

COMPASS ACADEMY CHARTER SCHOOL

**Compass Academy Charter School
Vineland, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

**Comprehensive Annual
Financial Report**

of the

Compass Academy Charter School

Vineland, New Jersey

For the Fiscal Year Ended June 30, 2014

**Prepared by
Compass Academy Charter School
Board of Trustees**

COMPASS ACADEMY CHARTER SCHOOL

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Introductory Section

Compass Academy Charter School
2384 E. Landis Avenue
Vineland, New Jersey 08361-2964

November 20, 2014

Honorable President,
Members of the Board of Trustees
Compass Academy Charter School
Vineland, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Compass Academy Charter School (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 Board of Trustees (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The CAFR is presented in four sections as follows: introductory, financial, statistical and single audit. The introductory section includes the transmittal letter, the School's organizational chart, a roster of officials, and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements, required supplementary information and other supplementary information, as well as the auditor's report therein. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and in unaudited. 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, Local Governments and Non-Profits Organizations", and the New Jersey OMB 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 auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

1. REPORTING ENTITY AND SERVICES:

The Compass Academy Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) in codification section 2100. All funds and account groups of the Compass Academy Charter School are included in this report. The Compass Academy Charter School's Board of Trustees, constitutes the Charter School's reporting entity.

The Charter School provides a full range of educational services appropriate to Grades K through 5. The Charter School completed the 2013-2014 school year with an enrollment of 105 students. By every indicator, the Charter School is a successful young charter school with great promise for the future. With a focus on helping students develop a stronger sense-of self as learners, a greater degree of academic achievement, and a healthy lifestyle for learning. The Charter School maintains a large waiting list for entrance and is armed with a strong Board, experienced staff, significant seed funding, a well-developed mission and accompanying core values.

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

- fiscal controls/compliance and financial stability
- increasing student enrollment
- expanding staff to accommodate program growth and student needs building competency in staff to perform required deliverables providing systemic professional development for staff
- facility and infrastructure enhancements
- institutionalizing the school's discipline and academic culture promoting student achievement outcomes/improving program design
- Creating a culture of learning and service to the community.

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

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

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

4. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

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

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

6. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

7. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, Certified Public Accountants, was selected by the Board of Trustees. 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 of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, "*Audits of State, Local Governments and Non-Profit Organization*" and State Treasury Circular Letter 04-04OMB, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*" The auditors' report on the basic financial statements and specific required supplemental 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.

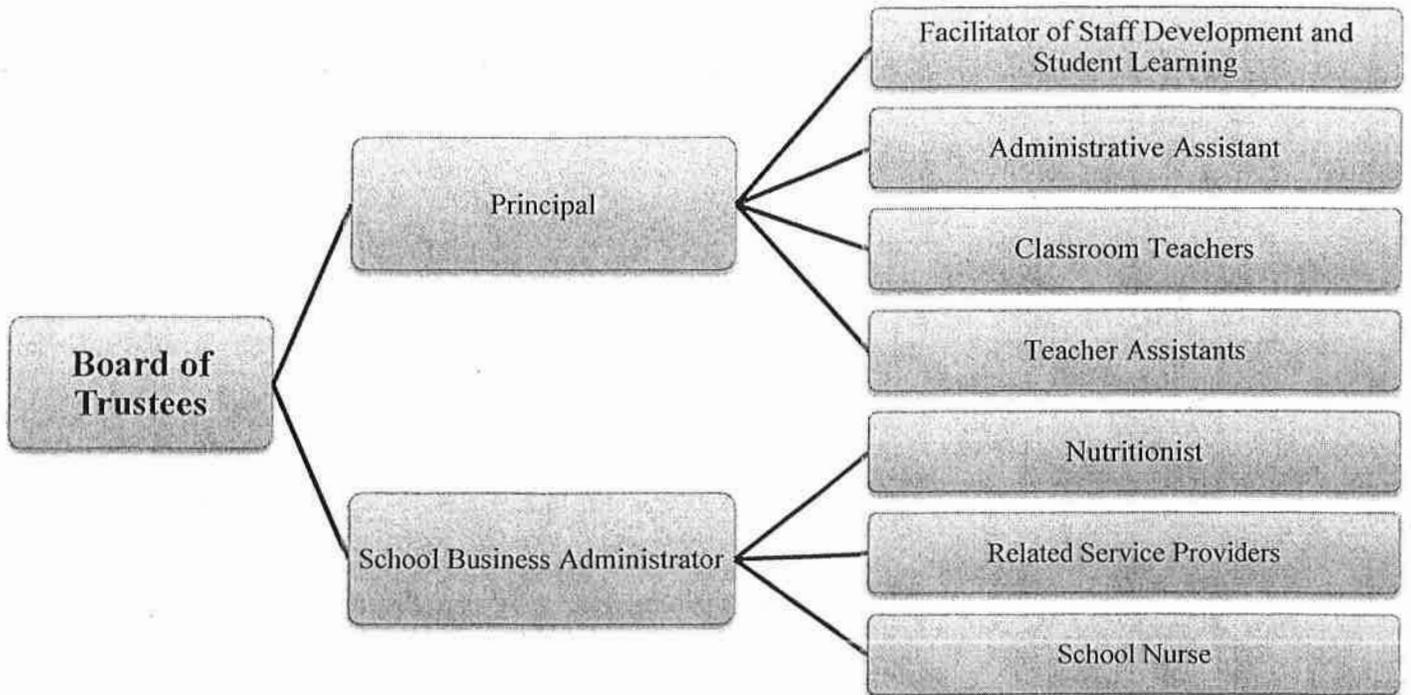
8. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Compass Academy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development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

Respectfully submitted,



Christopher J. Russo, Ed.D.
Board Secretary/Business Administrator

Compass Academy Charter School Organization Chart



**COMPASS ACADEMY CHARTER SCHOOL
VINELAND, NEW JERSEY**

ROSTER OF OFFICIALS JUNE 30, 2014

MEMBERS OF THE BOARD OF TRUSTEES	TERM
Sanford Tweedie, President	1/31/2016
Gary Holloway, Vice President	1/31/2016
Patricia Bacon, Member	1/31/2017
John Cortes, Member	1/31/2017
Sandy Hearing, Member	1/31/2016
Arthur Horn, Member	1/31/2015
Joel Johnston, Ex-Officio	
Lynn Lichtenberger, Member	1/31/2015
Suzanne Youngblood, Member	1/31/2017
Vacancy	1/13/2015

OTHER OFFICIALS

Susan E. Little, Principal
Chris Russo, Board Secretary/Business Administrator
George Rosenberger, Esq., Board Attorney

**COMPASS ACADEMY CHARTER SCHOOL
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North, Suite 402
Marlton, NJ 08053

Attorney

George G. Rosenberger, Jr.
18 North Main Street
Woodstown, NJ 08098

Official Depository

Capital Bank of New Jersey
PO Box 690
Vineland, NJ 08362

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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E-Mail: lscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Compass Academy Charter School
Vineland, 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 Compass Academy Charter School, in the County of Cumberland, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Charter School'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 Charter School'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.

Opinions

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 Compass Academy Charter School, in the County of Cumberland, State of New Jersey, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management'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 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 inquires 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 Compass Academy Charter School's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate 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 described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 12, 2014 on my consideration of the Compass Academy Charter School's internal control over financial reporting and 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 Compass Academy Charter School's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant

Marlton, New Jersey
September 12, 2014

INVERSO & STEWART, LLC
Certified Public Accountants

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-Member of-
American Institute of CPAs
New Jersey Society of CPAs

**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**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Compass Academy Charter School
Vineland, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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 Compass Academy Charter School, in the County of Cumberland, State of New Jersey, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Compass Academy 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 Compass Academy 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School'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 Compass Academy 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 instances of noncompliance or other matters that is 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 which is described in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as findings no: 2014-1, 2014-2, 2014-3, and 2014-4.

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.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 12, 2014

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Compass Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

As management of the Board of Trustees of the Compass Academy Charter School, we offer readers of the Charter School's financial statements this narrative overview and analysis of the Charter School for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The liabilities of the Charter School exceeded its assets at the close of the most recent fiscal year by \$6,867 (*net position*).
- Governmental activities have an unrestricted net position of (\$818).
- Fund balance of the Charter School's governmental funds increased by \$11,112 resulting in an ending fund balance of \$11,112. The increase is attributable to the results of operations in the General Fund.
- Business-type activities have a deficit unrestricted net position of \$6,050.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the Charter School's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the Charter School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the Charter School that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, and Special Revenue Fund. Business-type activities include the Food Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Charter School are divided into three categories: *governmental funds, proprietary funds, and fiduciary funds.*

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Charter School maintains two individual governmental funds. The major funds are the General Fund and the Special Revenue Fund. They are presented separately in the fund financial statements.

The Charter School adopts an annual appropriated budget for the General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the district-wide financial statements. The Charter School maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The Charter School's enterprise fund (Food Service Fund) is considered to be a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the Charter School's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the Charter School are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the Charter School. The majority of the current assets are the results of the local and state aid collection process.

The Charter School has no Capital assets as of June 30, 2014.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2014. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2014.

The liabilities of the primary government activities exceeded assets by (\$817) with an unrestricted balance of (\$818). The net position of the primary government does not include internal balances.

Compass Academy Charter School Comparative Summary of Net Position As of June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		District-Wide	
	2014	2013	2014	2013	2014	2013
Assets:						
Current assets	\$ 98,126	\$ -0-	\$ 15,258	\$ -0-	\$ 113,384	\$ -0-
Capital assets	-0-	-0-	-0-	-0-	-0-	-0-
Total assets	<u>98,126</u>	<u>-0-</u>	<u>15,258</u>	<u>-0-</u>	<u>113,384</u>	<u>-0-</u>
Liabilities:						
Current Liabilities	87,014	-0-	21,308	-0-	108,322	-0-
Noncurrent Liabilities	<u>11,929</u>	<u>-0-</u>	<u>-</u>	<u>-</u>	<u>11,929</u>	<u>-0-</u>
Total liabilities	<u>98,943</u>	<u>-0-</u>	<u>21,308</u>	<u>-0-</u>	<u>120,251</u>	<u>-0-</u>
Net position	<u>\$ (817)</u>	<u>\$ -0-</u>	<u>\$ (6,050)</u>	<u>\$ -0-</u>	<u>\$ (6,687)</u>	<u>\$ -0-</u>
Net position consist of:						
Restricted net position	\$ 1	-0-			1	-0-
Unrestricted net position	<u>(818)</u>	<u>-0-</u>	<u>(6,050)</u>	<u>-0-</u>	<u>(6,688)</u>	<u>-0-</u>
Net position	<u>\$ (817)</u>	<u>\$ -0-</u>	<u>\$ (6,050)</u>	<u>\$ -0-</u>	<u>\$ (6,687)</u>	<u>\$ -0-</u>

Governmental Activities

Governmental activities increased the net position of the Charter School by \$11,112 during the current fiscal year. This was the first year of operation for the Charter School.

Business-type Activities

Business-type activities decreased the Charter School District's net position by \$6,050.

**Compass Academy Charter School
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		District-Wide	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Charges for services			\$ 16,344		\$ 16,344	
Operating grants and Contributions			28,429		28,429	
General Revenues:						
Equalization Aid	\$ 916,274				916,274	
Unrestricted State Aid	193,525				193,525	
Other Revenues	25				25	
Total Revenues	1,109,824		44,773		1,154,597	
Expenses:						
Governmental Activities:						
Instruction	558,946				558,946	
Related Services	147,335				147,335	
Administrative Services	173,026				173,026	
Operations and Maintenance	108,719				108,719	
Employee Benefits	110,695				110,695	
Business-Type Activities:						
Food Service Operations			62,743		62,743	
Total Expenses	1,098,721		62,743		1,161,464	
Increase (decrease) in net Assets before transfers	11,103		(17,970)		(6,867)	
Transfers	(11,920)		11,920			
Changes in net position	(817)		(6,050)		(6,867)	
Net position, July 1,						
Net position, June 30,	\$ (817)		\$ (6,050)		\$ (6,867)	

Financial Analysis of the Governmental Funds

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter School's governmental funds reported a combined ending fund balance of \$11,112.

The unreserved fund balance for the School District at the end of the fiscal year includes a combination of an unreserved fund balance for the General Fund of \$11,111. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as reserved for encumbrances \$1.

The general fund is the chief operating fund of the Charter School.

General Fund Budgetary Highlights

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was \$11,111, while total fund balance (budgetary basis) was \$11,112. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$893,267. Unreserved fund balance (budgetary basis) represents 1.24% of expenditures while total fund balance (budgetary basis) represents 1.24% of that same amount.

Economic Factors and Next Year's Budget

The following factors were considered and incorporated into the preparation of the School District's budget for the 2014-15 fiscal year.

- The projected enrollment for the 2014-2015 school year is 152 students.
- The school budgeted for state aid based upon the projected enrollment count as calculated by the Office of School Finance.

Requests for Information

This financial report is designed to provide a general overview of the School's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Compass Academy Charter School Business Administrator at 856-899-5570.

Basic Financial Statements

District-Wide Financial Statements

COMPASS ACADEMY CHARTER SCHOOL
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 23,940	\$ 7,458	\$ 31,398
Receivables, net	<u>74,186</u>	<u>7,800</u>	<u>81,986</u>
Total assets	<u>98,126</u>	<u>15,258</u>	<u>113,384</u>
LIABILITIES:			
Accounts payable	51,215		51,215
Internal balances	(21,308)	21,308	-
Intergovernmental payable:			
Local Share	4,615		4,615
State Share	25,904		25,904
Unearned revenue	26,588		26,588
Noncurrent liabilities (Note 7):			
Due within one year			
Due beyond one year	11,929		11,929
Total liabilities	<u>98,943</u>	<u>21,308</u>	<u>120,251</u>
NET POSITION:			
Net investment in capital assets			
Restricted for:			
Other purposes	1		1
Unreserved retained earnings	<u>(818)</u>	<u>(6,050)</u>	<u>(6,868)</u>
Total net position	<u>\$ (817)</u>	<u>\$ (6,050)</u>	<u>\$ (6,867)</u>

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 450,955			\$ (450,955)		\$ (450,955)
Special education	107,991			(107,991)		(107,991)
Support Services:						
Student & instruction related services	147,335			(147,335)		(147,335)
General administrative services	31,769			(31,769)		(31,769)
School administrative services	89,999			(89,999)		(89,999)
Central services	51,258			(51,258)		(51,258)
Plant operations and maintenance	108,719			(108,719)		(108,719)
Employee benefits	110,695			(110,695)		(110,695)
Total governmental activities	<u>1,098,721</u>			<u>(1,098,721)</u>		<u>(1,098,721)</u>
Business-type activities:						
Food Service	62,743	\$ 16,344	\$ 28,429		\$ (17,970)	(17,970)
Total business-type activities	<u>62,743</u>	<u>16,344</u>	<u>28,429</u>		<u>(17,970)</u>	<u>(17,970)</u>
Total primary government	<u>\$ 1,161,464</u>	<u>\$ 16,344</u>	<u>\$ 28,429</u>	<u>\$ (1,098,721)</u>	<u>\$ (17,970)</u>	<u>\$ (1,116,691)</u>
General revenues:						
Taxes:						
Equalization Aid				916,274		916,274
Federal and state aid not restricted				193,525		193,525
Miscellaneous income				25		25
Transfer				(11,920)	11,920	
Total general revenues, special items, extraordinary items and transfers				<u>1,097,904</u>	<u>11,920</u>	<u>1,109,824</u>
Change in Net Position				<u>(817)</u>	<u>(6,050)</u>	<u>(6,867)</u>
Net Position—July 1						
Net Position—June 30				<u>\$ (817)</u>	<u>\$ (6,050)</u>	<u>\$ (6,867)</u>

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

Fund Financial Statements

COMPASS ACADEMY CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2014

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ -	\$ 23,940	\$ 23,940
Receivables, net	74,086		74,086
Interfund receivables, net	21,408	27,933	49,341
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 95,494</u>	<u>\$ 51,873</u>	<u>\$ 147,367</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	28,815	22,400	51,215
Interfund payable	27,933		
Intergovernmental payable:			
Local Share	4,615		4,615
State Share	23,019	2,885	25,904
Unearned revenues		26,588	26,588
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>84,382</u>	<u>51,873</u>	<u>108,322</u>
Fund Balances:			
Restricted for:			
Assigned to:			
Year-end encumbrances	1		1
Unassigned	11,111		11,111
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>11,112</u>	<u> </u>	<u>11,112</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 95,494</u>	<u>\$ 51,873</u>	<u> </u>

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

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Compensated Absences Payable

(11,929)

Net position of governmental activities

\$ (817)

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Local sources:			
Equalization Aid	\$ 174,540		\$ 174,540
Miscellaneous	25		25
Total revenues-local sources	174,565		174,565
Local sources			
State sources	741,734		741,734
Federal sources		\$ 193,525	193,525
Total revenues	916,299	193,525	1,109,824
EXPENDITURES:			
Current expense:			
Regular instruction	439,026		439,026
Special education instruction	61,801	46,190	107,991
Other instruction			
Support services and undistributed costs:			
Tuition			
Student & instruction related services	27,500	147,335	174,835
General administrative services	31,769		31,769
School administrative services	62,499		62,499
Central services	51,258		51,258
Plant operations and maintenance	108,719		108,719
Unallocated employee benefits	110,695		110,695
Total expenditures	893,267	193,525	1,086,792
Excess (deficiency) of revenues over (under) expenditures	23,032		23,032
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(11,920)		(11,920)
Total other financing sources (uses)	(11,920)		(11,920)
Net change in fund balance	11,112		11,112
Fund balances, July 1			
Fund balances, June 30	\$ 11,112	-	\$ 11,112

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

COMPASS ACADEMY 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 Year Ended June 30, 2014

Total net change in fund balances - governmental funds (from B-2)	\$ 11,112
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	
	<u>(11,929)</u>
Change in net position of governmental activities	<u>\$ (817)</u>

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities Enterprise Funds
	Food Service Program
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 7,458
Accounts receivable	7,800
Interfund receivables	
Inventories	
Total current assets	15,258
Total assets	\$ 15,258
 LIABILITIES	
Current liabilities:	
Interfund Payable	21,308
Total liabilities	21,308
 NET POSITION	
Unrestricted	(6,050)
Total net position	\$ (6,050)

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2014

	Business-type Activities Enterprise Funds
	Food Service Program
Operating revenues:	
Charges for services:	
Daily sales-reimbursable programs	\$ 16,344
Daily sales-non-reimbursable programs	
Total operating revenue	16,344
Operating expenses:	
Salaries	36,437
Supplies and materials	405
Cost of sales	24,314
Other expenses	1,587
Total operating expenses	62,743
Operating income (loss)	(46,399)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	417
Federal sources:	
National school lunch program	17,423
National school breakfast program	9,413
After School Snack	1,176
Operating transfer in	11,920
Total nonoperating revenues (expenses)	40,349
Change in net position	(6,050)
Net position- July 1	
Net position - June 30	\$ (6,050)

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2014

	Business-type Activities
	Enterprise Funds
	Food Service Program
Cash flows from operating activities:	
Receipts from customers	\$ 20,507
Payments to employees	(13,767)
Payments to suppliers	(31,831)
Net cash used for operating activities	(25,091)
Cash flows from noncapital financing activities:	
Operating transfer in	11,920
State sources	306
Federal sources	20,323
Net cash provided by non-capital financing activities	32,549
Net increase in cash and cash equivalents	7,458
Balances - July 1	7,458
Balances - June 30	\$ 7,458
Reconciliation of operating loss to net cash provided	
(used) by operating activities:	
Operating income (loss)	\$ (46,399)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in interfund payable	21,308
Total adjustments	21,308
Net cash provided by (used for) operating activities	\$ (25,091)

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 11,642</u>
Total assets	<u>\$ 11,642</u>
LIABILITIES:	
Interfund payable	\$ 100
Payroll deductions and withholdings	7,740
Scrip	131
Health Reimbursement	2,081
Due to student groups	<u>1,590</u>
Total liabilities	<u>\$ 11,642</u>

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

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

The Compass Academy Charter School is located in the County of Cumberland, State of New Jersey and was incorporated on March 20, 2012 and began its first year of education operations in September of 2013. It was created through the approval of its New Jersey Charter Schools Application by the State of New Jersey Department of Education. As a Charter School, the Compass Academy Charter School functions independently as an educational institution through a Board of Trustees (the "Board"). In accordance with their By-Laws of the Charter School, the Board is to consist of 11 individuals, 2 ex-officio non-voting members (the Chief School Administrator and the Executive Director of Let Me Learn, Inc. The 9 voting members shall consist of 3 parents (one from each of the Charter's Schools regions) and 6 at large community members. The 9 voting members will be nominated and elected by a majority of the board to serve 2 or 3 year terms, creating a staggered terms in order to establish a continuity of board membership and to have a quorum (5 board members) of the board to vote on all matters coming before the board. No board member can serve more than 6 years without a break in service. Eligible members include parents and community members-at-large.

A. Reporting Entity

The purpose of the Charter School is to educate Kindergarten and 5th grade students. The school was operated for the initial year of 2013-14, with an enrollment of 104 students. A school business administrator and a board secretary were appointed by the Board and are responsible for the administrative control of the Charter School.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Charter School holds the corporate powers of the organization
- the Charter School appoints a voting majority of the organization's board
- the Charter School is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Charter School
- there is a fiscal dependency by the organization on the Charter School

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 Charter School is not includable in any other reporting entity on the basis of such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Charter School's accounting policies are described below.

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

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide 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 primary government, except for fiduciary funds. The statements distinguish between those activities of the Charter School that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities and for the business-type activities of the Charter School. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the Charter School is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - During the fiscal year, 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. The fund financial statements provide information about the Charter School's funds, including fiduciary funds. Separate statements for each fund category- governmental, proprietary, and fiduciary – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting.

General Fund - The general fund is the general operating fund of the School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Compass Academy Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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 the "local levy" local share charter school aid, "local levy" state share charter school aid, categorical aid, revenues from other sources and appropriated fund balance. Expenditures are those in excess of \$2,000 which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, 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 and report the proceeds of specific revenues from State and Federal Governments (other than major capital projects, debt service or enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds - Proprietary funds are used to account for the Charter School's ongoing activities, which are similar to those in the private sector.

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

The Charter School's enterprises fund are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the Charter School.

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

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: trust funds and agency funds. 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 (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds; a scrip trust fund, a health reimbursement fund, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Charter School are included on the statement of net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued) - Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Charter School finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The Charter School records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as unearned revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general and special revenue funds. The budgets are submitted to the Department of Education for their approval. Budgets 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 mandated by the Department of Education and are detailed in the Charter School Budget Summary form that is part of the New Jersey Charter School Application and 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. 6:23A-16.2(f)1. Transfers of appropriations may be made by Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The budget, as detailed on Exhibit C-1 and Exhibit C-2, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the Charter School does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Charter School has received advances of grant awards, are reflected in the balance sheet as unearned revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - N.J.S.A. 17:9-41 et seq. establishes 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 Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits 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.

Tuition – The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the District of the Charter School or are non-resident students.

Inter-Fund Transactions – Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

Capital Assets – As of June 30, 2014, the Charter School has no fixed assets.

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 a 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 a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Charter School is eligible to realize the revenue.

Fund Equity - Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charter School Funding - The Charter School is largely funded on its enrollment through the local levy and categorical aid, which follows a particular student. Funding flows from the State to the District Board of Education and then to the Charter School. In accordance with N.J.S.A. 184:364-12 "the school district of residence shall pay directly to the Charter School for each student enrolled in the Charter School who resides in the district a presumptive amount equal to 90% of the local tax levy budget per pupil for the specific grade level in the district. At the discretion of the commissioner and at the time the Charter is granted, the commissioner may require the School District of residence to pay directly to the Charter School for each student enrolled in the Charter School an amount equal to less than 90%, or an amount, which shall not exceed 100% of the local levy budget per pupil for the specific grade in the district of residence. The per pupil amount paid to the Charter School shall not exceed the local levy budget per pupil for the specific grade level in the District in which the Charter School is located. The District of residence shall also pay directly to the Charter School any categorical aid attributable to the student, provided the student is receiving appropriate categorical services and any federal funds attributable to the student."

During the school year, a charter school shall conduct an enrollment count on October 15, and the last day of the school year. A charter school shall submit each count through a summary school register for the purposes of determining average daily enrollment. Based on these counts, a charter school's revenue is adjusted accordingly.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Fund Balance - The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods.

Lease Acquisition Costs - As part of any long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Charter School, these revenues are sales for the food service program. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the Charter School’s deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC).

Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. The Charter School’s amount on deposit of \$78,902 as of June 30, 2014, was insured under FDIC.

4. RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Receivables as of year-end for the District’s individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund	Total
State Aid	\$ 74,086	\$	\$ 111	\$ 74,197
Federal Aid			7,689	7,689
Other				
Total Accounts Receivable	\$ 74,086	\$	\$ 7,800	\$ 81,886

5. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2014, the following changes occurred in long-term obligations:

	Principal Outstanding July 1, 2013	Additions	Reductions	Principal Outstanding June 30, 2014	Amount Due Within One Year
Compensated Absences	\$ -0-	\$ 11,920	\$	\$ 11,920	\$ -

Compensated Absences

Compensated absences will be paid from the fund from which the employees’ salaries are paid.

**Compass Academy School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

6. **PENSION PLANS** – No employees have been enrolled in pension plans as of June 30, 2014.

7. 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; employee health and accident claims; and natural disasters. The Charter School has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The Charter School maintains commercial insurance for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

A complete schedule of insurance coverage can be found in the "Statistical Section" of this report.

8. COMPENSATED ABSENCES

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. Upon termination, employees are paid for accrued vacation. The Charter School's policy permits employees to accumulated unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the Charter School for the unused sick leave in accordance with the Charter School's agreements with the various employee unions.

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2014, the liability for compensated absences in the governmental activities was \$11,929.

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2014. The following interfund balances were recorded on the various balance sheets as of June 30, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 21,408	\$ 27,933
Special Revenue	27,933	
Trust		100
Food Service		21,308
	<u>\$ 49,341</u>	<u>\$ 49,341</u>

All interfund balances are expected to be paid or collected within the subsequent year.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

10. CONTINGENCIES

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.

At June 30, 2014, grant expenditures have not been audited by the granting agency, but the Charter School believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Charter School. Additionally, unearned revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

11. FUND BALANCES

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the Charter School's intent to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Charter School's fund balance are summarized as follows:

General Fund:

Other Purposes – At June 30, 2014 the School District has \$1 of encumbrances outstanding for purchase orders and contracts signed by the Charter School, but not completed, as of the close of the fiscal year.

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund – As of June 30, 2014, \$11,111 of general fund balance was unassigned.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Equalization aid	\$ 202,783	\$ (28,243)	\$ 174,540	\$ 174,540	
Miscellaneous				25	\$ 25
Total local sources	<u>202,783</u>	<u>(28,243)</u>	<u>174,540</u>	<u>174,565</u>	<u>25</u>
State sources:					
Categorical special education aid	74,372	(74,372)			
Equalization aid	750,471	(36,123)	714,348	714,348	
Security aid	33,486	(6,100)	27,386	27,386	
Total state sources	<u>858,329</u>	<u>(116,595)</u>	<u>741,734</u>	<u>741,734</u>	
TOTAL REVENUES	<u>1,061,112</u>	<u>(144,838)</u>	<u>916,274</u>	<u>916,299</u>	<u>25</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	322,898	(219,011)	103,887	103,737	150
Grades 1-5		218,410	218,410	218,215	195
Total Instruction	<u>322,898</u>	<u>(601)</u>	<u>322,297</u>	<u>321,952</u>	<u>345</u>
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	26,000	(361)	25,639	25,639	-
Purchased professional - educ services	17,000	(9,831)	7,169	7,088	81
Other purchased services	3,417	371	3,788	3,398	390
General supplies	61,086	(12,610)	48,476	48,476	
Textbooks	47,500	(15,884)	31,616	31,616	
Other objects	1,140	(28)	1,112	857	255
Total Undistributed Instruction	<u>156,143</u>	<u>(38,343)</u>	<u>117,800</u>	<u>117,074</u>	<u>726</u>
Total - Regular Programs - Instruction	<u>479,041</u>	<u>(38,944)</u>	<u>440,097</u>	<u>439,026</u>	<u>1,071</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend -Health Services					
Salaries	\$ 40,000	\$ (2,431)	\$ 37,569	\$ 37,569	
Total Undst. Expend. - Health Services	40,000	(2,431)	37,569	37,569	
Undist. Expend. - Speech, OT, PT, Related Svcs					
Purchased professional - educ services	25,000	(768)	24,232	24,232	
Total Undist. Expend. - Speech, OT, PT, Related Svcs	25,000	(768)	24,232	24,232	
Undist. Expend. - Guidance					
Salaries of other professional staff	40,000	(12,500)	27,500	27,500	
Total Undst. Expend. - Guidance	40,000	(12,500)	27,500	27,500	
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	24,960	(1,306)	23,654	23,654	
Legal services	10,000	(7,655)	2,345	2,345	
Architectural/Engineering Services	7,416	(7,356)	60	20	\$ 40
Communications/Telephone	2,655	(2,020)	635	634	1
Other purchased services (400-500)	2,256	(1,567)	689	688	1
General supplies	6,680	(5,420)	1,260	1,203	57
Miscellaneous expenditures	8,887	(5,662)	3,225	3,225	
Total Undst. Expend. - Supp. Serv. General Admin.	62,854	(30,986)	31,868	31,769	99

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. School Admin. Salaries of principals/assist. principals	\$ 68,749	\$ (6,250)	\$ 62,499	\$ 62,499	
Total Undst. Expend. - Supp. Serv. School Admin.	<u>68,749</u>	<u>(6,250)</u>	<u>62,499</u>	<u>62,499</u>	
Undist. Expend. - Central Services Purchased professional services Interest on current loans	45,000 4,250	(1,020) (2,313)	43,980 1,937	43,890 1,937	\$ 90
Total Undst. Expend. - Central Services	<u>49,250</u>	<u>(3,333)</u>	<u>45,917</u>	<u>45,827</u>	<u>90</u>
Undist. Expend. - Admin. Info. Tech. Purchased technical services	10,000	(4,524)	5,476	5,431	45
Total Undst. Expend. - Admin. Info. Tech.	<u>10,000</u>	<u>(4,524)</u>	<u>5,476</u>	<u>5,431</u>	<u>45</u>
Total Undst. Expend. - Central Svc & Admin. Info. Tech.	<u>59,250</u>	<u>(7,857)</u>	<u>51,393</u>	<u>51,258</u>	<u>135</u>
Undist. Expend. - Custodial Services Salaries Cleaning, repair, and maintenance services Rental of Land & Bldg Other than Lease Insurance General supplies	25,000 1,000 61,000 16,000 6,000	(752) (750) (200) (16) (323)	24,248 250 60,800 15,984 5,677	24,040 250 60,800 15,984 5,395	208
Total Undst. Expend. - Custodial Services	<u>109,000</u>	<u>(2,041)</u>	<u>106,959</u>	<u>106,469</u>	<u>490</u>
Undist. Expend. - Care and Upkeep of Grounds Salaries Cleaning, repair, and maintenance services	10,000	(7,750)	2,250	2,250	
Total Undst. Expend. - Care and Upkeep of Grounds	<u>10,000</u>	<u>(7,750)</u>	<u>2,250</u>	<u>2,250</u>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2014

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Undist. Expend. - Student Trans. Services					
Contr. serv. (other than bet. home & sch.) - vendors	\$ 1,200	\$ (1,200)			
Total Undst. Expend. - Student Trans. Services	<u>1,200</u>	<u>(1,200)</u>			
Unallocated Benefits - Employee Benefits					
Group insurance					
Social security contributions	45,000	(2,930)	\$ 42,070	\$ 42,070	
Unemployment Compensation	25,000	(2,647)	22,353	22,353	
Workmen's Compensation	20,018	(8,837)	11,181	11,181	
Health benefits	56,000	(11,617)	44,383	35,091	\$ 9,292
Total Unallocated Benefits - Employee Benefits	<u>146,018</u>	<u>(26,031)</u>	<u>119,987</u>	<u>110,695</u>	<u>9,292</u>
Total General Current Expense	<u>1,041,112</u>	<u>(136,758)</u>	<u>904,354</u>	<u>893,267</u>	<u>11,087</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>20,000</u>	<u>(8,080)</u>	<u>11,920</u>	<u>23,032</u>	<u>11,112</u>
Other Financing Sources (Uses):					
Transfer to Food Service Fund	(20,000)	8,080	(11,920)	(11,920)	
Total Other Financing Sources	<u>(20,000)</u>	<u>8,080</u>	<u>(11,920)</u>	<u>(11,920)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)				<u>11,112</u>	<u>11,112</u>
Fund Balance, July 1					
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,112</u>	<u>\$ 11,112</u>
Recapitulation of Fund Balance					
Assigned Fund Balance					
Year-end Encumbrances				\$ 1	
Designated for Subsequent Years Expenditures				11,111	
Unassigned Fund Balance				<u>11,112</u>	

COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources	\$ 324,819		\$ 324,819	\$ 193,525	\$ (131,294)
Total revenues	324,819		324,819	193,525	(131,294)
EXPENDITURES:					
Instruction:					
Salaries of teachers	5,550		5,550	3,075	2,475
Purchased professional - educ. services	37,500		37,500	23,615	13,885
General supplies	85,734		85,734	19,500	66,234
Total instruction	128,784		128,784	46,190	82,594
Support services:					
Salaries of other professional staff	11,250		11,250	10,625	625
Salaries of secretaries & clerical assistants	5,414		5,414	5,414	
Personal services - employee benefits	2,255		2,255	2,055	200
Purchased professional - educ. services	98,792		98,792	75,206	23,586
Lease/Rentals	7,650		7,650	7,594	56
Other purchased services (400-500)	3,180		3,180	2,420	760
Supplies and materials	41,178		41,178	35,921	5,257
Other Objects	2,877		2,877	2,421	456
Total support services	172,596		172,596	141,656	30,940
Facilities acquisition and construction services:					
Instructional equipment	17,760		17,760		17,760
Non- Instructional equipment	5,679		5,679	5,679	
Total facilities acq. and const. services	23,439		23,439	5,679	17,760
Total expenditures	324,819		324,819	193,525	131,294
Total outflows	324,819		324,819	193,525	131,294
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

COMPASS ACADEMY CHARTER SCHOOL
Notes to Required Supplementary Information
Budgetary Comparison

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 916,299	\$ 193,525
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 916,299	\$ 193,525
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 893,267	\$ 193,525
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 893,267	\$ 193,525

Other Supplementary Information

Special Revenue Fund

COMPASS ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2014

	<u>Implementation Grant</u>	<u>Planning Grant</u>	<u>TOTAL</u>
REVENUES:			
Federal sources	\$ 54,178	\$ 139,347	\$ 193,525
Total Revenues	<u>54,178</u>	<u>139,347</u>	<u>193,525</u>
EXPENDITURES:			
Instruction:			
Salaries of teachers		3,075	3,075
Professional education services	23,615		23,615
General supplies	<u>19,500</u>		<u>19,500</u>
Total instruction	<u>43,115</u>	<u>3,075</u>	<u>46,190</u>
Support services:			
Salaries of Other Professionals		10,625	10,625
Salaries of Sec & Clerical Asst		5,414	5,414
Personal services-employee benefits		2,055	2,055
Purchased prof. and educational services	11,063	64,143	75,206
Lease/Rentals		7,594	7,594
Other purchased services (400-500)		2,420	2,420
Supplies and materials		35,921	35,921
Other objects		<u>2,421</u>	<u>2,421</u>
Total support services	<u>11,063</u>	<u>130,593</u>	<u>141,656</u>
Facilities acquisition and const. serv.:			
Non- Instructional equipment		<u>5,679</u>	<u>5,679</u>
Total facilities acquisition and const. serv.:		<u>5,679</u>	<u>5,679</u>
Total Expenditures	<u>54,178</u>	<u>139,347</u>	<u>193,525</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>

Proprietary Funds

COMPASS ACADEMY CHARTER SCHOOL
Enterprise Fund
Statement of Net Position
as of June 30, 2014

	Food Service Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 7,458
Accounts receivable:	
State	7,689
Federal	111
Total current assets	15,258
Total assets	\$ 15,258
LIABILITIES:	
Current liabilities:	
Interfund Payable	\$ 21,308
Unearned revenue	
Total current liabilities	21,308
NET POSITION:	
Unreserved	(6,050)
Total net position	\$ (6,050)

COMPASS ACADEMY CHARTER SCHOOL
Enterprise Fund

Statement of Revenues, Expenses and Change in Fund Net Position
for the Fiscal Year ended June 30, 2014

	Food Service Fund
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program	\$ 16,344
Total-daily sales-reimbursable programs	16,344
Daily sales non-reimbursable programs	<u> </u>
Total operating revenue	<u>16,344</u>
OPERATING EXPENSES:	
Salaries	36,437
Supplies and materials	405
Cost of sales	24,314
Other	1,587
Total operating expenses	<u>62,743</u>
Operating income (loss)	<u>(46,399)</u>
Non-operating revenues:	
State sources:	
State school lunch program	417
Federal sources:	
National school lunch program	17,423
National school breakfast program	9,413
After school snack program	1,176
Operating transfer in	<u>11,920</u>
Total non-operating revenues	<u>40,349</u>
Net income (loss)	(6,050)
Net Position - July 1	<u> </u>
Net Position - June 30	<u>\$ (6,050)</u>

COMPASS ACADEMY CHARTER SCHOOL
Enterprise Fund
Statement of Cash Flows
for the Fiscal Years ended June 30, 2014

	Food Service Fund
Cash flows from operating activities:	
Cash receipts from customers	\$ 20,507
Cash payments to employees for services	(13,767)
Cash payments to suppliers for goods and services	(31,831)
Net cash used by operating activities	(25,091)
Cash flows from noncapital financing activities:	
Operating transfer in	11,920
Cash received from state and federal reimbursements	20,629
Net cash provided by noncapital financing activities	32,549
Cash flows from investing activities:	
Interest on investments	—
Net cash provided by investing activities	—
Net increase (decrease) in cash and cash equivalents	7,458
Cash and cash equivalents, July 1	—
Cash and cash equivalents, June 30	\$ 7,458
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (46,399)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	
Federal commodities	
Change in assets and liabilities:	
Increase/(decrease) in interfund payable	21,308
Net cash used by operating activities	\$ (25,091)

Fiduciary Funds

COMPASS ACADEMY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Net Position
June 30, 2014

	Agency Funds				Total
	Student Activity	Payroll	Scrip	Health Reimbursement	
ASSETS:					
Cash and cash equivalents	\$ 1,590	\$ 7,740	\$ 231	\$ 2,081	\$ 11,642
TOTAL ASSETS	\$ 1,590	\$ 7,740	\$ 231	\$ 2,081	\$ 11,642
LIABILITIES:					
Interfund payable			100		100
Payroll deductions and withholdings		7,740			7,740
Scrip			131		131
Health Reimbursement				2,081	2,081
Due to student groups	1,590				1,590
Total liabilities	1,590	7,740	231	2,081	11,642
NET POSITION:					
Restricted for:					
Reserved for unemployment claims					
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -

COMPASS ACADEMY CHARTER SCHOOL
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2014</u>	<u>Balance</u> <u>June 30, 2014</u>
Delran School District Activity Funds	<u>\$ -</u>	<u>\$ 10,718</u>	<u>\$ 9,128</u>	<u>---</u>	<u>\$ 1,590</u>
Total	<u>\$ -</u>	<u>\$ 10,718</u>	<u>\$ 9,128</u>	<u>---</u>	<u>\$ 1,590</u>

COMPASS ACADEMY CHARTER SCHOOL
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
ASSETS:				
Cash and cash equivalents	\$ 50	\$ 648,691	\$ 641,001	\$ 7,740
Total assets	<u>\$ 50</u>	<u>\$ 648,691</u>	<u>\$ 641,001</u>	<u>\$ 7,740</u>
LIABILITIES:				
Payroll deductions and withholdings	25	208,018	200,328	7,715
Net payroll Interfund payable	25	440,673	440,673	25
Total liabilities	<u>\$ 50</u>	<u>\$ 648,691</u>	<u>\$ 641,001</u>	<u>\$ 7,740</u>

Statistical Section

Compass academy Charter School
Net Position by Component,
Last Fiscal Year
(accrual basis of accounting)

Exhibit J-1

	<u>2014</u>
Governmental activities:	
Net investment in capital assets	\$ -
Restricted for:	
Special revenue	
Capital projects	
Debt service	
Other purposes	1
Unrestricted	(818)
Total governmental activities net position	<u>\$ (817)</u>
Business-type activities:	
Net investment in capital assets	
Unrestricted	(6,050)
Total business-type activities net position	<u>\$ (6,050)</u>
District-wide:	
Net investment in capital assets	\$ -
Restricted:	
Special revenue	-
Capital projects	-
Debt service	-
Other purposes	1
Unrestricted	(6,868)
Total district net position	<u>\$ (6,867)</u>

Compass Academy Charter School
 Changes in Net Position, Last Fiscal Year
 (accrual basis of accounting)

Exhibit J-2

	<u>2014</u>
Expenses:	
Governmental activities:	
Instruction:	
Regular	\$ 450,955
Special education	107,991
Other instruction	-
Support Services:	
Tuition	-
Student & instruction related services	147,335
School administrative services	89,999
General and business administrative services	83,027
Plant operations and maintenance	108,719
Pupil transportation	-
Business and other support services	
Unallocated employee benefits	110,695
Special schools	
Charter schools	
Interest on long-term debt	-
Unallocated depreciation	-
Total governmental activities expenses	<u>1,098,721</u>
Business-type activities:	
Food service	62,743
Total business-type activities expense	<u>62,743</u>
Total district expenses	<u>\$ 1,161,464</u>
Program Revenues:	
Governmental activities:	
Operating grants and contributions	
Total governmental activities program revenues	<u>-</u>
Business-type activities:	
Charges for services:	
Food service	16,344
Operating grants and contributions	28,429
Capital grants and contributions	
Total business type activities program revenues	<u>44,773</u>
Total district program revenues	<u>44,773</u>
Net (Expense)/Revenue:	
Governmental activities	(1,098,721)
Business-type activities	(17,970)
Total district-wide net expense	<u>(1,116,691)</u>
General Revenues and Other Changes in Net Position:	
Governmental activities:	
Property taxes levied for general purposes, net	-
Taxes levied for debt service	-
Unrestricted grants and contributions	1,109,799
Investment earnings	-
Miscellaneous income	25
Transfers	(11,920)
Total governmental activities	<u>1,097,904</u>
Business-type activities:	
Investment earnings	-
Transfers	11,920
Total business-type activities	<u>11,920</u>
Total district-wide	<u>1,109,824</u>
Change in Net Position:	
Governmental activities	(817)
Business-type activities	(6,050)
Total district-wide	<u>(6,867)</u>

**Compass Academy Charter School
Fund Balances, Governmental Funds,
Last Fiscal Year**
(modified accrual basis of accounting)

Exhibit J-3

	<u>2014</u>
General Fund:	
Reserved for:	
Encumbrances	\$ 1
Unreserved	11,111
Total general fund	<u>\$ 11,112</u>
All Other Governmental Funds	
Reserved:	
Encumbrances	\$ -
Unreserved, reported in:	
Special revenue fund	-
Total all other governmental funds	<u>\$ -</u>

Compass Academy Charter School
Changes in Fund Balances, Governmental Funds,
Last Fiscal Year
(modified accrual basis of accounting)

Exhibit J-4

	<u>2014</u>
Revenues	
Equalization aid	\$ 174,540
Miscellaneous	25
State sources	741,734
Federal sources	<u>193,525</u>
Total revenue	<u>1,109,824</u>
Expenditures	
Instruction	
Regular Instruction	439,026
Special education instruction	107,991
Support Services:	
Student & instruction related services	174,835
School administrative services	62,499
General admin.services	31,769
Central services	51,258
Plant operations and maintenance	108,719
Employee benefits	110,695
Total expenditures	<u>1,086,792</u>
Excess (Deficiency) of revenues over (under) expenditures	23,032
Other Financing sources (uses)	
Transfers out	<u>(11,920)</u>
Total other financing sources (uses)	<u>(11,920)</u>
Net change in fund balances	<u>\$ 11,112</u>
Debt service as a percentage of non-capital expenditures	<u>-</u>

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay .

**Compass Academy Charter School
 General Fund - Other Local Revenue by Source
 Last Fiscal Year**
(modified accrual basis of accounting)

Exhibit J-5

<u>Fiscal Year Ending June 30,</u>	<u>Local Levy- Charter School Aid</u>	<u>Miscellaneous</u>	<u>Total</u>
2014	\$ 174,540	\$ 25	\$ 174,565
	<u>\$ 174,540</u>	<u>\$ 25</u>	<u>\$ 174,565</u>

Source: District records

**Compass Academy Charter School
Ratios of Outstanding Debt by Type
Last Fiscal Year**
(dollars in thousands, except per capita)

Exhibit J-10

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	<u>Total District</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Capital Leases</u>			
2014	N/A	N/A	N/A	-	a	a

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

a Not available

**Compass Academy Charter School
Demographic and Economic Statistics
Last Fiscal Year**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2014	e	e	e	e

Source:

^e Not available.

**Compass Academy Charter School
 Full-time Equivalent District Employees by Function/Program,
 Last Fiscal Year**

Exhibit J-16

	<u>2014</u>
<u>Function/Program</u>	
Instruction	
Regular	9
Special education	
Other special education	
Support Services:	
Student & instruction related services	2
School administrative services	2
General and business administrative services	
Plant operations and maintenance	1
Pupil transportation	
Other support services	1
Total	<u><u>15</u></u>

Source: District Personnel Records

Compass Academy Charter School
 Operating Statistics,
 Last Fiscal Year

Exhibit J-17

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil Teacher Elementary Ratio</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2014	104	\$ 1,096,792	\$ 10,546	N/A	7	14.9	104	98	N/A	94.47%

Sources: District records

Note: Enrollment based on annual October district count.

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

**Compass Academy Charter School
School Building Information
Last Fiscal Year**

Exhibit J-18

2014

District Building

Elementary

Compass Academy Charter School

Square Feet

12,000

Capacity (students)

159

Enrollment

104

Number of Schools at June 30, 2014

Elementary = 1

Source: Academy Office

**Compass Academy Charter School
Insurance Schedule
June 30, 2014**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Commercial Package:		
Blanket Building and Business Personal Property	\$ 30,000	\$ 1,000
General Liability	16,000,000	1,000
Blanket Hardware and Software	11,000,000	1,000
Employee Dishonesty Coverage	100,000	500
Business Auto	16,000,000	500
Pollution Liability	1,000,000/11,000,000	
Worker's Compensation (1)		
Accident /Disease	2,000,000	
School District Legal Liability (1)	16,000,000	10,000
Student Accident Coverage (2)		
Maximum Benefit	1,000,000	
Catastrophic Student Accident Coverage (3)	5,000,000	
Maximum Benefit		

- (1) N J School Board Association Insurance Group
- (2) Berkley Insurance Company
- (3) Markel Insurance Company

Source: Charter School records

Compass Academy Charter School
Financial Performance - Fiscal Ratios (Unaudited)
June 30, 2014
(modified accrual basis of accounting)

Exhibit J-21

	<u>2014</u>
Cash	\$ 31,398
Current Assets	81,986
Capital Assets, Net	-
Total Assets	<u>113,384</u>
Current Liabilities	108,322
Long Term Liabilities	<u>11,929</u>
Total Liabilities	<u>120,251</u>
Net Position	\$ (6,867)
Total Revenue	\$ 1,154,597
Total Expenses	<u>1,161,464</u>
Change in Net Position	\$ (6,867)
Depreciation Expense	N/A
Principal Payments	N/A
Interest Payments	N/A
Final Average Daily Enrollment	104
March 30th Budgeted Enrollment	145
Near Term Indicators	<u>2014</u>
Current Ratio	1.05
Unrestricted Days Cash	9.87
Enrollment Variance	71.72%
Default	No
Sustainability Indicators	
Total Margin	0%
Debt to Asset	100.06%
Cash Flow	31,398
Debt Service Coverage Ratio	N/A

Single Audit Section

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New Jersey Society of CPAs

K-2

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY OMB CIRCULAR A-133
AND NEW JERSEY OMB CIRCULAR 04-04**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Compass Academy Charter School
Vineland, New Jersey

Report on Compliance for Each Major State Program

I have audited Compass Academy Charter School (Charter School), in the County of Cumberland, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2014. The Charter School's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's 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, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and State of New Jersey OMB's Circular 04-04 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 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 state program. However, my audit does not provide a legal determination of the Charter School's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Compass Academy 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey OMB's Circular 04-04, 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 Compass Academy Charter School 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 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 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 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 the New Jersey OMB's Circular 04-04. Accordingly, this report is not suitable for any other purpose.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 12, 2014

COMPASS ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2013			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2014		
					Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education															
Special Revenue Fund:															
No Child Left Behind(N.C.L.B.)															
Title I - Current Year	84.010A	NCLB-6089-14	450	7/1/13 - 6/30/14					\$ 450				\$ 450		
Implementation Grant	84.282	PCS-6089-14	175,000	11/1/13 - 10/31/14				72,816	\$ (54,178)				18,638		
Planning Grant	84.282A	PCS-6089-13	149,819	1/15/13 - 9/15/13				142,232	(139,347)					\$ 2,885	
Total Special Revenue Fund					-	-	-	215,498	(193,525)	-	-	-	19,088	2,885	
U.S. Department of Agriculture															
Enterprise Fund:															
National School Lunch Program	10.555	N/A	17,423	9/1/13 - 6/30/14				12,711	(17,423)			\$ (4,712)			
National School Breakfast Program	10.553	N/A	9,413	9/1/13 - 6/30/14				6,893	(9,413)			(2,520)			
After School Snack Program	10.555	N/A	1,176	9/1/13 - 6/30/14				719	(1,176)			(457)			
Total Enterprise Fund					-	-	-	20,323	(28,012)	-	-	(7,689)	-	-	
Total Federal Awards					-	-	-	\$ 235,821	\$ (221,537)	-	-	\$ (7,689)	\$ 19,088	\$ 2,885	

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

COMPASS ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2014

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2013			Carryover (Walkover) Amount	Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2014		
				Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education														
<u>General Fund:</u>														
Equalization Aid	14-495-034-5120-078	714,348	7/1/13 - 6/30/14					\$ 659,450	\$ (714,348)		\$ (54,898)			
Security Aid	14-495-034-5120-084	27,386	7/1/13 - 6/30/14					25,434	(27,386)		(1,952)			
Total General Fund								684,884	(741,734)		(56,850)			
State Department of Agriculture														
<u>Enterprise Fund:</u>														
State School Lunch Program	14-100-010-3350-023	417	7/1/13 - 6/30/14					306	(417)		(111)			
Total Enterprise Fund								306	(417)		(111)			
Total State Financial Assistance								\$ 685,190	\$ (742,151)		\$ (56,961)			

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

**Compass Academy Charter School
Notes to Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2014**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal award activity of the Compass Academy Charter School. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

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

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 when the expenditures have been made.

The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or two June state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

Fund	Federal	State	Total
General		\$ 741,734	\$ 741,734
Special Revenue	\$ 193,525		193,525
Food Service	28,012	417	28,429
Total	\$ 221,537	\$ 742,151	\$ 963,688

**Compass Academy Charter School
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2014
(Continued)**

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

COMPASS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

- 1) Material weaknesses identified? yes X no
- 2) Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Not Applicable

Internal Control over major programs:

- 1) Material weakness(es) identified? yes no
- 2) Significant deficiencies identified that are not considered to be a material weakness? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 ? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee? yes no

COMPASS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section 1 -- Summary of Auditor's Results (Cont'd)

State Awards Section

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

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified that are not considered to be material weakness? yes X 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 N.J. OMB Circular 04-04? yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
14-495-034-5120-078	Equalization Aid

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

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

No findings identified.

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

**Section 3 -- Schedule of Federal Awards and State Financial Assistance
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.

FEDERAL AWARDS:

A federal single audit was not required.

STATE AWARDS:

No findings and/or questioned costs identified.

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

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*, OMB Circular A-133 and State of New Jersey OMB's Circular 04-04.

FINANCIAL STATEMENT FINDINGS

N/A

FEDERAL AWARDS

N/A

STATE AWARDS

N/A