHARTER SCHOOL  
Schedule of Expenditures of State Awards  
For the Fiscal Year Ended June 30, 2014**

| <u>State Grantor/Program Title</u> | <u>Grant or State Project Number</u> | <u>Grant Period</u> | <u>Award Amount</u> | <u>Balance July 1, 2013</u> | <u>Cash Received</u> | <u>Budgetary Expenditures</u> | <u>Prior Years' Balances</u> | <u>Adjust.</u> | <u>Receivable at June 30, 2014</u> |
|------------------------------------|--------------------------------------|---------------------|---------------------|-----------------------------|----------------------|-------------------------------|------------------------------|----------------|------------------------------------|
| <b>GENERAL FUND</b>                |                                      |                     |                     |                             |                      |                               |                              |                |                                    |
| TPAF Social Security               | 14-495-034-5095-002                  | 9/1/13-06/30/14     | 126,274             |                             | 126,274              | 126,274                       |                              |                |                                    |
| On Behalf Pension and Medical      | 14-495-034-5095-001                  | 9/1/13-06/30/14     | -                   |                             | -                    | -                             |                              |                |                                    |
| Equalization Aid - Local           | 14-495-034-5120-078                  | 9/1/13-06/30/14     | 3,561,950           |                             | 3,561,950            | 3,561,950                     |                              |                |                                    |
| Equalization Aid - State           | 14-495-034-5120-078                  | 9/1/13-06/30/14     | 1,312,149           |                             | 1,312,149            | 1,312,149                     |                              |                |                                    |
| Special Education                  | 14-495-034-5120-089                  | 9/1/13-06/30/14     | 43,815              |                             | 43,815               | 43,815                        |                              |                |                                    |
| Non-Public Aid                     | 14-495-034-5120-060                  | 9/1/13-06/30/14     | 107,910             |                             | 107,910              | 107,910                       |                              |                |                                    |
| Security Aid                       | 14-495-034-5120-084                  | 9/1/13-06/30/14     | 191,221             |                             | 191,221              | 191,221                       |                              |                |                                    |
|                                    |                                      |                     |                     |                             | <u>          </u>    | <u>          </u>             |                              |                |                                    |
| Total General Fund                 |                                      |                     |                     | --                          | 5,343,319            | 5,343,319                     |                              |                |                                    |
| <b>ENTERPRISE FUND</b>             |                                      |                     |                     |                             |                      |                               |                              |                |                                    |
| State School Lunch                 | N/A                                  | N/A                 | N/A                 |                             |                      |                               |                              |                |                                    |
| Total Enterprise                   |                                      |                     |                     |                             |                      |                               |                              |                |                                    |
|                                    |                                      |                     |                     |                             | <u>          </u>    | <u>          </u>             |                              |                | <u>          </u>                  |
| <b>GRAND TOTAL</b>                 |                                      |                     |                     | <u>          </u>           | <u>5,343,319</u>     | <u>5,343,319</u>              |                              |                | <u>          </u>                  |

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

**BELOVED COMMUNITY CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
AND STATE ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

**BELOVED COMMUNITY CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
AND STATE ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

|   | <b>Federal</b>        | <b>State</b>            | <b>Total</b>            |
|---|-----------------------|-------------------------|-------------------------|
| General Fund                              | \$ -0-                | \$ 5,343,319            | \$ 5,343,319            |
| Special Revenue Fund                      | -0-                   | -0-                     | -0-                     |
| Food Service Fund                         | <u>447,186</u>        | <u>-0-</u>              | <u>447,186</u>          |
| <br>Total Awards and Financial Assistance | <br><u>\$ 447,186</u> | <br><u>\$ 5,343,319</u> | <br><u>\$ 5,790,505</u> |

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER INFORMATION**

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the fiscal year ended June 30, 2014. TPAF Social Security Contributions of \$126,274 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2014.

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

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

**BELOVED COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statement Section**

|   |                   |                  |
|---|-------------------|------------------|
| Type of auditor’s report issued:  | Unmodified        |                  |
|   | <b><u>YES</u></b> | <b><u>NO</u></b> |
| Internal control over financial reporting:                                      |                   |                  |
| Material weakness(es) identified:   | <b>X</b>          |                  |
| Significant deficiencies identified not considered to be material weakness(es)? | <b>X</b>          | None Reported    |
| Noncompliance material to financial statements noted?                           | <b>X</b>          |                  |

**Federal Awards**

|  |            |               |
|--|------------|---------------|
| Internal control over compliance:  |            |               |
| Material weakness(es) identified?  | <b>X</b>   |               |
| Significant deficiencies identified not considered to be material weakness(es)?                                  | <b>X</b>   | None Reported |
| Type of auditor’s report on compliance for major programs:   | Unmodified |               |
| Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)? | <b>X</b>   |               |

Identification of major programs:

|                               |                                       |
|-------------------------------|---------------------------------------|
| <b><u>C DFA Number(s)</u></b> | <b><u>Name of Federal Program</u></b> |
| None                          | None                                  |

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs (.520) | \$300,000 |
|--|-----------|

|  |          |
|--|----------|
| Auditee qualified as low risk auditee: | <b>X</b> |
|--|----------|

**BELOVED COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

| <b>State Awards</b>   | <b><u>YES</u></b> | <b><u>NO</u></b> |                              |
|---|-------------------|------------------|------------------------------|
| Dollar threshold used to distinguish between type A and type B programs (.520)                                | \$300,000         |                  |                              |
| Auditee qualified as low risk auditee:  | <b>X</b>          |                  |                              |
| Type of auditor’s report issued:  |                   | Unmodified       |                              |
| Internal control over major programs:   |                   |                  |                              |
| Material weakness(es) identified:   |                   | <b>X</b>         |                              |
| Significant deficiencies identified not considered to be material weakness(es)?                               |                   | <b>X</b>         | None<br>Reported             |
| Type of auditor’s report on compliance for major programs:  |                   | Unmodified       |                              |
| Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04? |                   | <b>X</b>         |                              |
| Identification of major programs:   |                   |                  |                              |
| <u>C DFA Number(s)</u>  |                   |                  | <u>Name of State Program</u> |
| 14-495-034-5120-078   |                   |                  | Equalization School Aid      |

**BELOVED COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

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

**BELOVED COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

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

**BELOVED COMMUNITY CHARTER SCHOOL  
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Status of Prior Year Findings**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB's Circular 04-04.

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